Unison Housing Limited and controlled entities

ABN: 73 076 581 112

Consolidated Financial report

For the year ended 30 June 2020

Pitcher Partners
Level 13, 664 Collins Street, Docklands VIC 3008
p: +61 3 8610 5000

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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 2020 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:

Ian McHutchison (Chair)

Daniel Carter

Paul Crapper (appointed 20 September 2019, resigned 19 August 2020)

Michelle Crawford (resigned 19 September 2019)

Carolyn Healy (resigned 19 September 2019)

Jane Hunt (resigned 12 December 2019)

Alison McLeod (appointed 20 September 2019)

Lou Panaccio

Caroline Radowski (appointed 20 September 2019)

Barry Shepherd

Yvonne Turner

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

Company Secretary

Ed Holmes resigned as company secretary on 3 July 2020. Celine Savage was appointed to the position of company secretary on 3 July 2020.

DIRECTORS' REPORT

Results

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

In summary the Unison Group is in a sound financial position. In the last financial year, 2019-20, the Unison Group was able to meet all operating costs, pay the interest on its loans, and make loan capital repayments.

The Unison Group incurred a total comprehensive deficit of $(1,646,179) (restated deficit 2019: $(1,537,822)). In 2020, the Unison Group revenues were $29,023,287 (2019: $29,650,841), with associated operating expenses of $30,106,289 (revised 2019: $31,010,003).

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.

	2020 $	Revised 2019 $
Underlying EBITDA	2,229,166	1,766,421
Depreciation	(7,034,713)	(6,565,576)
Non-recurring expenses	(102,383)	(581,000)
Interest income	280,239	307,585
Borrowing costs	(1,103,078)	(1,387,082)
Capital grants	3,381,156	3,683,611
Profit on sale of fixed assets	-	1,416,879
Reverse impact of AASB 16: Leases standard	443,474	-
Deficit	(1,906,139)	(1,359,162)

Positive factors contributing to the increase in Underlying EBITDA include stable vacancy rates for social tenancies and profitability of commercial services, as well as reduction in organisational operating expenses.

The decline in operating expenses incorporates lower consulting and legal fees and the impact of the new AASB 16 leases standard. This impact has been reversed for both Underlying EBITDA and interest rate coverage ratio calculations.

DIRECTORS' REPORT

As at 30 June 2020 the Unison Group had net assets of $240,959,719 (2019: $242,605,898). The amount allocated to the Lifecycle Maintenance Reserve on 30 June 2019 totaled $5,401,876 (2019: $7,262,768). 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 Unison group 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 $259,960 (2019: $(178,660)). 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. The Unison Group is currently refinancing its borrowing arrangements.

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 2020 the Unison Group manage 2,575 (2019: 2,577) units across Victoria and South Australia and during the year provided 4,555 (2019: 2,768) homeless assists.

On 11 March 2020, the World Health Organisation declared an ongoing global outbreak of a novel coronavirus, known as the 'Novel Coronavirus 2019' ('COVID-19') as a pandemic.

While the broader economy has been impacted significantly, the Group has largely maintained its operational activity so far, and has received additional funding in relation to its brokerage programs through the crisis. Changes to economic conditions may have longer term implications beyond the balance date, the extent of which the Group cannot yet estimate.

Significant changes in state of affairs

There were no significant changes to the state of affairs in 2020, other than those disclosed separately in this financial report.

DIRECTORS' REPORT

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.

The strategic plan developed for the Unison Group at the creation of Unison Housing Ltd and Unison Property Corporation in 2017 was still operating during the 2020 financial year. A new strategic plan was developed through a process which was approved by the Board subsequent to year end.

The focus of the Unison Group remains centred on housing the most vulnerable in our community and providing support and pathways from disadvantage. Unison will increase the supply of good quality housing, develop and strengthen strategic alliances and partnerships, leverage Unison Housing Research Lab, integrate services across the housing continuum and provide commercial opportunities to support the mission.

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.

DIRECTORS' REPORT

After balance date events

On 23 September 2020, the company entered into a Loan Facility Commitment Letter and Indicative Term Sheet with the National Housing Finance and Investment Corporation (NHFIC) for a facility of $53 million. The Facility Agreement is expected to be executed on 27 October 2020.

On 1 October 2020, the Board formally appointed James King as the Unison Group CEO.

As at 30 June 2020, the Unison Group’s contract to manage the UNO building expired in South Australia.

Other than the item above, no matters or circumstances have arisen since the end of the finance 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 impacts as a result of Covid-19 will have a bearing on the work of the Unison Group. Further information about likely developments of the Unison Group and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would likely result in unreasonable prejudice to the Group.

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.

Information on directors

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 legal expertise and was awarded the Order of Australia Medal for services to the community in 2009.
Special responsibilities	Development Committee Finance, Audit and Risk Committee

Information on directors (Continued)

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 offers contemporary strategic planning and IT skills tailored to the social services sector.
Special responsibilities	Finance, Audit and Risk Committee
Paul Crapper	Appointed director September 2019, Resigned 19 August 2020
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	Paul has over three decades of experience in leadership, corporate services and stakeholder management across corporate and government sectors.
Special responsibilities	Finance, Audit and Risk Committee
Michelle Crawford	Appointed director October 2017, Resigned 19 September 2019
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.
Carolyn Healy	Appointed director November 2015, resigned 19 September 2019
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	Caz is highly respected for her years of experience, expertise and commitment to the Health and Community Services sector.
Special responsibilities	Development Committee

Information on directors (Continued)

Jane Hunt	Appointed director November 2014 Appointed director of Urban Communities Ltd November 2015 Appointed Deputy Chair December 2018 Resigned 12 December 2019
Qualifications	Bachelor of Arts (Hons), Master of Arts (Hons), Master of Business (Leadership)
Experience	Jane has 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
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 an expert property valuer and brings property expertise and a passion about housing affordability.
Special responsibilities	Development Committee
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	Lou is a chartered accountant with strong management experience in business and healthcare services.
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 has executive experience in leading health, community development and higher education organisations.
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 over 40 years’ experience in the property industry and is critical in guiding Unison’s asset management and developments.
Special responsibilities	Development Committee

DIRECTORS' REPORT

Information on directors (Continued)

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	Yvonne shares her expertise in business management, strategic planning, marketing and new business development in both commercial and NFP.
Special responsibilities	Finance, Audit and Risk Committee

Meetings of directors

Directors	Director's Meetings		Development		Finance, Audit and Risk	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Ian McHutchison	8	8	-	-	6	5
Daniel Carter	8	8	-	-	6	4
Paul Crapper	7	6	-	-	5	3
Michelle Crawford	1	1	2	-	-	-
Carolyn Healy	1	-	-	-	-	-
Jane Hunt	4	2	4	-	-	-
Alison McLeod	7	4	7	6	-	-
Lou Panaccio	8	5	-	-	6	5
Caroline Radowski	7	5	-	-	-	-
Barry Shepherd	8	8	7	7	-	-
Yvonne Turner	8	8	-	-	6	6

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.

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 30th day of October 2020

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

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

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

M Harrison

M J HARRISON

Partner

Pitcher Partners

PITCHER PARTNERS

Melbourne

Date: 30 October 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 Restated $
Revenue and other income			
Grant income	3	10,265,584	9,568,156
Interest and other revenue	3	535,990	508,888
Management income	3	2,795,225	2,447,103
Rental income	3	15,426,488	15,709,815
Profit from sale of property	3	-	1,416,879
		29,023,287	29,650,841
Less: Operating expenses			
Bad and doubtful debt expense	4	(220,588)	(204,062)
Borrowing costs	4	(1,103,078)	(1,387,082)
Buliding impairment expense	4	(300,000)	(903,714) *
Depreciation and amortisation expense	4	(7,034,713)	(6,565,576)
Employee benefits expenses	4	(8,731,421)	(8,738,253)
Housing program expenses		(8,093,606)	(8,171,348)
Organisational operating expenses		(1,964,157)	(2,928,716)
Brokerage program expenses		(3,355,133)	(2,082,483)
Loss on fair value adjustment of the investment portfolio		(126,730)	-
Other expenses		-	(28,769)
		(30,929,426)	(31,010,003)
Deficit		(1,906,139)	(1,359,162)
Other comprehensive income			5
Items that may be reclassified subsequently to profit and loss			
Movement in fair value of cash flow hedges		259,960	(178,660)
		259,960	(178,660)
Other comprehensive income for the year		259,960	(178,660)
Total comprehensive deficit		(1,646,179)	(1,537,822)

*Refer to Note 2 for details regarding the 2019 restatement

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $	2019 Restated $	
Current assets				
Cash and cash equivalents	6	6,377,150	4,363,025	
Receivables	7	1,457,607	585,132	
Other financial assets	8	5,401,876	7,262,768	
Other assets	9	119,044	316,978	
Assets classified as held for sale	10	3,355,913	-	
Total current assets		16,711,590	12,527,903	
Non-current assets				
Receivables	7	225,478	-	
Lease assets	11	378,764	-	
Property, plant and equipment	12	267,547,770	263,888,112	*
Total non-current assets		268,152,012	263,888,112	
Total assets		284,863,602	276,416,015	
Current liabilities				
Payables	13	3,145,468	3,514,791	
Lease liabilities	11	1,064,332	-	
Borrowings	14	30,957,502	-	
Provisions	15	3,102,365	3,229,672	
Other financial liabilities	16	914,091	1,174,051	
Other liabilities	17	4,266,162	3,815,513	
Total current liabilities		43,449,920	11,734,027	
Non-current liabilities				
Lease liabilities	11	334,915	-	
Borrowings	14	-	21,957,042	
Provisions	15	119,048	119,048	
Total non-current liabilities		453,963	22,076,090	
Total liabilities		43,903,883	33,810,117	
Net assets		240,959,719	242,605,898	
Equity				
Reserves	18	4,487,785	6,088,717	
Accumulated surplus		236,471,934	236,517,181	
Total equity		240,959,719	242,605,898	

*Refer to Note 2 for details regarding the 2019 restatement

The accompanying notes form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Contributed equity $	Reserves $	Accumulated Surplus $	Total equity $
Consolidated				
Balance as at 1 July 2018	-	6,499,730	237,643,990	244,143,720
Restated balance as at 1 July 2018	-	6,499,730	237,643,990	244,143,720
Balance as at 1 July 2018	-	6,499,730	237,643,990	244,143,720
Deficit for the year as reported in 2019 financial statements	-	-	(455,448)	(455,448)
Adjustment for prior period error	-	-	(903,714)	(903,714)
Restated deficit for the year	-	-	(1,359,162)	(1,359,162)
Movement in fair value of cash flow hedges	-	(178,660)	-	(178,660)
Total comprehensive income for the year	-	(178,660)	(1,359,162)	(1,537,822)
Transfer to LRM Reserve	-	(232,353)	232,353	-
Balance as at 1 July 2019	-	6,088,717	236,517,181	242,605,898
Deficit for the year	-	-	(1,906,139)	(1,906,139)
Movement in fair value of cash flow hedges	-	259,960	-	259,960
Total comprehensive income for the year	-	259,960	(1,906,139)	(1,646,179)
Transfer from LRM reserve	-	(1,860,892)	1,860,892	-
Balance as at 30 June 2020	-	4,487,785	236,471,934	240,959,719

Refer to Note 2 for details regarding the 2019 restatement

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Cash flow from operating activities			
Receipts from clients and government		30,426,250	29,033,031
Payments to suppliers and employees		(24,186,786)	(22,892,862)
Borrowing costs		(1,022,833)	(1,387,082)
Payments for repairs		(299,977)	-
Net cash provided by operating activities		4,916,654	4,753,087
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		-	3,828,777
Proceeds from sale of investments		1,940,000	2,017,056
Payment for property, plant and equipment		(955,527)	(985,144)
Payment for work in progress		(12,470,941)	(4,805,947)
Net cash provided by investing activities		(11,486,468)	54,742
Cash flow from financing activities			
Proceeds from borrowings		9,000,460	704,500
Repayment of borrowings		-	(5,092,000)
Principal portion of lease payments, net of reimbursements		(416,284)	-
Net cash provided by / (used in) financing activities		8,584,176	(4,387,500)
Reconciliation of cash			
Cash at beginning of the financial year		4,363,025	3,942,696
Net increase increase in cash held		2,014,362	420,329
Cash at end of financial year	19(a)	6,377,387	4,363,025

The accompanying notes form part of these financial statements.

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.

(c) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors note that as at 30 June 2020 the current liabilities exceed current assets by $26,738,330. This deficiency is a function of the disclosure of borrowings as a current liability due to the refinancing process underway at year end (Note 14). The Directors are of the opinion that the refinance will complete on a timely basis after 30 June, providing the group with a long term facility and restoring the group to a positive net current asset position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) New and revised accounting standards effective at 30 June 2020

The group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 *Leases* (AASB 16), AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058) and AASB 15: *Revenue from Contracts with Customers* (AASB 15).

AASB 16: Leases

AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

(a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

  i. investment property, the lessee applies the fair value model in AASB 140 *Investment Property* to the right-of-use asset; or

  ii. property, plant or equipment, the applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and

(b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the group has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (i.e., at 1 July 2019). Accordingly, comparative information has not been restated.

The group has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) New and revised accounting standards effective at 30 June 2020 (Continued)

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to adjust each right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;
- to exclude initial direct costs from the measurement of each right-of-use asset at the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of $826,579 (referred to in these financial statements as “lease assets”), lease receivables for residential leases under head leasing arrangements with an aggregate carrying value of $973,760 and corresponding lease liabilities with an aggregate carrying amount of $1,800,339. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 4.78%.

The following is a reconciliation of non-cancellable operating lease commitments disclosed at the end of the prior reporting period (i.e., at 30 June 2019) to the aggregate carrying amount of lease liabilities recognised at the date of the initial application (i.e., at 1 July 2019):

	$
Aggregate non-cancellable operating lease commitments at 30 June 2019	757,088
Plus: lease payments included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	111,905
Plus: residential leases under head leasing arrangements not previously disclosed under operating lease commitments	1,026,107
Less: impact of discounting lease payments to their present value at 1 July 2020	(94,761)
Carrying amount of lease liabilities recognised at 1 July 2019	1,800,339

Further details of the group's accounting policy in relation to accounting for leases under AASB 16 are contained in Note 1(k) .

AASB 1058: Income for not-for-profit entities and AASB 15: Revenue from contracts with customers

AASB 1058 replaces the income recognition requirements in AASB 1004: *Contributions* applicable to private sector not-for-profit entities with a model based on the principles of AASB 15: *Revenue from Contracts with Customers*. Consequently, AASB 1058 requires private sector not-for-profit entities to recognise all revenue from contracts with customers when the related performance obligations are satisfied, irrespective of whether the ultimate beneficiary of the goods or services provided by the not-for-profit entity is the grantor of the funds or another entity. An agreement involving a not-for-profit entity would be classified as a contract with a customer (and therefore accounted for under AASB 15) if the agreement:

(a) creates enforceable rights and obligations between the parties; and

(b) includes a promise by the not-for-profit entity to transfer a good or service that is sufficiently specific for the entity to determine when the obligation is satisfied.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) New and revised accounting standards effective at 30 June 2020 (Continued)

For contracts with customers that comprise a donation component, AASB 1058 requires such components to be treated as part of the performance obligation(s) unless the entity can demonstrate that component is not related to the promised goods or services.

When an arrangement does not meet the criteria for a contract with a customer under AASB 15, the arrangement is accounted for in accordance with AASB 1058, which requires:

(a) the asset received by the not-for-profit entity to be accounted for in accordance with the applicable Australian Accounting Standard, which in most circumstances requires the asset to be initially measured at its fair value;

(b) any related amounts (such as contributions from owners, financial liabilities, contract liabilities, lease liabilities and provisions) to be accounted for in accordance with the applicable Australian Accounting Standard; and

(c) any difference between the consideration given for the asset and its fair value, after recognising any related amounts (such as contributions from owners, financial liabilities, contract liabilities, lease liabilities and provisions), is recognised as income.

However, amending standard AASB 2018-8 provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirement to right-of-use assets arising under leases with significantly below-market terms and conditions. This enables not-for-profit entities to elect to initially measure such right-of-use assets at cost rather than fair value, which has the corresponding effect of reducing the amount of income recognised under AASB 1058.

AASB 1058 also permits a not-for-profit entity to recognise volunteer services as an asset or expense (as applicable) and any related contributions by owners or revenue as an accounting policy choice, provided that the fair value of the services can be measured reliably.

AASB 1058 also has specific recognition criteria in relation to transfers to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity. The obligation to acquire or construct the non-financial asset is accounted for similarly to a performance obligation under AASB 15.

In accordance with the transition requirements of AASB 1058 and AASB 15, the group has elected to apply AASB 1058 and AASB 15 retrospectively, with the cumulative effect, if any, of initially applying the new standards recognised as an adjustment to opening retained earnings at the date of initial application (i.e., at 1 July 2019). Accordingly, comparative information has not been restated.

The application of AASB 1058 and AASB 15 has not materially impacted the recognition and measurement of income or revenue from contracts with customers.

Further details of the group’s accounting policy in relation to accounting for income under AASB 1058 and revenue from contracts with customers under AASB 15 are contained in Note 1(e) .

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue

The group derives revenue from grant income and rental income. Revenue is recognised as, or when, goods or services are transferred to the customer, and is measured at an amount that reflects the consideration to which the group expects to be entitled in exchange for the goods or services.

Revenue from the provision of services

Revenue from the provision of services comprises revenue derived from the delivery of various Department of Health and Human Services programs. These services are provided under contractual arrangements that contain enforceable and sufficiently specific performance obligations. Revenue from the provision of services is recognised over time, as performance obligations are satisfied, based on either costs incurred or service hours performed, consistent with the manner in which services are provided.

(f) 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*.

(g) 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.

(h) 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

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, contingent consideration payable by the group for the acquisition of a business, 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 and are normally settled within 14 days.

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.

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, contract assets and lease receivables.

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

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.

Hedge accounting

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.

A hedge arrangement is effective when:

(a) there is an economic relationship between the hedged item and the hedging instrument;

(b) the effect of credit risk does not dominate the value changes that result from that economic relationship; and

(c) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge the quantity of the hedged item.

For cash flow hedges that qualify for hedge accounting under AASB 9, the group designates the full change in the fair value of a forward contract as a hedging instrument (including the forward element of the contract). The effective portion of the change in the fair value of a hedging instrument is recognised in other comprehensive income and accumulated in the cash flow hedge reserve, and any ineffective portion of the change in fair value is recognised in profit or loss.

Gains or losses previously recognised in other comprehensive income and accumulated in the cash flow hedge reserve are reclassified to profit or loss in the same period that the hedged item affects profit or loss (for hedged forecast transactions that affect profit or loss), or are transferred from the reserve and included in the measurement of the initial cost of a non-financial asset or liability (for hedged forecast transactions that result in the recognition of a non-financial asset or liability).

When a hedging instrument expires, is sold, terminated or no longer qualifies for hedge accounting under AASB 9, the group discontinues hedge accounting, and any gains or losses accumulated in the cash flow hedge reserve remain in the reserve until such time as hedged forecast transaction occurs. If the hedged forecast transaction is no longer expected to occur, any gains or losses accumulated in the cash flow hedge reserve are reclassified to profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) Leases

Accounting policy applied to the information presented for the current period under AASB 16 Leases:

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the group, and an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the group’s incremental borrowing rate.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases (Continued)

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

<u>Accounting policy applied to the information presented for the prior period under AASB 117 Leases:</u>

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

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the group are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease, if this is practicable to determine; if not, the group's incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss and other comprehensive income. Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely the group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period in accordance with the effective interest method.

Operating leases

Lease payments for operating leases 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.

Each lease is classified as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Operating leases

Underlying assets subject to operating leases are presented in the statement of financial position according to the nature of the underlying asset.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases (Continued)

Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis (if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished).

Finance leases

At the commencement date of a finance lease, the group recognises a receivable (for assets held under the finance lease) at an amount equal to the net investment in the lease. The net investment in finance leases is the sum of the lease payments receivable by the group under the finance lease and the estimated unguaranteed residual value of the underlying asset at the end of the lease term, discounted at the interest rate implicit in the lease. The group has recognised lease receivables in relation to residential leases under head leasing arrangements. While the group is the lessee for these head leasing leases, the group acts as a sub-lessor and leases these properties to tenants. The group has contractual rights with certain counterparties to receive cashflow for any shortfalls that arise between the tenants payments and payments payable to the lessor.

Finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment in finance leases.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) Borrowing costs

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

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.

(n) Comparatives

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

NOTE 2: PRIOR PERIOD ERROR

The following errors have been been identified in prior period of the financial statements:

- Through the 2019 financial year, the Group had demolished the existing 17 small units on 52 Napier Street, Footscray to redevelop the property into 54 self-contained apartments. It was identified that, as at 30 June 2019, the pre existing property had been demolished and no impairment had been recognised. As at 30 June 2019, the carrying value of the building was determined to be $903,714.

The net impact of the above errors is $903,714 reduction to property, plant and equipement as at 30 June 2019.

The errors listed above have been corrected by restating each of the affected financial statement line items for the prior period as follows:

Restatement of financial position (extract)

	2019 Opening $	Increase / (Decrease) $	2019 Restated $
Non-current assets			
Property, plant and equipment	264,791,826	(903,714)	263,888,112
Equity			
Accumulated surplus	237,420,895	(903,714)	236,517,181

Restatement of comprehensive income

	2019 Opening $	Increase / (Decrease) $	2019 Restated $
Expenses			
Building impairment expense	-	903,714	903,714
Deficit	(634,108)	(903,714)	(1,537,822)

NOTE 3: REVENUE AND OTHER INCOME

	2020 $	2019 $
Management Income		
Owners Corporation management fees	500,577	500,977
Property management fees	1,460,304	1,233,581
Cleaning and maintenance fees	513,378	391,124
Other fees	320,966	321,421
	2,795,225	2,447,103
Grant Income		
Operating grants - operational	4,269,509	3,775,361
Operating grants - brokerage	2,614,919	2,109,184
Capital grants	3,381,156	3,683,611
	10,265,584	9,568,156
Interest and other revenue		
Interest income - investment portfolio	228,781	307,585
Interest income - lease receivables in relation to headleasing arrangements	51,458	-
Donations	1,182	-
Other revenue	254,569	201,303
	535,990	508,888
Rental Income	15,426,488	15,709,815
Profit on sale of property, plant and equipment	-	1,416,879

	2020 $	2019 $
NOTE 4: OPERATING DEFICIT		
Deficit has been determined after:		
Finance costs		
- Borrowing costs	1,022,833	1,387,082
- Lease interest expenses - commercial and motor vehicles	28,787	-
- Lease interest expenses - headleasing arrangements	51,458	-
	1,103,078	1,387,082
Depreciation		
- property, plant and equipment	6,586,897	6,565,576
- lease assets	447,816	-
	7,034,713	6,565,576
Bad and doubtful debts	220,588	204,062
Building impairment expense	300,000	903,714
Variable lease payments	-	115,617
Employee benefits	8,731,421	8,738,253
Loss on fair value adjustments		
- Financial assets at fair value through profit and loss	126,730	-
Remuneration of auditors for:		
Audit and assurance services		
- Audit of the financial report	(54,305)	(60,650)
- Other non-audit services	(43,958)	(52,566)

For the year ended 30 June 2020, a building impairment expense of $300,000 has been recognised in relation to the demolition of the property located at 43 Station Street, Fairfield. The property is currently being redeveloped into a new four storey apartment building to replace the former 22-bedroom rooming house which had been built around shared living spaces, kitchens and bathrooms.

For the year ended 30 June 2019, a building impairment expense of $903,714 has been recognised in relation to the demolition of the property located at 52 Napier Street, Footscray. As at 30 June 2020, construction has finalised on the new 54 brand new self-contained apartments.

	2020 $	2019 $
NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION		
Compensation received by key management personnel of the group		
- short-term employee benefits	723,360	631,470
- termination benefits	47,249	74,502
	770,609	705,972

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
Ian McHutchison	(Chair)
Daniel Carter	
Paul Crapper	(appointed 20 September 2019, resigned 19 August 2020)
Michelle Crawford	(resigned 19 September 2019)
Carolyn Healy	(resigned 19 September 2019)
Jane Hunt	(resigned 12 December 2019)
Alison McLeod	(appointed 20 September 2019)
Lou Panaccio	
Caroline Radowski	(appointed 20 September 2019)
Barry Shepherd	
Yvonne Turner	

NOTE 6: CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash on hand	3,290	2,955
Cash at bank	3,116,406	1,678,167
Cash at bank, held in trust	3,257,454	2,681,903
	6,377,150	4,363,025

As at 30 June 2020, $3,257,454 of the cash on hand is held in a bank account in trust for the 150 Brunswick Street maintenance fund (30 June 2019: $2,681,903). The Group has a contractual obligation to use the cash for the purposes of funding the maintenance of 150 Brunswick Street, Fitzroy.

NOTE 7: RECEIVABLES

	2020 $	2019 $
CURRENT		
Trade debtors	554,256	459,089
Provision for doubtful debts	(262,710)	(257,513)
	291,546	201,576
GST receivable	267,589	227,004
Other receivables		
- Lease receivables	763,473	-
- Other debtors	134,999	156,552
	898,472	156,552
	1,457,607	585,132
NON CURRENT		
Other receivables		
- Lease receivables	225,478	-

Receivables from contracts with customers

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.

Provision for doubtful debts

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

	2020 $	2019 $
Opening loss allowance	257,513	247,582
Increase / decrease changes in expected cash flows	220,588	204,062
Decrease in derecognition of receivables assets	(215,391)	(194,131)
Loss allowance at 30 June	262,710	257,513

	2020 $	2019 $

NOTE 8: OTHER FINANCIAL ASSETS

	2020 $	2019 $
CURRENT		
Financial assets at fair value through other comprehensive income		
Investment portfolio	5,401,876	7,262,768

The investment portfolio is measured at fair value through profit and loss.

Interest received is recognised through profit or loss.

NOTE 9: OTHER ASSETS

	2020 $	2019 $
CURRENT		
Prepayments	119,044	143,096
Accrued income	-	173,882
	119,044	316,978

NOTE 10: ASSETS CLASSIFIED AS HELD FOR SALE

Facts and Circumstances of the sale:
The sale is part of the organisations long term plan to phase out many of its remaining low-amenity rooming houses and contribute to the supply of affordable housing across Melbourne. The gradual replacement of rooming houses with self contained apartments is part of the vision to provide some of the most vulnerable people in the State with safer and more secure accommodation.

25-27 Docker Street, Richmond:
The property is a two storey 1920s residence located at 25-27 Docker Street, Richmond. It is situated on a land holding of 767 square metres.

The property was sold on the 19th of August 2020 at a purchase price above the carrying value.

29-31 John Street, Clifton Hill:
The property is a two storey Victorian building located at 29-31 John Street, Clifton Hill. It is situated on a land holding of 260 square metres.

The property was sold on the 18th of August 2020 at a purchase price above the carrying value.

(a) Carrying amounts of assets and liabilities

	2020 $	2019 $
Assets		
25-27 Docker Street, Richmond (Residential Property)	2,283,538	-
29-31 John Street, Clifton Hill (Residential Property)	1,072,375	-
	3,355,913	-

NOTE 11: LEASE ASSETS AND LEASE LIABILITIES

Lease arrangements (30 June 2020)

The following information relates to the current reporting period only, and is presented in accordance with AASB 16 *Leases* (which was applied by the group for the first time in the current reporting period).

	2020 $
(a) Lease assets	
Commercial leases	
Lease of office property	554,211
Accumulated depreciation	(275,887)
	278,324
Motor vehicles	
Lease of motor vehicles	272,368
Accumulated depreciation	(171,928)
	100,440
Total carrying amount of lease assets	378,764

	2020 $
Reconciliations	
Reconciliation of the carry amount of lease assets at the beginning and end of the financial year:	
Commercial leases	
Opening carrying amount	-
Additions	554,211
Depreciation	(275,887)
Closing carrying amount	278,324
Motor vehicles	
Opening carrying amount	-
Additions	272,369
Depreciation	(171,929)
Closing carrying amount	100,440
(b) Lease liabilities	
CURRENT	
Motor vehicles	89,780
Commercial leases	211,079
Residential property leases under headleasing arrangements	763,473
	1,064,332

NOTE 11: LEASE ASSETS AND LEASE LIABILITIES (CONTINUED)

NON CURRENT	
Motor vehicles	39,071
Commercial leases	70,366
Residential property leases under headleasing arrangements	225,478
	334,915
Total carrying amount of lease liabilities	1,399,247

(c) Lease expenses and cashflows

Interest expense on lease liabilities	80,245
Depreciation expense on lease assets	447,816

For the year ended 30 June 2020, the lease liability is in excess of the lease asset by $1,020,483. In addition to the lease asset, a corresponding lease receivable is recognised against the lease liability in relation to residential properties under leasing arrangements. The total lease receivable balance is, including amounts classified in current and non-current, is $988,951. Please refer to Note 7: Receivables.

	2020 $	Restated 2019 $

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	2020 $	Restated 2019 $
Land and buildings		
At cost	324,586,300	310,892,326
Accumulated depreciation	(60,819,019)	(54,057,958)
	263,767,281	256,834,368
Plant and equipment		
Plant and equipment at cost	3,288,481	3,217,409
Accumulated depreciation	(1,992,137)	(1,800,958)
	1,296,344	1,416,451
Capital work in progress	2,484,145	5,637,293
Total plant and equipment	3,780,489	7,053,744
Total property, plant and equipment	267,547,770	263,888,112

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

	2020 $	Restated 2019 $
Land and buildings		
Opening carrying amount	256,834,368	263,422,293
Additions	1,397,831	438,110
Building impairment expense	(300,000)	(903,714)
Depreciation expense	(6,433,094)	(6,302,818)
Transfers from work in progress	15,624,089	180,497
Transfer to assets held for sale	(3,355,913)	-
Closing carrying amount	263,767,281	256,834,368
Plant and equipment		
Opening carrying amount	1,416,451	1,103,860
Additions	33,696	547,034
Disposals	-	(6,368)
Depreciation expense	(153,803)	(262,758)
Transfers from work in progress	-	34,683
Closing carrying amount	1,296,344	1,416,451

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations (Continued)

	2020 $	Restated 2019 $
Capital work in progress		
Opening carrying amount	5,637,293	1,046,526
Additions	12,470,941	4,805,947
Transfers to property, plant and equipment	(15,624,089)	(215,180)
Closing carrying amount	2,484,145	5,637,293
Total property, plant and equipment		
Carrying amount at 1 July	263,888,112	265,572,679
Additions	13,902,468	5,791,091
Disposals	-	(6,368)
Building impairment expense	(300,000)	(903,714)
Depreciation expense	(6,586,897)	(6,565,576)
Transfer to assets held for sale	(3,355,913)	-
Carrying amount at 30 June	267,547,770	263,888,112

NOTE 12: 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 several 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 2020, several properties had been pledged as security for the borrowing identified in Note 14.

(c) Contributions in property, plant and equipment (contingent liability)

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 13: PAYABLES

CURRENT		
Unsecured liabilities		
Trade creditors	1,403,683	821,191
Other payables	489,997	542,082
Accrued expenses	1,251,788	2,151,518
	3,145,468	3,514,791

NOTE 14: BORROWINGS

CURRENT		
Secured liabilities		
Bank loans	30,957,502	-
NON-CURRENT		
Secured liabilities		
Bank loans	-	21,957,042

(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 expires on 28 November 2020.

		2020 $	2019 $

NOTE 14: BORROWINGS (CONTINUED)

(b) Debt refinancing (subsequent event)

On 23 September 2020, the company entered into a Loan Facility Commitment Letter and Indicative Term Sheet with the National Housing Finance and Investment Corporation (NHFIC) for a facility of $53 million. The Facility Agreement is expected to be executed on 27 October 2020.

NOTE 15: PROVISIONS

		2020 $	2019 $
CURRENT			
Employee benefits		1,090,015	795,049
Repairs	(a)	2,012,350	2,434,623
		3,102,365	3,229,672
NON-CURRENT			
Employee benefits		119,048	119,048
Aggregate employee benefits liability		1,209,063	914,097

(a) Description of provisions

In prior years, 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 obligated to rectify these defects, which is reflected in the provision for repairs.

As at the time of signing, a counterparty has agreed to rectify a number of units on Unison's behalf and the provision has been updated to reflect the reduced cost. Furthermore, in the year ended 30 June 2020, as more information is made available and the scope of repairs is updated, Unison have revised estimates for the repair costs

The provision relates to the following properties: 80 Ormond Street, Kensington, 100 Mount Street, Heidelberg, 229 Barkley Street, Footscray, 239 Brunswick Street, Footscray, 29-33 Alma Street, Fitzroy

(b) Reconciliations

Reconciliation of the carrying amounts of provisions at the beginning and end of the current financial year

	2020 $	2019 $
Repairs (current)		
Opening balance	2,434,623	2,434,623
Amounts used	(299,977)	-
Revision to estimates	(122,296)	-
Closing balance	2,012,350	2,434,623

	2020 $	2019 $
NOTE 16: OTHER FINANCIAL LIABILITIES		
CURRENT		
Hedging instruments		
Cash flow hedge		
Interest rate hedging instrument	914,091	1,174,051

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 2020 the following interest rate swaps were in place:

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

NOTE 17: OTHER LIABILITIES

	2020 $	2019 $
CURRENT		
Deferred income	581,266	628,362
Maintenance funds	3,684,896	3,187,151
	4,266,162	3,815,513

		2020 $	2019 $
NOTE 18: RESERVES			
LRM reserve	18(a)	5,401,876	7,262,768
Cashflow hedge reserve	18(b)	(914,091)	(1,174,051)
		4,487,785	6,088,717

(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 Unison Group 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 2020, $1,860,892 (2019: $232,353) was transferred from the LRM Reserve to accumulated surplus with the balance having been allocated in previous financial years.

	2020 $	2019 $
Movements in reserve		
Opening balance	7,262,768	7,495,121
Transfers	(1,860,892)	(232,353)
Closing balance	5,401,876	7,262,768

(b) Cashflow hedge reserve

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

	2020 $	2019 $
Movements in reserve		
Opening balance	(1,174,051)	(995,391)
Net change in fair value of cash flow hedging instruments	259,960	(178,660)
Closing balance	(914,091)	(1,174,051)

NOTE 19: 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:

	2020 $	2019 $
Cash on hand	3,302	2,955
Cash at bank	6,374,085	4,360,070
At call deposits with financial institutions	3,257,454	-
	9,634,841	4,363,025

NOTE 20: CAPITAL AND LEASING COMMITMENTS

	2020 $	2019 $
(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
- later than one year and not later than five years	-	343,072
	-	757,088

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 21: RELATED PARTY TRANSACTIONS

No transactions with related parties were entered into during the year ended 30 June 2020.

NOTE 22: 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 2020, the number of members was 90 (5 organisational and 85 individual members (2019: 90)).

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.

NOTE 23: EVENTS SUBSEQUENT TO REPORTING DATE

On 23 September 2020, the company entered into a Loan Facility Commitment Letter and Indicative Term Sheet with the National Housing Finance and Investment Corporation (NHFIC) for a facility of $53 million. The Facility Agreement is expected to be executed on 27 October 2020.

On 1 October 2020, the Board formally appointed James King as the Unison Group CEO.

As at 30 June 2020, the Unison Group’s contract to manage the UNO building expired in South Australia.

The Victorian Government has announced that Stage 4 restrictions will apply throughout Metropolitan Melbourne from 6 August 2020. The group has experienced limited impact to its logistical capabilities to deliver initial assessment and planning programs.

Aside from the above, there has been no matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2020, of the group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2020, of the group.

NOTE 24: PARENT ENTITY DETAILS

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

(a) Summarised statement of financial position

	2020 $	2019 $
Assets		
Current assets	21,574,324	15,752,990
Non-current assets	268,146,245	263,878,710
Total assets	289,720,569	279,631,700
Liabilities		
Current liabilities	48,305,472	14,824,989
Non-current liabilities	453,963	22,076,090
Total liabilities	48,759,435	36,901,079
Net assets	240,961,134	242,730,621
Equity		
Accumulated Surplus	236,473,349	236,641,904
Reserves		
LRM reserve	5,401,876	7,262,768
Cashflow hedge reserve	(914,091)	(1,174,051)
Total equity	240,961,134	242,730,621

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

	2020 $	2019 $
(Deficit) / Surplus for the year	(2,032,392)	(370,104)
Other comprehensive income for the year	259,960	(178,660)
Total comprehensive deficit for the year	(1,772,432)	(548,764)

The statement of profit or loss and other comprehensive income for the year ended 30 June 2020 includes impairment gain of $nil (2019: $1,003,416) for the reversal of the loss allowance in relation to a debt owing from Unison Property Corporation Pty Ltd. As at 30 June 2020, the loss allowance is $196,396 (2019: $196,396)

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 2020 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 30th day of October 2020

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Unison Housing Limited ''the company'' and its subsidiaries, "the Group", which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 (including Independence Standards)* "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 2020, 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.

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.

Other Information (Continued)

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.
- 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.

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

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

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

- 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. Harrison

M J HARRISON

Partner

Pitcher Partners

PITCHER PARTNERS

Melbourne

Date 30 October 2020