



Unison Housing Limited and controlled entities

ABN: 73 076 581 112

Consolidated Financial report

For the year ended 30 June 2019

Pitcher Partners

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UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

The directors present their report together with the financial report of the group, being the Company and its controlled entities, for the year ended 30 June 2019 and auditor's report thereon.

Directors' names

The names of the directors in office at any time during or since the end of the year are:

Jane S. Evans (resigned 13 December 2018)

Lou Panaccio

Daniel Carter (appointed 14 December 2018)

Jane Hunt

Yvonne Turner

Barry Diamond (resigned 21 March 2019)

Ian McHutchison

Carolyn Healy (resigned 19 September 2019)

Barry Shepherd

Michelle Crawford (resigned 19 September 2019)

Alison McLeod (appointed 20 September 2019)

Paul Crapper (appointed 20 September 2019)

Caroline Radowski (appointed 20 September 2019)

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Company Secretary

The position was held by Ed Holmes.

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DIRECTORS' REPORT

Results

The accompanying financial statements include the full year of operations of Unison Housing Ltd and controlled entities "the Unison Group". The 2018 year comparative figures include the operations of the Unison Group.

In summary the Unison Group is in a sound financial position. In the last financial year, 2018-19, the Unison Group was able to meet all operating costs, pay the interest on its loans, and make loan capital repayments of \$5,092,000 (2018: \$10,503,958). The loan capital repayments are due to a short term positive cash position prior to property development work ramping up.

The Unison Group incurred a total comprehensive deficit of \$(634,108) (deficit 2018: \$(1,154,758)). In 2019, the Unison Group revenues were \$29,650,841 (2018: \$31,063,749), operating expenses of \$30,106,289 (2018: \$32,505,153) and there was a movement in the cash flow hedge reserve of \$(178,660) (2018: \$286,646).

The key measure used by management to assess the performance of the Unison Group is Underlying Earnings Before Interest, Tax, Depreciation and Amortisation and other specific items ("Underlying EBITDA"). Underlying EBITDA is used primarily because of the impact of depreciation, which is a significant non-cash expense, and capital grants, which are recorded as income upon satisfaction of performance conditions, whereas the cost of operating the houses will be incurred in the future. Underlying EBITDA is reconciled to the Deficit in the consolidated statement of profit or loss and other comprehensive income below.

	2019	2018
	\$	\$
Underlying EBITDA	2,670,135	2,056,703
Depreciation	(6,565,576)	(6,532,533)
Non-recurring expenses	(581,000)	(2,434,623)
Interest income	307,585	303,070
Borrowing costs	(1,387,082)	(1,555,678)
Capital grants	3,683,611	5,961,334
Profit on sale of fixed assets	1,416,879	760,323
Deficit	(455,448)	(1,441,404)

Positive factors contributing to the increase in Underlying EBITDA include stable vacancy rates for social tenancies and the fact our commercial services are achieving consistent profitability.

A decrease in revenue associated with fewer tenancies was matched by a proportional decrease in expenses. Notable changes in operational income and expenses include a sharp increase in insurance costs, reflecting market conditions and investment in consultants to develop a Strategic Asset Plan.

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As at 30 June 2019 the Unison Group had net assets of \$243,509,612 (2018: \$244,143,720). During the year an assessment was conducted by an external property consultant group and the Lifecycle Replacement Maintenance ('LRM') Reserve has been updated to reflect monies quarantined for future building replacement costs. The amount allocated to the LRM Reserve on 30 June 2019 totaled \$7,262,768 (2018: \$7,495,121). The LRM Reserve represents monies quarantined for mid-term (3-15 years) future expenditure of replacing various elements of a building as each element reaches the end of its economic life. By upgrading and replacing these building elements the company will ensure that the portfolio of properties continues to provide amenity to tenants and retain their value into the future.

The consolidated statement of profit or loss and other comprehensive income includes a movement in a cash flow hedge reserve of \$(178,660) (2018: \$286,647). Unison has fixed the interest rate it pays on a portion of its loan portfolio by entering into interest rate swap agreements with NAB and the balance of the cash flow hedge reserve is a result of the current market rates being lower than the fixed rates Unison pays. The purpose of entering into the interest rate swap agreements is to remove the uncertainty of interest rate fluctuations and allow the company to budget with certainty into the future.

Review of operations

During the current year the operations of the Unison Group were focused on the provision of affordable housing and homelessness assistance services to low income households and private rental management and owners corporation services.

As at the 30th June 2019 the Unison Group manage 2,577 (2018: 2,641) units across Victoria and South Australia and during the year provided homeless services to 3,557 (2018: 3,563) households. In addition owners corporation services were provided to a further 795 (2018: 799) lots.

Significant changes in state of affairs

There were no significant changes to the state of affairs in 2019.

Company objectives

The Unison Group is focused on providing housing and housing related services to people on low income and particularly, those who are homeless or at risk of homelessness.

A strategic plan was developed during the 2017 financial year and ends in 2020. The plan is based on extensive consultation with key stakeholders including tenants, staff, partner organisations and government. Over the life of this strategy Unison's focus will be on providing housing opportunities in areas where people might otherwise be excluded from the housing market. Unison will develop more mixed tenure properties, so that their housing reflects the diversity of the surrounding community. Using affordable housing as a base, Unison will create communities that are service rich and assist people to create lives they value. This means creating partnerships with other community service organisations, and connections to the wider community.

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DIRECTORS' REPORT

Principal activities

To carry out the company's strategies and to achieve its short-term and long-term objectives, the Unison Group engaged in the following principal activities during the year:

- ownership and management of long-term affordable housing.
- provision of a range of services to assist homeless households including crisis housing, transitional housing and information and referral services.
- management of private rental housing and owners corporation services.
- design and development of affordable housing projects.

Company performance

As a registered housing organisation, Unison are required to meet the performance standards established by the Office of the Registrar of Housing Agencies and report annually on performance against these Standards.

As a DHHS funded homelessness service, Unison are required to meet the Health and Human Services standards. Unison was audited in 2018/19 and passed, thus renewing accreditation for three years.

As a funded property and place management service in South Australia, Unison is also required to meet the performance standards of the South Australian Housing Trust and partner organisations.

The Unison Group also monitors its performance and legal obligations through an additional set of internal Key Performance Measures and compliance registers.

After balance date events

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Unison Group, the results of those operations, or the state of affairs of the group in future financial years.

Likely developments

The Unison Group will also embark on an asset recycling program to phase out many of its remaining rooming houses and contribute to the supply of affordable housing across Melbourne. The replacement of rooming houses with self contained apartments is part of Unison's vision to provide some of the most vulnerable people in the community with improved and more secure accommodation.

Environmental regulation

The Unison Group's operations are not impacted by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends paid, recommended and declared

The Company's Constitution precludes the payment of dividends.

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DIRECTORS' REPORT

Information on directors

Jane S. Evans	Appointed director September 2012 Resigned as director December 2018
Qualifications	Graduate Diploma in Business Administration, Graduate Diploma Australian Institute of Company Directors
Experience	Executive level manager in insurance, financial services, emergency services and not-for-profit organisations with focus on strategic planning and organisational change. Board positions have included non executive director of international and national not for profit organisations, including a professional association (executive coaching), as well as in the disability and education sectors with emphasis on strategic planning, governance and risk management.
Special responsibilities	Governance and Nominations Committee to December 2018
Lou Panaccio	Appointed director April 2013 Appointed director of Urban Communities Ltd November 2015
Qualifications	Bachelor of Economics, Chartered Accountant, Member of the Australian Institute of Company Directors.
Experience	Chartered accountant with strong management experience in business and healthcare services. Currently executive chairman of Health Networks Australia Investments Pty Ltd, non-executive chairman of Genera Biosystems Limited , non-executive director of Sonic Healthcare Limited , non-executive chairman of Avita Medical Limited, and non-executive chairman of Urban Communities Limited.
Special responsibilities	Finance, Audit and Risk Committee Governance and Nominations Committee
Daniel Carter	Appointed director December 2018
Qualifications	Master of Business Administration, University of Melbourne, Bachelor of Geomatic Engineering (Honours) and Bachelor of Science (Geography) from the University of Melbourne
Experience	Daniel has a background in IT and management consulting. He is passionate about the not for profit space and moved from consulting into a permanent role in the sector at Villa Maria Catholic Homes, as the current Manager, Business Development, Strategy and Innovation. Daniel brings a strong commitment to the vision and mission of Unison and to the growth of the housing sector. He offers to the Board of Unison contemporary strategic planning and IT skills tailored to the social services sector. Daniel is a member of the Australian Catholic Housing Alliance and the Australian Institute of Company Directors.
Special responsibilities	Finance, Audit and Risk Committee

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DIRECTORS' REPORT

Information on directors (Continued)

Paul Crapper	Appointed director September 2019
Qualifications	Business Degree majoring in Accounting, Company Directors Graduate Diploma and Advanced Graduate Diploma from the Australian Institute of Company Directors (AICD), Fellow of both CPA Australia and the AICD
Experience	<p>Paul has over three decades of experience in leadership, corporate services and stakeholder management across corporate and government sectors.</p> <p>Prior to joining the Unison Board in 2019, Paul has worked with state and local governments as a Chief Financial Officer and Director of Corporate Services, led the local government strategy of Aon (the world's largest risk management advisor) and worked on numerous not-for-profit Boards over the last 15-20 years.</p> <p>Paul has led numerous diversity and inclusion committees and initiatives over the last 15 years and is a White Ribbon Ambassador.</p>
Jane Hunt	Appointed director November 2014 Appointed director of Urban Communities Ltd November 2015 Appointed deputy Chair December 2018
Qualifications	Bachelor of Arts (Hons), Master of Arts (Hons), Master of Business (Leadership)
Experience	Held a number of executive positions in various not-for-profit organisations with emphasis on social entrepreneurship, strategic planning and governance.
Special responsibilities	Development Committee
Yvonne Turner	Appointed director December 2014
Qualifications	Bachelor of Commerce and Administration (Victoria University of Wellington, NZ), Master of Business Administration (Monash), Master of Marketing (Monash), Graduate, Diploma Australian Institute of Company Directors
Experience	<p>- Extensive executive experience and consulting in diverse commercial industries and the public sector. Executive roles have primarily incorporated business unit management, strategic planning, strategic marketing and management and new business development including establishing a national business as green fields.</p> <p>- Extensive nonexecutive and board experience in the NFP especially health including mental health.</p>
Special responsibilities	Finance, Audit and Risk Committee

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DIRECTORS' REPORT

Information on directors (Continued)

Barry Diamond	Appointed director March 2015 Resigned as director March 2019
Qualifications	Bachelor of Economics (Monash), Bachelor of Laws (Monash), Chartered Accountant, Australian Legal Practitioner, Master of Business Administration (Melbourne)
Experience	Tax and Legal Partner at PwC. Considerable experience advising on: - Property development, syndication, funds management - Major infrastructure projects and public private partnerships - Corporate restructures, takeovers and mergers, demergers, IPOs - Business acquisitions - Structured and project financing
Special responsibilities	Finance, Audit and Risk Committee
Caroline Radowski	Appointed director September 2019
Qualifications	Master of Business Administration, Master of Health Science, Bachelor of Health Science (Podiatry)
Experience	Caroline is an experienced leader with a demonstrated history of creating impactful and outcomes-focussed services for people and the community. She has executive experience in leading health, community development and higher education organisations. Caroline has a passion for ensuring that the most vulnerable, marginalised and disempowered people have every opportunity to participate, without barriers, both economically and socially within society. As an internationally published, recognised and a keynote speaker for service improvement, innovation and community empowerment, Caroline brings a unique set of essential skills to the governance of the organisation.
Ian McHutchison OAM	Appointed director November 2015 Appointed director of Urban Communities Ltd October 2008; Appointed Chair December 2018
Qualifications	B. Juris. LLB
Experience	Ian has a legal background and is a member of the advisory committee of the Fellowship for Indigenous Leadership (FIL) and a Board member of the Eva Tilley Memorial Home and MECWA. In 2009 he was awarded the Order of Australia Medal for services to the community. Ian is also a board member of Urban Communities Limited.
Special responsibilities	Development Committee Finance, Audit and Risk Committee Governance and Nominations Committee

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DIRECTORS' REPORT

Information on directors (Continued)

Carolyn Healy	Appointed director November 2015
Qualifications	Company Directors Course (Australian Institute of Company Directors Melbourne), Graduate Diploma of Business Administration (Latrobe University), Master of Arts - Health Studies (Latrobe University), Graduate Diploma of Education (Australian Catholic University), Bachelor of Arts (Melbourne University), Member - Australian Institute of Company Directors
Experience	Nominated by Individual Members of YCH, Caz brings a wealth of knowledge to the Board. Caz is highly respected for her years of experience, expertise and commitment to the Health and Community Services sector. Currently the Executive Director of Advocacy and Strategy at cohealth, Caz has held various GM roles in the community sector and led Doutta Galla Community Health as CEO for close to 9 years. To add to her long list of achievements and qualifications, Caz is also a member of the AICD.
Special responsibilities	Development Committee Governance and Nominations Committee
Barry Shepherd	Appointed director May 2016 Appointed director of Urban Communities Ltd September 2009
Qualifications	Licensed Real Estate Agent, Project Marketing - American Home Builders Association, Lecturer Melbourne University
Experience	Barry has been in the property industry for more than 40 years and ran his own property business prior to becoming a Director of Becton (retired 2010). Barry was responsible for marketing all Becton's residential projects in Australia together with retirement projects. Barry was previously Chairman of the Melbourne City Council Inner City Residential Committee and was a member of the Department of Infrastructure's Industry Advisory Panel. Barry was a member of the Moomba board for six years and is also a life member of Apex Australia. Barry has been a Director of the Beck Property Group since 2010. He regularly travels overseas to keep up with the latest in international medium density housing trends.
Special responsibilities	Development Committee

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DIRECTORS' REPORT

Information on directors (Continued)

Michelle Crawford

Appointed director October 2017

Qualifications

RMIT University Master of Social Science (Policy and Human Services)
University of Melbourne Graduate Diploma of Education (HIE - Adult)
Monash University Bachelor of Business
AICD Company Directors Course

Experience

Michelle has extensive senior management experience in the not for profit sector. Michelle is currently CEO of Concern Australia who work with young people aged 5-21 years in the areas of education; housing and homelessness; and youth justice. She has overseen programs in the areas of microfinance, financial inclusion, employment, education and training. Michelle also serves as a Director on the Board of First Nations Foundation.

Alison McLeod

Appointed director September 2019

Qualifications

Graduate Diploma of Agricultural Economics (University of New England),
Bachelor of Business (Property) (RMIT University)

Experience

Alison is a highly accomplished general manager with multi-disciplinary commercial experience on a national scale. Her professional services are now focused as a strategic advisor in the areas of advocacy, advisory, acquisition/disposal, and influencer in the housing affordability area working with the development industry, finance industry, disability sector and public policy advisors. By formal education and experience, Alison is an expert Property Valuer across all asset classes, with significant experience in both metropolitan and regional valuation. Alison's career has included the build out of a single valuer practice from start-up in regional Victoria into a substantial shareholding in the Opteon Property Group – a national independent property valuation firm employing more than 800 people. Alison is a member of the PCAs Victorian Residential Developers Committee, and Housing Affordability Working Groups for Planning Principles, Valuation and Finance, and Discount to Market Rentals and Tenancies. Alison's exemplary work ethic, commercial expertise, innate leadership abilities, communication and influencing skills have underpinned her success as a professional business owner, Valuation expert, trusted advisor and advocate. She is passionate about the challenges of housing affordability in Australia and globally, and about breaking this down into strategic, actionable focus areas.

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DIRECTORS' REPORT

Meetings of directors

Directors	Director's Meetings		Development		Governance and Nominations		Finance, Audit and Risk	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Jane S. Evans	2	1	-	-	2	1	-	-
Lou Panaccio	7	5	-	-	3	2	8	7
Daniel Carter	5	5	-	-	-	-	2	1
Jane Hunt	7	7	3	2	-	-	-	-
Yvonne Turner	7	7	-	-	-	-	8	8
Barry Diamond	5	5	-	-	-	-	6	6
Michelle Crawford	7	5	-	-	-	-	-	-
Ian McHutchison	7	7	2	1	2	1	2	1
Caz Healy	7	2	3	3	3	3	-	-
Barry Shepherd	7	7	3	2	-	-	-	-

Indemnification of officers

Directors and Officers of Unison Housing Limited are covered by insurance provided by the Department of Human Services through the Victorian Managed Insurance Authority (VMIA). The cover indemnifies Directors and Officers for third party claims for wrongful acts including alleged or actual breach of duty, breach of trust, neglect, error, misstatement, misleading statement, omission, breach of warranty or authority or other act wrongfully committed. The cover is for the Board as a whole, including new Directors during the year and past Directors. Indemnity limits are \$20 million per any one claim.

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DIRECTORS' REPORT

Auditor's independence declaration

A copy of the auditor's independence declaration under section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit for the financial year is provided with this report.

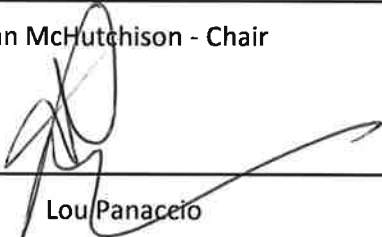
Proceedings on behalf of the group

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Signed on behalf of the Board of Directors.

Director: 

Ian McHutchison - Chair

Director: 

Lou Panaccio

Dated this 31 day of October 2019

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF UNISON COMMUNITY HOUSING LIMITED

In relation to the independent audit for the year ended 30 June 2019, to the best of my knowledge and belief there have been no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Unison Housing Limited and the entities it controlled during the year.



M J HARRISON

Partner



PITCHER PARTNERS

MELBOURNE

Date: 31 October 2019

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019	2018
		\$	\$
Revenue and other income			
Grant income	2	9,568,156	11,521,693
Interest and other revenue	2	508,888	676,697
Management income	2	2,447,103	2,282,120
Rental income	2	15,709,815	15,822,916
Other income	2	<u>1,416,879</u>	<u>760,323</u>
		<u>29,650,841</u>	<u>31,063,749</u>
Less: Operating expenses			
Bad and doubtful debt expense	3	(204,062)	(274,094)
Borrowing costs	3	(1,387,082)	(1,555,678)
Building impairment expenses		-	(172,781)
Depreciation and amortisation expense	3	(6,565,576)	(6,532,533)
Employee benefits expenses	3	(8,738,253)	(8,572,421)
Housing program expenses		(8,171,348)	(8,533,651)
Organisational operating expenses		(2,928,716)	(2,331,637)
Brokerage program expenses		(2,082,483)	(2,097,735)
Repairs expense	3	-	(2,434,623)
Other expenses		<u>(28,769)</u>	<u>-</u>
		<u>(30,106,289)</u>	<u>(32,505,153)</u>
Deficit		(455,448)	(1,441,404)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Movement in fair value of cash flow hedges		<u>(178,660)</u>	<u>286,646</u>
		<u>(178,660)</u>	<u>286,646</u>
Other comprehensive income for the year		<u>(178,660)</u>	<u>286,646</u>
Total comprehensive deficit		<u>(634,108)</u>	<u>(1,154,758)</u>

The accompanying notes form part of these financial statements.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	5	4,363,025	3,942,696
Receivables	6	585,132	618,427
Other financial assets	7	7,262,768	8,971,431
Other assets	8	316,978	687,797
Assets classified as held for sale	9	-	2,411,897
Total current assets		<u>12,527,903</u>	<u>16,632,248</u>
Non-current assets			
Property, plant and equipment	10	<u>264,791,826</u>	<u>265,572,679</u>
Total non-current assets		<u>264,791,826</u>	<u>265,572,679</u>
Total assets		<u>277,319,729</u>	<u>282,204,927</u>
Current liabilities			
Payables	11	3,514,791	3,632,498
Provisions	12	3,229,672	3,135,729
Other financial liabilities	13	1,174,051	995,391
Other liabilities	14	<u>3,815,513</u>	<u>3,847,939</u>
Total current liabilities		<u>11,734,027</u>	<u>11,611,557</u>
Non-current liabilities			
Borrowings	15	21,957,042	26,344,542
Provisions	12	<u>119,048</u>	<u>105,108</u>
Total non-current liabilities		<u>22,076,090</u>	<u>26,449,650</u>
Total liabilities		<u>33,810,117</u>	<u>38,061,207</u>
Net assets		<u>243,509,612</u>	<u>244,143,720</u>
Equity			
Reserves	16	6,088,717	6,499,730
Accumulated surplus		<u>237,420,895</u>	<u>237,643,990</u>
Total equity		<u>243,509,612</u>	<u>244,143,720</u>

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Contributed equity	Reserves	Accumulated Surplus	Total equity
	\$	\$	\$	\$
Consolidated				
Balance as at 1 July 2017	-	6,213,084	239,085,394	245,298,478
Deficit for the year	-	-	(1,441,404)	(1,441,404)
Movement in fair value of cash flow hedges	-	<u>286,646</u>	-	<u>286,646</u>
Total comprehensive income for the year	-	<u>286,646</u>	<u>(1,441,404)</u>	<u>(1,154,758)</u>
Balance as at 1 July 2018	-	6,499,730	237,643,990	244,143,720
Deficit for the year	-	-	(455,448)	(455,448)
Movement in fair value of cash flow hedges	-	<u>(178,660)</u>	-	<u>(178,660)</u>
Total comprehensive income for the year	-	<u>(178,660)</u>	<u>(455,448)</u>	<u>(634,108)</u>
Transfer from LRM reserve	-	<u>(232,353)</u>	<u>232,353</u>	-
Balance as at 30 June 2019	-	<u><u>6,088,717</u></u>	<u><u>237,420,895</u></u>	<u><u>243,509,612</u></u>

By virtue of Unison Housing Limited being a company limited by guarantee, there is no contributed equity.

The accompanying notes form part of these financial statements.

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

	Note	2019 \$	2018 \$
Cash flow from operating activities			
Receipts from clients and government		29,033,031	32,242,627
Payments to suppliers and employees		(22,892,862)	(22,245,067)
Interest received		-	26,613
Borrowing costs		<u>(1,387,082)</u>	<u>(1,555,678)</u>
Net cash provided by operating activities		<u>4,753,087</u>	<u>8,468,495</u>
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		3,828,777	2,593,853
Proceeds from sale of investments		2,017,056	4,655,000
Payment for property, plant and equipment		(985,144)	(6,209,475)
Payment for work in progress		<u>(4,805,947)</u>	<u>(932,139)</u>
Net cash provided by investing activities		<u>54,742</u>	<u>107,239</u>
Cash flow from financing activities			
Proceeds from borrowings		704,500	702,000
Repayment of borrowings		<u>(5,092,000)</u>	<u>(10,503,958)</u>
Net cash used in financing activities		<u>(4,387,500)</u>	<u>(9,801,958)</u>
Reconciliation of cash			
Cash at beginning of the financial year		3,942,696	5,168,920
Net increase / (decrease) in cash held		<u>420,329</u>	<u>(1,226,224)</u>
Cash at end of financial year	17(a)	<u>4,363,025</u>	<u>3,942,696</u>

The accompanying notes form part of these financial statements.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards - Reduced Disclosure Requirements, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Unison Community Housing Limited and its consolidated entities. Unison Housing Limited is a Company limited by guarantee, incorporated and domiciled in Australia. Unison Housing Limited is a not-for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the Directors as at the date of the Directors' report.

The following are the significant accounting policies adopted by the group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is obtained by the group and are de-recognised from the date that control ceases.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

ABN: 73 076 581 112

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New and revised accounting standards effective at 30 June 2019

The group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2018, including AASB 9: *Financial Instruments* (AASB 9).

AASB 9 replaces AASB 139: *Financial Instruments: Recognition and Measurement*. The key changes introduced by AASB 9 in relation to the accounting treatment for financial instruments include:

- simplifying the general classifications of financial assets into those measured at amortised cost and those measured at fair value;
- permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortised cost;
- requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- Introducing a new 'expected credit loss' impairment model (replacing the 'incurred loss' impairment model of the previous accounting standard).

The application of AASB 9 has impacted the classification and measurement of the group's investment portfolio.

Further details of the group's accounting policies in relation to accounting for financial instruments under AASB 9 are contained in note 1(g) .

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Grants received on the condition that specified services be delivered, or conditions fulfilled, are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled.

Non-reciprocal grant revenue is recognised when the grant is received or receivable.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Rent revenue is recognised when the right to receive the revenue has been established.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Income tax

No provision for income tax has been raised as the group is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits and cash held at call with financial institutions.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

ABN: 73 076 581 112

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the Group's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading and financial liabilities designated at FVtPL are subsequently measured at fair value.

All other financial liabilities recognised by the Group are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the Group's transactions with its customers.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Corporate bonds

Corporate bonds are debt instruments issued by both listed and unlisted companies, and are classified (and measured) at fair value through other comprehensive income on the basis that:

- (a) they are held within a business model whose objective is achieved by the group both collecting contractual cash flows and selling the financial assets; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

- (a) debt instruments measured at amortised cost;
- (b) debt instruments classified at fair value through other comprehensive income; and
- (c) receivables from contracts with customers and contract assets.

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The group determines expected credit losses using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The measurement of expected credit losses reflects the group's 'expected rate of loss', which is a product of the probability of default and the loss given default, and its 'exposure at default', which is typically the carrying amount of the relevant asset. Expected credit losses are measured as the difference between all contractual cash flows due and all contractual cash flows expected based on the group's exposure at default, discounted at the financial asset's original effective interest rate.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the group. Recoveries, if any, are recognised in profit or loss.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Hedge accounting

Certain derivatives are designated as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

At the inception of each hedging arrangement, the group documents the relationship between the hedging instrument and the hedged item, the group's risk management objectives and its strategy for undertaking hedging transactions. The group also documents its assessment, both at hedge inception and during the term of the arrangement, of the effectiveness of the hedging instrument in offsetting changes in fair values or cash flows (as applicable) of the hedged risk.

The group has recognised a cash flow hedge in relation to its interest rate swaps. Please refer to Note 13: Financial Liabilities.

(i) Cash flow hedge

To qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable.

Changes in the fair value of derivative that are designated and qualified as cash flow hedges are recognised in equity in the cash flow hedging reserve. This gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby offsetting any interest rate fluctuations that would have been recognised in the absence of the hedge

(h) Property, plant and equipment

Each class of property, plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Property

Property is measured on a cost basis.

Freehold land and buildings are measured on a cost basis. The cost of properties contributed by the Government for nil consideration are initially recognised at market value at the date of acquisition.

Plant and equipment

Plant and equipment is measured on the cost basis.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

Class of fixed asset	Depreciation rates	Depreciation basis
Buildings at cost	2.5%	Straight line
Plant and equipment at cost	2.5-40%	Straight line

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the group would, if deprived of the asset, replace its remaining future economic benefits, the recoverable amount is assessed on the basis of the asset's replacement cost.

(j) Leases

Leases are classified at their inception as operating based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

ABN: 73 076 581 112

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated statement of financial position.

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, and finance charges in respect of finance leases.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

(m) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTE 2: REVENUE AND OTHER INCOME

Management Income		
Owners Corporation management fees	500,977	560,742
Property management fees	1,233,581	1,169,752
Cleaning and maintenance fees	391,124	310,336
Other fees	<u>321,421</u>	<u>241,290</u>
	<u>2,447,103</u>	<u>2,282,120</u>
Grant Income		
Operating grants - operational	3,775,361	3,550,326
Operating grants - brokerage	2,109,184	2,010,033
Capital grants	<u>3,683,611</u>	<u>5,961,334</u>
	<u>9,568,156</u>	<u>11,521,693</u>
Interest and other revenue		
Interest income	307,585	303,070
Donations	-	21,445
Other revenue	<u>201,303</u>	<u>352,182</u>
	<u>508,888</u>	<u>676,697</u>
Rental Income	15,709,815	15,822,916
Profit on sale of property, plant and equipment	1,416,879	760,323

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 3: OPERATING DEFICIT		
Deficit has been determined after:		
Borrowing costs	1,387,082	1,555,678
Depreciation and amortisation	6,565,576	6,532,533
Bad and doubtful debts	204,062	274,094
Impairment	-	172,781
Employee benefits	8,738,253	8,572,421
Repairs expense	(a) -	2,434,623
Remuneration of auditors for:		
Audit and assurance services		
- Audit of the financial report	(60,650)	(64,700)
- Other non-audit services	(52,566)	(46,910)

(a) Description of repairs expense

In year ended 30 June 2018 it was identified that the Property located at 100 Mount Street, Heidelberg had damage due to moisture and water ingress issues. Furthermore there were properties identified in which cladding repair was required. Unison is committed to rectify these defects, which is reflected in the provision for repairs of \$2,434,623. As of 30 June 2019, the repair of the defects had not commenced. Refer to Note 12(a) for "Provisions".

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

ABN: 73 076 581 112

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2019	2018
\$	\$

NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the group

- short-term employee benefits	631,470	564,462
- termination benefits	<u>74,502</u>	<u>-</u>
	<u><u>705,972</u></u>	<u><u>564,462</u></u>

Directors of the Company are not paid fees or any other form of remuneration, as required by the Company Constitution.

The names of the directors who have held office during the year are:

Name	Appointment / resignation details
Jane S. Evan	Resigned 13 December 2018
Lou Panaccio	
Daniel Carter	Appointed 14 December 2018
Jane Hunt	
Yvonne Turner	
Barry Diamond	Resigned 21 March 2019
Michelle Crawford	
Ian McHutchison	
Caz Healy	
Barry Shepherd	

NOTE 5: CASH AND CASH EQUIVALENTS

Cash on hand	2,955	5,400
Cash at bank	4,360,070	3,915,655
Cash on deposit	<u>-</u>	<u>21,641</u>
	<u><u>4,363,025</u></u>	<u><u>3,942,696</u></u>

As at 30 June 2019, \$2,681,903 cash is held in a bank account in trust for the 150 Brunswick Street maintenance fund (30 June 2018: \$2,927,843). The Group has a contractual obligation to use the cash for the purposes of funding the maintenance of 150 Brunswick Street, Fitzroy.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

ABN: 73 076 581 112

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	\$	\$
NOTE 6: RECEIVABLES		
CURRENT		
Trade debtors	459,089	678,801
Provision for doubtful debts	<u>(257,513)</u>	<u>(247,582)</u>
	201,576	431,219
GST receivable	227,004	31,365
Other receivables	<u>156,552</u>	<u>155,843</u>
	<u><u>585,132</u></u>	<u><u>618,427</u></u>

Receivables

A receivable from a contract represents the group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e. only the passage of time is required before payment of the consideration is due). Invoicing generally occurs on a fortnightly basis.

The following table provides a reconciliation from the opening balance to the closing balance of the loss allowance for receivables from contracts with customers and other receivables:

	2019	2018
	\$	\$
Opening loss allowance	247,582	114,690
Increase / decrease from changes in expected cash flows	204,062	274,094
Decrease from derecognition of receivables assets	<u>(194,131)</u>	<u>(141,202)</u>
Closing loss allowance	<u><u>257,513</u></u>	<u><u>247,582</u></u>

NOTE 7: OTHER FINANCIAL ASSETS

CURRENT

Financial assets at fair value through other comprehensive income

Investment portfolio	<u>7,262,768</u>	<u>8,971,431</u>
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All financial assets at designed and measured at fair value through other comprehensive income.

For the year ended 30 June 2019, as a result of the transition to AASB 9 *Financial Instruments*, the investment portfolio is measured at fair value through other comprehensive income. The investment portfolio consist primarily of debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets. These are strategic investments and the group considers this classification to be more relevant.

Interest received is recognised through profit or loss, consistent with previous recognition requirements.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	\$	\$
NOTE 8: OTHER ASSETS		
CURRENT		
Prepayments	143,096	627,797
Accrued income	<u>173,882</u>	<u>60,000</u>
	<u>316,978</u>	<u>687,797</u>

NOTE 9: ASSETS CLASSIFIED AS HELD FOR SALE

At 30 June 2018 a two storey Victorian building located at 225 McKean Street, Fitzroy North was held for sale. It is situated on a land holding of 584 square metres. The property was sold on 4 August 2018 at a sale price above the carrying value.

At 30 June 2019 there were no properties classified as held for sale.

(a) Carrying amounts of assets and liabilities

<i>Assets</i>		
225 McKean Street, Fitzroy North (Residential Property)	<u>-</u>	<u>2,411,897</u>

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Land and buildings

At cost	312,124,006	311,818,127
Accumulated depreciation	<u>(54,385,924)</u>	<u>(48,395,834)</u>
	<u>257,738,082</u>	<u>263,422,293</u>

Plant and equipment

Plant and equipment at cost	3,217,409	2,749,169
Accumulated depreciation	<u>(1,800,958)</u>	<u>(1,645,309)</u>
	1,416,451	1,103,860
Capital work in progress	<u>5,637,293</u>	<u>1,046,526</u>
Total plant and equipment	<u>7,053,744</u>	<u>2,150,386</u>
Total property, plant and equipment	<u>264,791,826</u>	<u>265,572,679</u>

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
NOTE 10: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
(a) Reconciliations		
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year		
<i>Land and buildings</i>		
Opening carrying amount	263,422,293	265,990,632
Additions	438,110	5,932,733
Depreciation expense	(6,302,818)	(6,260,214)
Transfers from work in progress	180,497	171,039
Transfer to assets held for sale	-	(2,411,897)
Closing carrying amount	<u>257,738,082</u>	<u>263,422,293</u>
<i>Plant and equipment</i>		
Opening carrying amount	1,103,860	1,105,362
Additions	547,034	276,742
Disposals	(6,368)	(5,924)
Depreciation expense	(262,758)	(272,320)
Transfers from work in progress	34,683	-
Closing carrying amount	<u>1,416,451</u>	<u>1,103,860</u>
<i>Capital work in progress</i>		
Opening carrying amount	1,046,526	285,426
Additions	4,805,947	932,139
Transfers from work in progress	(215,180)	(171,039)
Closing carrying amount	<u>5,637,293</u>	<u>1,046,526</u>
<i>Total property, plant and equipment</i>		
Carrying amount at 1 July	265,572,679	267,381,420
Additions	5,791,091	7,141,614
Disposals	(6,368)	(5,924)
Depreciation expense	(6,565,576)	(6,532,534)
Transfer to assets held for sale	-	(2,411,897)
Carrying amount at 30 June	<u>264,791,826</u>	<u>265,572,679</u>

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

ABN: 73 076 581 112

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Property, plant and equipment pledged as security

The Director of Housing has a registered interest in the title of the freehold land and buildings of Unison Housing Ltd. Unison Housing Ltd cannot dispose of, use as security for borrowings, or otherwise transact using its property holdings without the prior consent of the Director of Housing.

As at 30 June 2019, several properties had been pledged as security for the borrowing identified in Note 15.

(c) Contributions in property, plant and equipment

The Commonwealth of Australia and the Director of Housing have made contributions in multiple land and buildings of Unison Housing Ltd. In the event that Unison is wound up, or in some instances if the asset is disposed of, Unison will be liable to repay a portion of the contribution to both the Director of Housing and the Commonwealth of Australia.

NOTE 11: PAYABLES

CURRENT

Unsecured liabilities

Trade creditors	821,191	2,068,918
Other payables	542,082	297,345
Accrued expenses	<u>2,151,518</u>	<u>1,266,235</u>
	<u>3,514,791</u>	<u>3,632,498</u>

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	\$	\$
NOTE 12: PROVISIONS		
CURRENT		
Employee benefits	795,049	701,106
Repairs	(a) <u>2,434,623</u>	<u>2,434,623</u>
	<u>3,229,672</u>	<u>3,135,729</u>
NON-CURRENT		
Employee benefits	<u>119,048</u>	<u>105,108</u>
Aggregate employee benefits liability	914,097	806,214

(a) Description of provisions

Unison are committed to recover costs in relation to provisions for repairs to property assets. The costs are sought to be recovered. As at the time of signing, no formal agreement has been executed indicating scope of cost recovery and no receivable has been recognised at 30 June 2019. The provision relates to the following properties:

- 100 Mount Street, Heidelberg
- 229 Barkly Street, Footscray
- 239 Brunswick Street, Footscray
- 29-33 Alma Street, Fitzroy

As at 30 June 2019, works have not commenced in relation to the provision for repairs.

NOTE 13: OTHER FINANCIAL LIABILITIES

CURRENT

Hedging instruments

Cash flow hedge

Interest rate hedging instrument

1,174,051 995,391

Hedging arrangements

Unison Housing Ltd has fixed the interest rate it pays on a portion of its loan portfolio by entering into interest rate swap agreements with NAB. The purpose of entering into the interest rate swap agreements is to remove the uncertainty of interest rate fluctuations and allow the company to budget with certainty into the future.

As at 30 June 2019 the following interest rate swaps were in place:

\$15,000,000 - Maturity date 1 January 2022. Fixed at 4.03%.

\$7,500,000 - Maturity date 1 October 2019. Fixed at 2.01%.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 14: OTHER LIABILITIES		
CURRENT		
Deferred income	628,362	920,096
Maintenance funds	<u>3,187,151</u>	<u>2,927,843</u>
	<u>3,815,513</u>	<u>3,847,939</u>
NOTE 15: BORROWINGS		
NON-CURRENT		
<i>Secured liabilities</i>		
Bank loans	<u>21,957,042</u>	<u>26,344,542</u>

(a) Assets pledged as security

(a) The loans are secured in full by a registered mortgage debenture over several properties within the Company's property portfolio.

(b) The current facility agreements total \$40,000,000 and expire on 1 July 2020.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

		2019	2018
		\$	\$
NOTE 16: RESERVES			
LRM reserve	16(a)	7,262,768	7,495,121
Cashflow hedge reserve	16(b)	<u>(1,174,051)</u>	<u>(995,391)</u>
		<u>6,088,717</u>	<u>6,499,730</u>

(a) LRM reserve

The Lifecycle Replacement Maintenance (LRM) Reserve represents monies quarantined for mid term (3-15 years) future expenditure of replacing various elements of a building as each element reaches the end of its economic life. The Company allocates funds to the LRM Reserve to ensure sufficient funds are set aside to meet future LRM costs and maintain the properties to an acceptable standard.

During the year an assessment was conducted by an external property consultant group and the Reserve has been updated to reflect monies quarantined for future building replacement costs. As such, in the financial year 2019, \$232,353 (2018: \$nil) was transferred from the LRM Reserve to accumulated surplus with the balance having been allocated in previous financial years.

Movements in reserve

Opening balance		7,495,121	7,495,121
Transfers		<u>(232,353)</u>	<u>-</u>
Closing balance		<u>7,262,768</u>	<u>7,495,121</u>

(b) Cashflow hedge reserve

The cash flow hedge reserve is used to record the market value of the interest rate swap contract.

Movements in reserve

Opening balance		(995,391)	(1,282,037)
Net change in fair value of cash flow hedging instruments		<u>(178,660)</u>	<u>286,646</u>
Closing balance		<u>(1,174,051)</u>	<u>(995,391)</u>

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

ABN: 73 076 581 112

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2019
\$

2018
\$

NOTE 17: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash on hand	2,955	5,400
Cash at bank	4,360,070	3,915,655
At call deposits with financial institutions	-	21,641
	<u>4,363,025</u>	<u>3,942,696</u>

NOTE 18: CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable		
- not later than one year	414,016	346,974
- later than one year and not later than five years	343,072	485,566
	<u>757,088</u>	<u>832,540</u>

General description of leasing arrangements - Rental of premises at 121 Victoria Street, Footscray, 1-13 Watton Street, Werribee, 180 Chetwynd Street, North Melbourne, vehicle fleet and photocopier lease.

NOTE 19: RELATED PARTY TRANSACTIONS

No transactions with related parties were entered into during the year ended 30 June 2019.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

ABN: 73 076 581 112

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 20: MEMBERS' GUARANTEE AND SUBSIDIARIES

Unison Housing Ltd

The parent entity is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the parent entity is wound up, the Constitution states that each member is required to contribute to a maximum of \$2 each towards meeting any outstandings and obligations of the parent entity. At 30 June 2019, the number of members was 90 (5 organisational and 85 individual members (2018: 87)).

Unison Property Corporation Pty Ltd

The entity is incorporated under the Corporations Act 2001 and is a proprietary company limited by shares. If the entity is wound up, the Constitution states that any property remains after satisfaction of all its debts and liabilities, this property must be given or transferred only to:

- A Charitable Beneficiary – provided at the time of the winding-up, dissolution or revocation the Charitable Beneficiary is a Charity that has objects similar to those of Unison and is a Deductible Gift Recipient; or
- Otherwise – a company, fund, institution or authority: which is a Charity that has objects similar to those of Unison which is a Deductible Gift Recipient; and whose constitution prohibits distributions or payments to its members or former members.

Urban Communities Limited

The entity was wound up during the year ended 30 June 2019.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES

ABN: 73 076 581 112

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 21: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2019, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2019, of the group.

NOTE 22: PARENT ENTITY DETAILS

Summarised presentation of the parent entity, Unison Housing Limited, financial statements:

(a) Summarised statement of financial position

Assets

Current assets	15,752,990	16,664,412
Non-current assets	<u>264,782,424</u>	<u>265,561,970</u>
Total assets	<u>280,535,414</u>	<u>282,226,382</u>

Liabilities

Current liabilities	14,824,989	12,497,923
Non-current liabilities	<u>22,076,090</u>	<u>26,449,650</u>
Total liabilities	<u>36,901,079</u>	<u>38,947,573</u>

Net assets

243,634,335 243,278,809

Equity

Accumulated Surplus 237,545,618 236,779,079

Reserves

LRM reserve 7,262,768 7,495,121

Cashflow hedge reserve (1,174,051) (995,391)

Total equity 243,634,335 243,278,809

(b) Summarised statement of profit or loss and other comprehensive income

Surplus / (Deficit) for the year 533,610 (2,404,181)

Other comprehensive income for the year (178,660) 286,647

Total comprehensive income / (deficit) for the year 354,950 (2,117,534)

The statement of profit or loss and other comprehensive income for the year ended 30 June 2019 includes impairment gain of \$1,003,416 (2018 impairment loss: \$1,199,182) for the reversal of the loss allowance in relation to a debt owing from Unison Property Corporation Pty Ltd. As at 30 June 2019, the loss allowance is \$196,396.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES
ABN: 73 076 581 112

DIRECTORS' DECLARATION

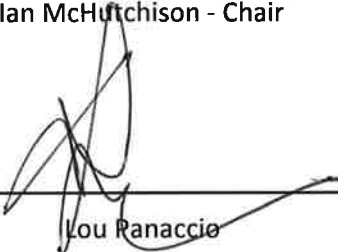
The directors declare that:

1. there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
2. the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - (a) giving a true and fair value of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
 - (b) complying with the Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Director: 

Ian McHutchison - Chair

Director: 

Lou Panaccio

Dated this 31 day of October 2019

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES
ABN: 73 076 581 112

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UNISON COMMUNITY HOUSING LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Unison Community Housing Limited "the company" and its subsidiaries, "the Group", which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* "ACNC Act" and the 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES
ABN: 73 076 581 112

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UNISON COMMUNITY HOUSING LIMITED

Other Information (Continued)

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the ACNC Act and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, 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 our 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.

UNISON HOUSING LIMITED AND CONTROLLED ENTITIES
ABN: 73 076 581 112

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UNISON COMMUNITY HOUSING LIMITED

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



M J HARRISON

Partner



PITCHER PARTNERS

MELBOURNE

Date 31 October 2019