bridge housing

linking people to a better future

Financial Report 2019

Bridge Housing Limited

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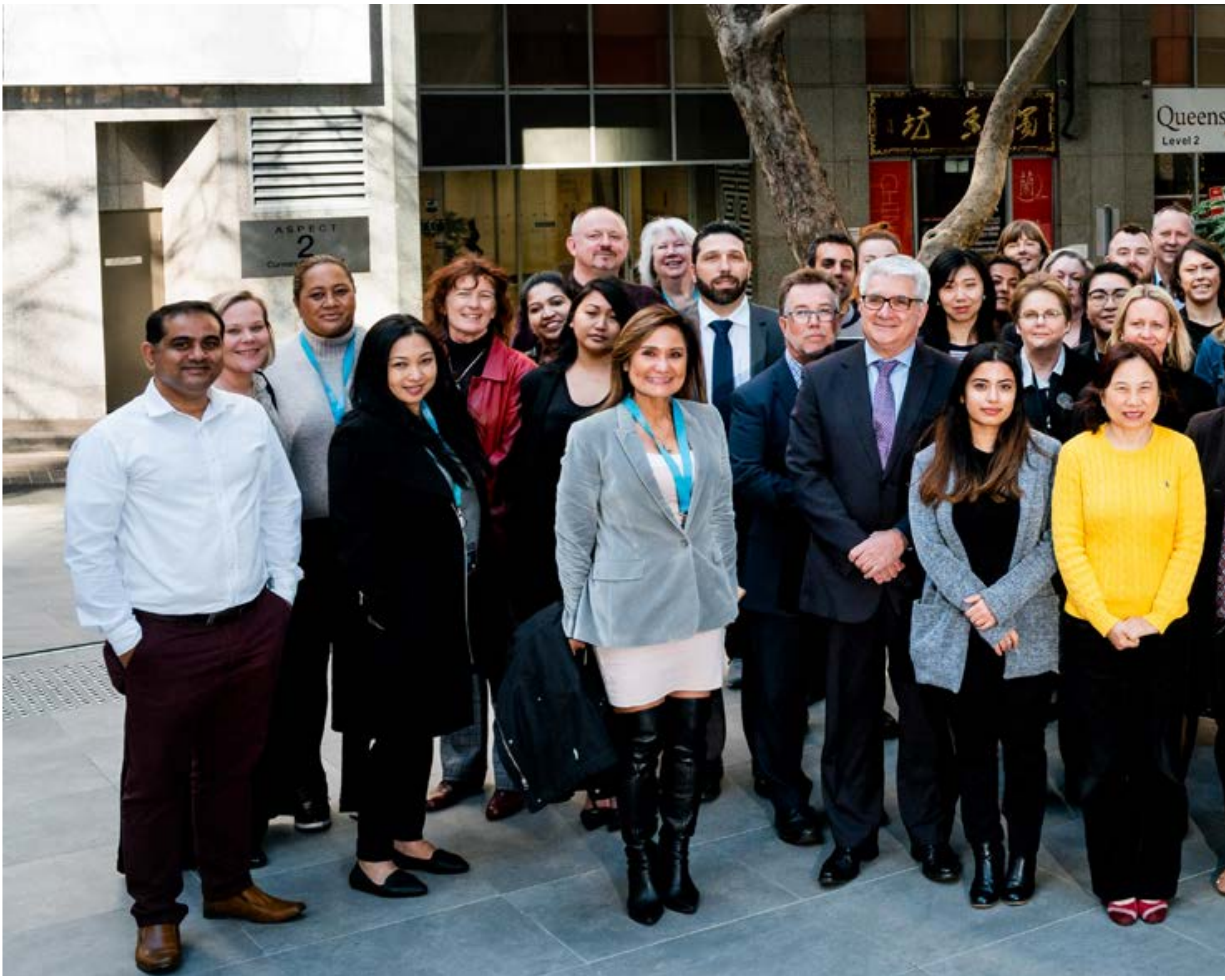

Bridge Housing staff at 59 Goulburn Street

Cover: Elger Street Glebe

Contents

Directors' Report

The Directors present their report together with the financial statements on Bridge Housing Limited ("the Company" or "Bridge Housing") for the year ended the 30 June 2019.

Directors

Information on Directors

The names of directors who held office at any time during, or since the end of the year are set out below together with the information on each director's qualifications and special responsibilities:

Names of Directors	Qualification	Occupation	Special Responsibilities	Years as Director
Mark Turner	BSc MRICS	Strategic Adviser for Commercial Property	Property Development, Finance, Real Estate	5
Gary Milligan	BSc BEng (Electrical) (Hons 1), Grad Cert Human Resource Development, MIVMA	Company Director	Asset Management	12
Shirley Liew	BBus, MBA, Grad Dip Appl Finance, FCPA, FTIA, MIIA, FAICD	Company Director/ Business and Risk Advisor	Finance and Risk	10
Dick Persson AM	BA, FAIM	Company Director	Human Resources	10
Carolyn Scobie	M.A. (Japanese), B.A./L.L.B. Grad Dip, CSP, GAICD	Lawyer	Legal	5
Graham Monk	BComm (Hons), FCPA MAICD	Consultant and Company Director	Finance and Risk	4
Jill Hannaford	BappSc (AppEcG) (Hons 1), MUrb&RegPlg	Technical Services Leader and Company Director	Community and stakeholder engagement, social sustainability	2
Lynne Ready	AICD Grad, MMan, GDipPA, BSocWk, DipPM, CertIV TAE	Child and Family Manager	Public policy, Management	2

Meetings of Directors

During the financial year, seven Board meetings of directors were held, in addition to subcommittee meetings shown below. Attendance by each director during the year was as follows:

	Board meetings		Human Resources and Nominations Committee		Assets and Procurement Committee		Finance, Risk and Audit	
	A	B	A	B	A	B	A	B
Mark Turner	6	5	X	X	6	6	X	X
Shirley Liew	6	3	X	X	X	X	5	3
Gary Milligan	6	6	X	X	6	6	X	X
Dick Persson, AM	6	5	6	6	X	X	X	X
Carolyn Scobie	6	6	6	5	X	X	X	X
Graham Monk	6	5	X	X	X	X	5	5
Jill Hannaford	6	5	X	X	X	X	5	5
Lynne Ready	6	6	X	X	6	3	X	X

A: Number of Meetings Eligible to Attend
B: Number of Meetings Attended
X: Not a Member of the Committee

Chair of meeting Eligible to attend

Company Secretary

John Nicolades was Company Secretary for the whole of the financial year and continues in office at the date of this report. John joined the Company as Executive Officer in 2005 and was appointed as Chief Executive Officer in 2010. He has been the Company Secretary since 2009. John has 39 years of experience in the not for profit industry.

Corporate information

The Company is a 'not for profit' entity, registered as a company limited by guarantee. It does not issue shares to its members. Under its constitution it does not have the capacity to issue dividends to its members. Any surplus on winding up will be distributed to an organisation which has similar objects as dictated by the Constitution.

It is registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC) Charity ABN 55760055094. As a Public Benevolent Institution it is endorsed to access the following tax concessions; GST Concession and is FBT and Income Tax Exempt. It is also endorsed as a Deductible Gift Recipient (DGR) covered by Item 1 of the table in section 30-15 of the *Income Tax Assessment Act 1997*.

If the Company is wound up, the Constitution states that each member is required to contribute a maximum of $1 each towards any outstanding obligations of the Company.

Details on members

At 30 June 2019 the number of ordinary members was 227 (2018: 229). There are no life members or honorary life members (2018: nil).

Short and long term objectives of the entity

The Company's mission is improving lives through affordable homes and quality services.

Strategy for achieving those objectives

The Company achieves its medium and long term objectives through three year strategic plans and related short term objectives are implemented through detailed annual business plans. The Company's growth and success have been driven by successive Strategic Plans since 2006. In 2019 the Company completed the first year of Strategic Plan 2018-21. The Strategic Plan is operationalised through annual Business Plans. The Annual Report 2019 reports on the outcomes against the Business Plan 2018-19. The Strategic Plan 2018-21 was approved by the Board in June 2018 and the Business plan 2019-20 was approved by the Board in June 2019.

The strategic and business plans have five critical success factors as key performance drivers. These are:

1. Providing quality homes and housing services
2. Growing sustainably to meet affordable housing needs
3. Supporting our people and improving workplace wellbeing
4. Governing and managing effectively
5. Engaging our partners and enhancing our industry leadership.

Principal activities

The principal activity of the Company in the course of the financial year was the provision of social and affordable housing to the local community. There was no significant change in the nature of this activity during the financial year.

How the Company's activities assisted in achieving the Company's objectives

The cash flows of the Company will continue to be employed to improve lives through the provision of affordable homes and quality services for low to moderate income households.

How the Company measures its performance

The Company measures its performance by meeting the objectives established in the annual business plan to deliver the three year strategic plan objectives. Our performance for 2018-19 is reported in the 2019 Annual Report.

Operating results

Underlying operating profit in 2019 (earnings before interest and depreciation) was $3,938,438 (2018: $2,524,373), while surplus after income tax was $3,549,266 (2018: $23,754,880).

In 2019, the Company also recognised a fair value mark to market loss on an interest rate swap of $2,510,178 (2018: $52,846 gain) and a gain on vesting of properties of $7,210,375 (2018: $23,996,549). In 2019, the Company also recognised one off project costs of $2,510,178 (2018: nil) as a result of investments in projects that did not proceed ($1,596,862) and implementation costs for the Social Housing Management Transfer Program ($913,316). This has resulted in a surplus for the year of $3,549,266 (2018: $23,754,880).

There was no income tax expense as the Company is tax exempt.

	2019	2018
	$	**$**
Surplus	3,549,266	23,754,880
Less:		
Gain on vested properties	(7,210,375)	(23,996,549)
Plus:		
One off project costs	2,510,178	-
Loss/(Gain) on derivative financial instrument	1,058,665	(52,846)
Underlying Net Profit	**(92,266)**	**(294,515)**
Less:		
Interest Income	(56,945)	(41,749)
Plus:		
Finance Costs	1,224,713	965,559
Depreciation & Amortisation	2,916,040	1,925,083
Operating EBITDA	**3,991,542**	**2,554,378**
Less:		
Profit on Disposal	(24,322)	-
Insurance compensation income	(28,782)	(30,005)
Underlying Operating Profit	**3,938,438**	**2,524,373**

2018–19 was another successful year for Bridge Housing. We delivered an operating EBITDA above budget and a 56 per cent increase on 2017-18, creating a solid financial platform to move into the next phase of growth.

Whilst achieving an improved profit position we continued to invest in the business though increased maintenance expenditure and an investment in people as we continue to prepare the business for large scale growth which will be achieved through the delivery of our successful tender under the NSW Government's Social Housing Management Transfer Program (SHMTP). This resulted in 1,228 properties being transferred to Bridge Housing Management on 5 August 2019.

We also continued to improve the business and our service delivery as well as the way we engage with the community through a range of initiatives which are detailed in the annual report.

Key highlights for 2018-19 include:

- The Company's portfolio increased by 90 properties to 2,334 properties
- Transitioned 15 dwellings at Cowper Street Glebe under the direct allocation from the NSW Land and Housing Corporation (LAHC) for the Transitional Housing Management Transfer Program
- Successfully delivered the remaining site for the Communities Plus Project Management Program on behalf of Land and Housing Corporation comprising 14 dwellings for seniors in Clemton Park
- Managed 28 households under the Supported Transition and Engagement Program
- Growth in our fee-for-service affordable housing management by 34 properties (14%)
- Completed the transfer of 13 dwellings at Leichhardt as part of the Affordable Housing Program (11 vested properties and 2 private rental properties)
- Secured 23 jobs and 9 return to study outcomes from our Bridge To Work Program in partnership with CoAct to assist tenants transition to employment
- Continued to grow HomeGround Real Estate business (Not for Profit Real Estate) to increase the supply of affordable housing
- Reviewed and implemented a revised organisational structure to support growth and change
- Delivered the first year of our Strategic Plan 2018-21
- Secured $40m funding from the National Housing Finance and Investment Corporation (NHFIC) which was settled in July 2019
- Relocated our head office to new premises at 59 Goulburn St, Sydney in November 2018
- Established the transition team and executed the implementation plans to facilitate the transfer of tenants and properties to Bridge Housing management on the 5th August 2019 under the Northern Beaches SHMTP
- Completed and implemented a remuneration review across the organisation to ensure an ongoing market leading position.

In the 2019-20 financial year, the Company intends to continue with the following projects or initiatives:

- Deliver the second year of our Strategic Plan 2018-21
- Establish a new office at the current Department of Family and Community Services (FACS) location in Brookvale to service the new Northern Beaches portfolio
- Go live with the transition of 1,228 properties in the Northern Beaches from our successful tender under the NSW Government's SHMTP
- Manage an additional 41 households under the Supported Transition and Engagement Program by June 2020
- Finalise the acquisition of a site at Dulwich Hill to be redeveloped to meet our leveraging target commitments
- Pursue opportunities to build our owned property portfolio leveraging the Community Housing Leasing Program (CHLP) subsidy program
- Pursue additional appropriate tender opportunities through the Communities Plus program or other government initiatives
- Continue to deliver our Bridge to Work Program in partnership with CoAct to assist tenants transition to employment
- Implement initiatives included in our IT strategy including moving core infrastructure to the Cloud
- Implement new Accounting Standards, AASB 15 Revenue from Contracts with Customers & AASB 16 Leases.

The Company will continue to provide quality social and affordable housing housing to low and moderate income households.

Subsequent events

Post 30 June 2019 but prior to the signing of this report, a number of events affecting the organisation have occurred as follows:

- On 3 July 2019 Bridge Housing drew down a $40 million loan facility with the National Housing Finance and Investment Corporation (NHFIC) and repaid the NAB loan facility taken out on 19th December 2014.
- On 3 July 2019 Bridge Housing settled the interest swap for consideration of $2.33 million.
- On 5 August 2019 Bridge Housing took over the management of 1,228 properties on the Northern Beaches under the SHMTP on a 20 year lease.
- On 5 August 2019 Bridge Housing secured a lease for an office at Level 1, 660-664 Pittwater Road, Brookvale NSW 2100.
- On 16 August 2019 Bridge Housing settled the purchase of a block of eight 2-bedroom units in Punchbowl using Community Housing Capital Funding/Community Housing Leasehold Program surplus funding/Equity to provide social housing to low to moderate income households.
- On 10 September 2019 Bridge Housing made a capital commitment of $5,707,500 to purchase a block of 12 units to provide social housing to low to moderate income households at Ashfield.
- On 2 October 2019 Bridge Housing paid $2.8m for the Dulwich Hill acquisition from LAHC. Our financial interest in the Social Housing Subsidy Program (SHSP) of $1.5m owing from LAHC was offset against this acquisition price, resulting in a net payment to LAHC of $1.3m.

The Company will continue to provide quality affordable housing to low and moderate income households.

This report is made in accordance with a resolution of the Directors.

On behalf of directors:

Mark Turner
Director

Graham Monk
Director

Dated this 24th day of October 2019

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

		2019	2018
	Notes	**$**	**$**
Revenue	2	41,757,784	36,549,311
Other income	3	8,307,297	24,750,601
Tenancy and property management expenses	4	(29,513,225)	(26,304,183)
Administration expenses	4	(2,777,836)	(2,724,895)
Employee benefits	4	(6,617,491)	(5,761,381)
Depreciation	4	(2,813,707)	(1,841,860)
Finance costs	4	(1,224,713)	(965,559)
Other project costs	4	(2,510,178)	-
Surplus before fair value loss		**4,607,931**	**23,702,034**
(Loss)/Gain on derivative financial instrument	5	(1,058,665)	52,846
Surplus before income tax expense		**3,549,266**	**23,754,880**
Income tax expense	1(b)	-	-
Surplus after income tax expense for the year attributable to the members of Bridge Housing Limited		**3,549,266**	**23,754,880**
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings	9	65,267,204	9,356,170
Other comprehensive income for the year, net of tax		65,267,204	9,356,170
Total comprehensive income for the year attributable to the members of Bridge Housing Limited		**68,816,470**	**33,111,050**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		2019	2018
	Notes	$	$
Assets			
Current assets			
Cash and cash equivalents	7	3,898,212	6,072,320
Trade and other receivables	8	6,792,203	5,759,218
Total current assets		10,690,415	11,831,538
Non-current assets			
Property, plant and equipment	9	255,694,175	184,725,617
Other assets		168,152	-
Total non-current assets		255,862,327	184,725,617
Total assets		**266,552,742**	**196,557,155**
Liabilities			
Current liabilities			
Trade and other payables	10	1,895,503	2,020,358
Other liabilities	11	7,203,560	5,100,430
Employee benefits	12	741,552	597,073
Provisions	13	-	62,300
Derivative financial liability	14	2,331,303	-
Total current liabilities		12,171,918	7,780,161
Non-current liabilities			
Employee benefits	12	77,896	78,501
Derivative financial liability	14	-	1,272,638
Borrowings	15	24,210,346	26,149,743
Total non-current liabilities		24,288,242	27,500,882
Total liabilities		**36,460,160**	**35,281,043**
Net assets		**230,092,582**	**161,276,112**
Equity			
Reserves	16	121,861,667	56,594,463
Accumulated surpluses		108,230,915	104,681,649
Total equity		**230,092,582**	**161,276,112**

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
	Notes	$	$
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		24,434,426	22,481,950
Cash paid to suppliers and employees (inclusive of GST)		(41,409,904)	(37,826,955)
Grants received (inclusive of GST)		20,721,368	18,197,298
Interest and other finance costs paid		(1,224,713)	(965,559)
Interest received		57,241	43,049
Net cash from operating activities	**17**	**2,578,418**	**1,929,783**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,424,279)	(10,755,791)
Proceeds from sale of equipment		4,773	-
Deposit payments for property		(282,982)	-
Purchase of other assets		(1,008,307)	-
Net cash used in investing activities		**(2,710,795)**	**(10,755,791)**
Cash flows from financing activities			
(Repayment of)/proceeds from borrowing		(2,041,731)	10,200,000
Net cash (used in)/from financing activities		(2,041,731)	10,200,000
Net (decrease)/increase in cash and cash equivalents		(2,174,108)	1,373,992
Cash and cash equivalents at the beginning of the year		6,072,320	4,698,328
Cash and cash equivalents at the end of the year	**7**	**3,898,212**	**6,072,320**

The above statement of cash flows should be read in conjunction with the accompanying notes.

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

	Accumulated surpluses	Reserves	Total equity
	$	$	$
Balance at 1 July 2017	**80,926,769**	**47,238,293**	**128,165,062**
Surplus after income tax expense for the year	23,754,880	-	23,754,880
Other comprehensive income for the year, net of tax	-	9,356,170	9,356,170
Total comprehensive income for the year	23,754,880	9,356,170	33,111,050
Balance at 30 June 2018	**104,681,649**	**56,594,463**	**161,276,112**
Surplus after income tax expense for the year	3,549,266	-	3,549,266
Other comprehensive income for the year, net of tax	-	65,267,204	65,267,204
Total comprehensive income for the year	3,549,266	65,267,204	68,816,470
Balance at 30 June 2019	**108,230,915**	**121,861,667**	**230,092,582**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Australian Charities and Not-for-profits Commission Act 2012*, as appropriate for not-for-profit oriented entities.

The financial report was authorised for issue by the directors on the 24 October 2019. The directors have the power to amend and reissue the financial statements.

The financial report has also been prepared on a historical cost basis, except for land and buildings deemed to be at fair value.

The financial report covers Bridge Housing Limited as an individual entity. The financial report is presented in Australian dollars, which is Bridge Housing Limited's functional and presentation currency. Bridge Housing Limited is a not-for-profit unlisted public company limited by guarantee and it is incorporated and domiciled in Australia.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Income tax

As the Company is the charitable institution in terms of subsection 50-5 of the *Income Tax Assessment Act 1997*, as amended, it is exempt from paying income tax.

(c) GST

Revenues and expenses are recognised net of GST, except where GST incurred is not recoverable from the taxation authority in which case the GST is recognised as part of the cost of the expense item. Receivables and payables are stated with the amount of GST included. The net amount of GST payable to the taxation authority is included in payables in the statement of financial position.

(d) New accounting standards and interpretations

AASB 15 – Revenue from Contracts with Customers

AASB 15 – Revenue from Contracts with Customers specifies how and when revenue should be recognised as well as informative and relevant disclosures. The standard also requires additional disclosures in respect of the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This standard will be implemented with two supplementary not-for-profit specific standards, AASB 2016-8 Australian Implementation Guidance for Not-for-Profit Entities and AASB 1058 Income of Not-for-Profit Entities. These standards supersede AASB 118 – Revenue, AASB 1004 Contributions and a number of other revenue-related interpretations. AASB 15, AASB 2016-8 and AASB 1058 must be applied for all periods beginning on or after 1 January 2019, with early application permitted. Bridge Housing Limited will adopt the standard on a retrospective basis from 1 July 2019.

Bridge Housing Limited is currently updating the policies and procedures of the Company and determining the exact impact the new accounting standards will have for the year ended 30 June 2020 when adopted.

AASB 16 - Leases

AASB 16 - Leases now brings most leases onto the balance sheet, eliminating the distinction between operating and finance leases. This standard supersedes AASB 117 – Leases and is applicable to annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that apply AASB 15 – Revenue from Contracts with Customers at or before the initial date of application of this standard.

Bridge Housing Limited is a member of 'PowerHousing Australia', who have been driving an industry wide review of the impact of AASB 15 and AASB 16 on the community housing sector. To date, the Company has identified that implementation of the new accounting standards will primarily affect the following areas for community housing providers:

- Agreements in respect of properties rented to provide affordable housing, motor vehicles, equipment and rental of office space will be accounted for under AASB 16 which will result in these leases being brought onto the balance sheet. It is expected that the resulting impact will be an increase in non-current assets and a correlating increase in current and non-current liabilities. Additionally, it is anticipated that there will be an additional impact on the timing of expenses relating to the leases with the adoption of AASB 16 with reduced profits expected in the beginning years of the lease.
- Agreements in respect to peppercorn leases with the Land and Housing Corporation to provide social housing, including the more recent Social Housing Management Transfer Program (SHMTP) properties to be managed by Bridge Housing, are considered to be outside of the scope of AASB 16 given that they are properties owned and controlled by the government and therefore considered to be service concession arrangements accounted for under IFRIC 12. With the adoption of the new accounting standards, it is anticipated impact will be a minor increase in the asset values as the implementation costs of the ('SHMTP') properties will be capitalised under AASB 15.
- The revenue from agreements in respect to owned properties that are a mix of social and affordable housing will be accounted for in accordance with AASB 15. It is anticipated that there will be no material impact on the adoption of this standard in respect to these agreements.
- It has been determined that revenues and grants for community housing providers will be accounted for under AASB 15 and AASB 1058 in respect to contracts with customers and residual income values of grants.

The Company is planning to adopt AASB 16 from 1 July 2019 and have begun the initial stages of updating the policies and procedures of the registered entity and determining the exact impact the new accounting standards will have for the year ended 30 June 2020 when adopted.

AASB 9 – Financial Instruments

AASB 9 – Financial Instruments must be applied for all periods beginning on or after 1 January 2019, with early application permitted. The standard replaces AASB 139 and includes changes to the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. Under AASB 9, loss allowances are measured on either of the following bases:

- 12 month expected credit losses: these are expected credit losses that result from possible default events within the 12 months after the reporting date; and
- Lifetime expected credit losses: these are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The Company measure's loss allowances for trade receivables at an amount equal to lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk. Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Bridge Housing Limited adopted AASB 9 from 1 July 2018 and have updated the accounting policies and procedures accordingly. AASB 9 was adopted using the retrospective approach without adjusting comparatives. There was no impact of adoption on opening retained profits as at 1 July 2018 and therefore no adjustment is reflected in these financial statements.

(e) Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Company.

Provision for impairment of receivables

The Company measure's loss allowances for trade receivables at an amount equal to lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk. Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Land and building valuations

Critical estimates are made by the Directors in respect to the fair value of the land and buildings. The fair value of the land and buildings are reviewed regularly by the Directors with reference to independent third party valuations. This external valuation has been prepared in accordance with established valuation methodologies, international valuation standards and Australian Accounting Standards using the fair value model.

Estimation of useful lives of assets

The directors determine the estimated useful lives and related depreciation charges for its property, plant and equipment. The useful lives could be revised. The depreciation charge will increase where the useful lives are less than previously estimated lives, or where obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Financial Derivative

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. This value is based upon valuations provided by Financial Institutions as at reporting date and this is relied upon for recognising the fair value of the derivative contract.

Fair value measurement hierarchy

The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

NOTE 2: REVENUE

	2019	2018
	$	$
Rental revenue	22,628,473	19,873,439
Non-rental revenue	592,955	564,011
Government grants	18,536,356	16,111,861
	41,757,784	**36,549,311**

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Rental revenue

Rental revenue is recognised as income in the periods when they are earned.

Operating grants

Operating grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company has satisfied all the attached conditions.

Government grants of $18,536,356 (2018: $16,111,861) were recognised by the Company during the financial year. There are no unfulfilled conditions or other contingencies attaching to these grants.

NOTE 3: OTHER INCOME

	2019	2018
	$	$
Fees received – services	911,873	582,298
Gain on vesting of properties	7,210,375	23,996,549
Profit on disposal of fixed Asset	24,322	-
Interest income	56,945	41,749
Donation income	75,000	100,000
Insurance compensation income	28,782	30,005
	8,307,297	**24,750,601**

Insurance compensation income

Insurance compensation income is recognised as income in the periods when they are earned. It represents the temporary accommodation and rental loss compensation from the insurer due to tenants' relocation as a result of property damage.

Gain on vesting of properties

Gain on vesting of properties is recognised as income in the periods when the properties are vested to the Company. The 2019 gain on the vested property at Upwards and George St Leichhardt, represents the market value of the property which was vested in October 2018 and April 2019, being $7,210,375. The 2018 gain on the vested property at Elger St Glebe, represents the market value of the property which was vested in June 2018 less the costs of acquisition, being $10,200,000, which the Company was required to contribute.

Donation Income

Donation income is recognised as revenue when the money is received and any obligations are met.

Rendering of services

Income from fees received for services is recognised when the services are provided.

Interest

Revenue is recognised as interest accrues using the effective interest method.

NOTE 4: EXPENSES

	2019	2018
	$	$
Tenancy and property management expenses		
Rent paid	21,573,926	19,637,107
Doubtful and bad debt expense	222,594	78,696
Insurances	422,490	267,305
Rates and utility charges	2,428,427	2,044,478
Repairs and maintenance	4,865,788	4,276,597
	29,513,225	**26,304,183**

	2019	2018
	$	$
Administration expenses		
Office rent	430,299	318,188
Office expenses	1,037,305	861,250
Consultant fees	461,312	799,599
Audit and accounting fees	94,895	96,061
Amortisation of loan arrangement fees	102,333	83,222
Other expenses	555,825	511,424
Legal fees	95,867	55,151
	2,777,836	**2,724,895**

	2019	2018
	$	$
Employee benefits		
Employee benefits	6,099,353	5,308,522
Superannuation expenses	518,138	452,859
	6,617,491	**5,761,381**

	2019	2018
	$	$
Depreciation of Property, Plant and Equipment	**2,813,707**	**1,841,860**

	2019	2018
	$	$
Finance costs (Interest Expenses)	**1,224,713**	**965,559**

	2019	2018
	$	$
Other Project Costs		
Project write off costs	1,596,862	-
SHMT transition costs	913,316	-
	2,510,178	**-**

Project write off costs

Project costs that were incurred and written off in the periods when it was determined that the project would no longer proceed.

NOTE 5: (LOSS)/GAIN ON DERIVATIVE FINANCIAL INSTRUMENT

	2019	2018
	$	$
(Loss)/gain on derivative financial instrument	(1,058,665)	52,846
	(1,058,665)	**52,846**

A loss of $1,058,665 (2018: gain of $52,846) was recognised by the Company during the financial year as a result of the mark to market valuation of the interest rate swap in place to hedge our variable interest rate on a proportion of the long term borrowings.

NOTE 6: AUDITOR'S REMUNERATION

During the financial year the following fees were paid or payable for services provided by the auditor (BDO East Coast Partnership) of the Company:

	2019	2018
	$	$
Audit of the financial statements	45,000	48,500
Other services	32,202	4,320
	78,202	**52,820**

NOTE 7: CASH AND CASH EQUIVALENTS

	2019	2018
	$	$
Cash at bank and on hand	3,898,212	4,072,320
Cash on deposit	-	2,000,000
	3,898,212	**6,072,320**

Cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of five months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

NOTE 8: TRADE AND OTHER RECEIVABLES

	2019	2018
	$	$
Trade receivables	1,292,552	792,772
Property bonds	1,385,628	1,322,015
Social housing subsidy program receivable	1,515,421	1,515,421
Government grants receivable	2,707,632	1,322,350
Sundry receivables	202,601	1,081,133
	7,103,834	**6,033,691**
Less: Provision for impairment of receivables	(311,631)	(274,473)
	6,792,203	**5,759,218**

The Company has recognised a doubtful and bad debt expense of $222,594 (2018: $87,886) in the profit or loss in respect of receivables for the year ended 30 June 2019.

Movements in the provision for impairment of receivables are as follows:

	2019	2018
	$	$
Opening balance	274,473	332,734
Additional provisions recognised	222,594	78,696
Receivables written off during the year as uncollectable	(185,436)	(136,957)
	311,631	**274,473**

Customers with balances past due (greater than 90 days) but without provision for impairment amount to $5,481 as at 30 June 2019 (2018: $nil).

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment (refer to Note 1 (e) for further details).

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	$	$
Furniture and fittings		
At cost	23,729	13,248
Less: Accumulated depreciation	(4,688)	(8,068)
	19,041	**5,180**
Motor vehicles		
At cost	62,467	30,960
Less: Accumulated depreciation	(1,498)	(30,960)
	60,969	**-**
Computer equipment		
At cost	1,661,512	1,387,541
Less: Accumulated depreciation	(1,034,707)	(785,130)
	626,805	**602,411**
Office equipment		
At cost	112,023	11,723
Less: Accumulated depreciation	(23,221)	(7,303)
	88,802	**4,420**
Land and buildings		
At fair value	253,832,065	183,674,534
	253,832,065	**183,674,534**
Leasehold improvements		
At cost	849,285	524,069
Less: Accumulated depreciation	(65,774)	(482,801)
	783,511	**41,268**
Construction in progress		
At cost	282,982	397,804
	282,982	397,804
	255,694,175	**184,725,617**

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in carrying amounts

Movements in the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year is set out below:

	Furniture & fittings	Motor vehicle	Computer equipment	Office equipment	Land and buildings	Leasehold improve-ments	Construction in progress (CIP)	Total
	$	$	$	$	$	$	$	$
Balance at 1 July 2017	**7,430**	**-**	**221,157**	**7,542**	**141,517,045**	**71,460**	**634,333**	**142,458,967**
Transfers from WIP	-	-	410,773	-	279,568	-	(690,341)	-
Additions	-	-	142,709	-	34,155,819	-	453,812	34,752,340
Disposals at Costs	-	-	-	-	-	-	-	-
Accumulated Depreciation Disposed	-	-	-	-	-	-	-	-
Depreciation	(2,250)	-	(172,228)	(3,122)	(1,634,068)	(30,192)	-	(1,841,860)
Revaluation	-	-	-	-	9,356,170	-	-	9,356,170
Balance at 30 June 2018	**5,180**	**-**	**602,411**	**4,420**	**183,674,534**	**41,268**	**397,804**	**184,725,617**
Transfers from WIP	-	-	-	-	-	-	-	-
Additions	21,729	62,467	294,138	103,216	7,338,701	849,285	282,982	8,952,518
Disposals at Costs	(11,248)	(30,960)	(20,168)	(2,916)	-	(524,069)	(397,804)	(987,165)
Accumulated Depreciation Disposed	7,005	30,960	16,294	2,434	-	493,015	-	549,708
Depreciation	(3,625)	(1,498)	(265,870)	(18,352)	(2,448,374)	(75,988)	-	(2,813,707)
Revaluation	-	-	-	-	65,267,204	-	-	65,267,204
Balance at 30 June 2019	**19,041**	**60,969**	**626,805**	**88,802**	**253,832,065**	**783,511**	**282,982**	**255,694,175**

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (Continued)

Where the property is vested to the Company or is acquired with an intention to hold the property as a long term asset for the provision of social housing, the asset is treated as property, plant and equipment.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Assets acquired at no cost, or for nominal consideration, are initially recognised at fair value as at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

During the year, the Company was vested 11 properties located in Leichhardt to accommodate affordable housing tenants. The properties were independently valued at the date of acquisition at $7,210,375.

Critical estimates are made by the Directors in respect to the fair values of the land and buildings. The fair value of the land and buildings are reviewed regularly by the Directors with reference to independent third party valuations which are performed at least every 3 years.

Although the properties have restrictive covenants (social housing covenants) on the title, they have been valued on a vacant possession basis at market value. Where properties within a complex are not able to have a separate strata title then valuations are performed "In one Line". That is, it is assumed that the whole block is sold and an appropriate discount is applied by the valuer to the individual property values.

On this basis, the directors assessed the fair value of land and buildings at 30 June 2019 to be $253,832,065 (2018: $183,674,534). The resulting increase of $65,267,204 (2018: $9,356,170) has been recognised as an asset revaluation reserve based on the valuation reports completed between 28th May 2019 to 26th June 2019 (Refer Note 16).

The most recent valuation was completed on 30 June 2019 by an independent assessment on 45 percent of the portfolio. The average increase by location and property type was then applied to the remainder of the portfolio to estimate fair market value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss. As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	**50 years**
Furniture and fittings	**5 years**
Leasehold improvements	**5-7 years**
Motor vehicles	**5 years**
Computer equipment and software	**1-5 years**
Office equipment	**3-5 years**

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Impairment of property, plant and equipment

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of profit or loss and other comprehensive income.

Grants relating to assets

Government grants relating to assets are offset against the carrying value of the asset and recognised when there is no unfulfilled conditions or other contingencies attaching to these grants.

NOTE 10: TRADE AND OTHER PAYABLES

	2019	2018
	$	$
Trade payables	328,190	-
Accrued expenses	1,448,381	1,892,658
Other payables	118,932	127,700
	1,895,503	**2,020,358**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. The carrying amount of the creditors and payables is deemed to reflect fair value.

NOTE 11: OTHER LIABILITIES

	2019	2018
	$	$
Deferred revenue-Grant subsidy	977,895	990,148
Deferred revenue-Grant for projects	4,994,804	2,997,472
Deferred income	1,230,861	1,112,810
	7,203,560	**5,100,430**

Deferred grant income

Grant income is deferred where the Company has the right to use the funds and is recognised in the future when they are earned.

Deferred income

Deferred income is rental revenue received but not yet earned.

NOTE 12: EMPLOYEE BENEFITS

	2019	2018
	$	$
Current		
Annual leave	467,480	374,828
Long service leave	274,072	222,245
	741,552	**597,073**
Non - Current		
Long service leave	77,896	78,501
	77,896	**78,501**

Liabilities for wages and salaries, including annual leave expected to be settled within 12 months of reporting date, are recognised in provisions in respect of employees' services rendered up to reporting date and are measured at amounts expected to be paid when the liabilities are settled. Liabilities are included as part of employee benefits.

Liabilities for annual leave not expected to be settled within 12 months from reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. Long service leave entitlements have been measured at the amount expected to be paid when the liability is settled, plus related on-costs, which provides an estimate of the amount not materially different from the liability measured at the present value of the estimated future cash outflows to be made for those benefits.

Long service leave, once 5 years' service is reached, can either be taken as leave or paid on termination of employment. This liability is shown as a current liability although it is not expected that this full amount will be paid within the next 12 months.

No provision is made for sick leave entitlements.

NOTE 12: EMPLOYEE BENEFITS (Continued)

Amounts not expected to be settled within the next 12 months

The current liability for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next twelve months.

	2019	2018
	$	$
Employee benefits obligation expected to be settled after twelve months	85,177	59,547
	85,177	**59,547**

NOTE 13: PROVISIONS

	2019	2018
	$	$
Current		
Make good provisions	-	62,300
	-	**62,300**

Provisions for make good obligations are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

NOTE 14: DERIVATIVE FINANCIAL LIABILITY

	2019	2018
	$	$
Current		
Interest rate swap	2,331,303	-
	2,331,303	**-**
Non - Current		
Interest rate swap	-	1,272,638
	-	**1,272,638**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date with any movements shown in the statement of profit or loss and other comprehensive income.

As part of entering into the new debt agreement with the National Housing Finance and Investment Corporation (see note 16), the Company settled the interest rate swap on 3 July 2019 before its due date. As a result the derivative has been classified as a current liability as at 30 June 2019.

NOTE 15: BORROWINGS

	2019	2018
	$	**$**
Non - Current		
Borrowings	24,210,346	26,149,743
	24,210,346	**26,149,743**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The NAB loan was secured by first mortgages over the Company's land and buildings. The total facility of $35,000,000 (2018: $35,000,000) had unused lines of credit as at 30 June 2019 of $10,747,923 (2018: $8,747,923).

As at 30 June 2019, the Company had entered into a debt agreement with the National Housing Finance and Investment Corporation (NHFIC) for $40m to refinance this debt facility. This new debt facility was drawn down on 3 July 2019, with the NAB loan being repaid on the same date. The new $40 million loan is at a fixed rate for a term of 10 years.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on long-term and short-term borrowings.

NOTE 16: RESERVES

Movements on reserves in the year are as follows:

	At the start of the year	Revaluation of Land and Buildings	At the end of the year
	$	**$**	**$**
Asset revaluation	56,594,463	65,267,204	121,861,667
	56,594,463	**65,267,204**	**121,861,667**

The asset revaluation reserve is used to recognise increments and decrements in the fair value of land and buildings in accordance with note 9.

Critical estimates are made by the Directors in respect to the fair values of the land and buildings. The fair value of the land and buildings are reviewed regularly by the Directors with reference to independent third party valuations. As a result, the land and buildings were revalued upwards by $65,267,204 (2018: $9,356,169).

NOTE 17: CASH FLOW INFORMATION

	2019	2018
	$	**$**
Reconciliation of surplus to net cash flow from operating activities		
Surplus for the year	4,462,582	23,754,880
Depreciation	2,813,707	1,841,860
Amortisation	102,333	83,222
Fair value gain on derivative financial instrument	1,058,665	(52,846)
Gain on vesting of property	(7,210,375)	(23,996,549)
Prior year project written off	324,641	-
Changes in assets and liabilities		
Increase in trade and other receivables	(1,032,984)	(1,729,741)
(Decrease)/Increase in trade creditors and other payables	(187,155)	737,653
Increase in provisions and employee benefits	143,873	82,077
(Decrease)/increase in other liabilities	2,103,131	1,209,227
Net cash flow from operating activities	**2,578,418**	**1,929,783**

NOTE 18: CONTINGENT LIABILITIES

There is a security deposit guarantee of $385,557 for the office level 9, 59 Goulburn St, Sydney premises (2018: $40,183 for the office level 11, Tower 1, 1 Lawson Square, Redfern premises).

The Company had no other contingent liabilities as at 30 June 2019 or 30 June 2018.

NOTE 19: COMMITMENTS

	2019	2018
	$	**$**
Lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable – minimum lease payments:		
Within one year	3,551,998	3,326,742
One to five years	6,123,276	880,441
	9,675,274	**4,207,183**

The lease for Level 9 59 Goulburn St, Sydney is a non-cancellable lease which commenced on 15 November 2018 for a seven year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 4 per cent per annum.

Bridge Housing also has lease commitments under the leasehold program. These properties are sub-let to social housing tenants. We receive a NSW Government subsidy to meet the difference between the market rent and the rental income received from our sub leases. These lease commitments are non-cancellable operating leases contracted between 3 weeks and 10 years. Increases in lease commitments may occur in line with changes in market rent but any increase is funded by our lease subsidy arrangements with the government.

Capital commitment

As at 30 June 2019 there is capital commitment of $2,520,000 (2018: $nil) for the purchase of a property at 110 Rossmore Avenue Punchbowl which has settled on 16th August 2019.

NOTE 20: RELATED PARTY TRANSACTIONS

Key management personnel

The aggregate compensation made to key management personnel of the Company is set out below:

	2019	2018
	$	$
Short-term employee benefits	1,057,442	984,702
Post-employment benefits	91,364	89,646
	1,148,806	**1,074,348**

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

NOTE 21: FAIR VALUE GAIN ON DERIVATIVE FINANCIAL INSTRUMENT

Fair value hierarchy

The following tables detail the Company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
30 June 2019	$	$	$	$
Assets				
Land and buildings	-	-	253,832,065	253,832,065
Total assets	**-**	**-**	**253,832,065**	**253,832,065**
Liabilities	-	-		
Interest rate swap	-	-	2,331,303	2,331,303
Total liabilities			**2,331,303**	**2,331,303**

NOTE 21: FAIR VALUE MEASUREMENT (Continued)

	Level 1	Level 2	Level 3	Total
30 June 2018	**$**	**$**	**$**	**$**
Assets				
Land and buildings	-	-	183,674,534	183,674,534
Total assets	**-**	**-**	**183,674,534**	**183,674,534**
Liabilities	-	-		
Interest rate swap	-	-	1,272,638	1,272,638
Total liabilities			**1,272,638**	**1,272,638**

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 3

Land and buildings have been valued based on similar assets, location and market conditions.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Interest rate swap	Land and buildings
	$	**$**
Balance at 30 June 2018	(1,272,638)	183,674,534
Additions/transfers from construction in progress	-	7,338,701
Depreciation	-	(2,448,374)
Revaluation increment	(1,058,665)	65,267,204
Balance at 30 June 2019	**(2,331,303)**	**253,832,065**

The unobservable inputs applied in the valuation methods used included rental market data, rental levels, rental demands and other unobservable inputs.

NOTE 22: EVENTS AFTER REPORTING PERIOD

On 3 July 2019 Bridge Housing settled the NAB loan facility and drew down on a $40 million loan facility with the National Housing Finance and Investment Corporation.

On 3 July 2019 Bridge Housing settled the interest swap for consideration of $2.33 million.

On 5 August 2019 Bridge Housing took over the management of 1,228 properties on the Northern Beaches under the Government's Social Housing Management Transfer Program (SHMTP) under a 20 year lease.

On 5 August 2019 Bridge Housing secured a lease for an office at Level 1, 660-664 Pittwater Road, Brookvale NSW 2100.

On 16 August 2019 Bridge Housing settled the purchase of a block of 8 x 2 bedroom units in Punchbowl using Community Housing Capital Funding/Community Housing Leasehold Program surplus funding/Equity to provide social housing to low to moderate income households.

On 10 September 2019 Bridge Housing has made a capital commitment of $5,707,500 to purchase a block of 12 units to provide social housing to low to moderate income households at Ashfield.

On 2 October 2019 Bridge Housing paid $2.8m for the Dulwich Hill acquisition from LAHC. Our financial interest in the SHSP of $1.5m owing from LAHC was offset against this acquisition price, resulting in a net payment to LAHC of $1.3m.

NOTE 23: FINANCIAL RISK MANAGEMENT

(a) General objectives, policies and processes

In common with all other businesses the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Company's financial instruments consist of cash and cash equivalents, interest rate swaps, trade receivables, trade payables and borrowings.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and its overall objective is to set polices that seek to reduce risk as far as possible without unduly affecting the ability of the Company to achieve its aims. Further details regarding these policies are set out below, in notes (b), (c) and (d).

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Company incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Company.

There is no concentration of credit risk with respect to current receivables.

The maximum exposure to credit risk at balance sheet date is the carrying value of these assets, net of any provision for impairment, as disclosed below.

	2019	2018
	$	$
Cash	3,898,212	6,072,320
Trade and other receivables	6,792,203	5,759,218
	10,690,415	**11,831,538**

(c) Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet commitments associated with financial instruments.

The Company is not significantly exposed to this risk, as it has $3,898,212 (2018: $6,072,320) of cash and cash equivalents to meet these obligations as they fall due.

The Company manages liquidity risk by monitoring cash flows and ensuring it has sufficient cash reserves and available borrowings to be able to pay debts as and when they become due and payable.

NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

Financing arrangements

The Company has the following unused borrowing facilities as at reporting date:

	2019	2018
	$	**$**
Borrowings – bank loan	10,747,923	8,747,923
	10,747,923	**8,747,923**

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

2019	Less than 12 months	Between 1-3 years	Over 3 years	Total
	$	**$**	**$**	**$**
Non-derivative financial Liabilities				
Trade and other payables	1,895,503	-	-	1,895,503
Borrowings	-	-	24,210,346	24,210,346
	1,895,503	**-**	**24,210,346**	**26,105,849**
Derivative financial liabilities				
Interest rate swap	2,331,303	-	-	2,331,303
Total liabilities	**2,331,303**	**-**	**-**	**2,331,303**

2018	Less than 12 months	Between 1-3 years	Over 3 years	Total
	$	**$**	**$**	**$**
Non-derivative financial Liabilities				
Trade and other payables	2,020,358	-	-	2,020,358
Borrowings	-	26,149,743	-	26,149,743
	2,020,358	**26,149,743**	**-**	**28,170,101**
Derivative financial liabilities				
Interest rate swap	-	-	1,272,638	1,272,638
Total liabilities	**-**	**-**	**1,272,638**	**1,272,638**

As at 30 June 2019, the Company had entered into a debt agreement with the National Housing Finance and Investment Corporation (NHFIC) for $40m to refinance the current NAB debt facility. This new debt facility was drawn down on 3 July 2019, with the NAB loan being repaid on the same date. The new $40m loan is at a fixed rate for a term of 10 years.

(d) Market Risk

Market risk arises from the use of interest bearing financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates.

NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

The Company's exposure to interest rate risk is set out in the tables below:

2019	Floating interest rate	Fixed interest <1year	Fixed interest 1-3 year And Over	Non-interest bearing	Total
	$	**$**	**$**	**$**	**$**
Financial Assets					
Cash	1,930,771	-	-	1,967,441	3,898,212
Trade and other receivables	-	-	-	6,792,203	6,792,203
	1,930,771	**-**	**-**	**8,759,644**	**10,690,415**
Weighted average interest rate	**0.4%**				
Financial Liabilities					
Trade and other payables	-	-	-	1,895,503	1,895,503
Borrowings	24,252,077	-	-	-	24,252,077
Interest rate swap	2,331,303	-	-	-	2,331,303
	26,583,380	**-**	**-**	**1,895,503**	**28,478,883**
Weighted average interest rate	**3.49%**				

2018	Floating interest rate	Fixed interest <1year	Fixed interest 1-3 year And Over	Non-interest bearing	Total
	$	**$**	**$**	**$**	**$**
Financial Assets					
Cash	1,718,372	2,000,000	-	2,353,948	6,072,320
Trade and Other Receivables	-	-	-	5,759,218	5,759,218
	1,718,372	**2,000,000**	**-**	**8,113,166**	**11,831,538**
Weighted average interest rate	**0.4%**	**1.90%**			
Financial Liabilities					
Trade and Other Payables	-	-	-	2,020,358	2,020,358
Borrowings	26,252,077	-	-	-	26,252,077
Interest rate swap	1,272,638	-	-	-	1,272,638
	27,524,715	**-**	**-**	**2,020,358**	**29,545,073**
Weighted average interest rate	**3.40%**				

NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

Even though the swap expires on 1 July 2025 it is shown as <1 year as a decision / arrangement had been made by 30 June 2019 to pay out the swap on 3rd July 2019. The maturity profile and the weighted average interest rate of the fixed derivatives held at 30 June 2019 represented by an Interest rate swap which expires on 1 July 2025 can be summarised below:

2019	<1 year	1-5 years	>5 years	Total
	$	$	$	$
Interest rate swap (fixed)	16,000,000	-	-	16,000,000
Average fixed rate	**3.69%**			**3.69%**

2018	<1 year	1-5 years	>5 years	Total
	$	$	$	$
Interest rate swap (fixed)	16,000,000	16,000,000	16,000,000	16,000,000
Average fixed rate	**3.69%**	**3.69%**	**3.69%**	**3.69%**

Sensitivity Analysis – Interest Rate Risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in the risk.

The effect on the result and equity as a result of changes in interest rate, with all other variables remaining constant, would be as follows:

2019	Profit/loss after tax		Equity	
	100bp higher	100bp lower	100bp higher	100bp lower
	$	$	$	$
Effect of market interest rate movement	**(63,213)**	**63,213**	**(63,213)**	**63,213**

The above analysis assumes all other variables remain constant.

	Carrying Amount	+1%	-1%
2019	$	$	Result $
Cash	**3,898,212**	**38,982**	**(38,892)**
2018			
Cash	**6,072,320**	**60,723**	**(60,723)**

NOTE 24: ECONOMIC DEPENDENCY

The Company is economically dependent on the NSW State Government and the Federal Government for significant financial support in the form of subsidies and grants to assist in the delivery of affordable and social housing to the community.

NOTE 25: COMPANY DETAILS

The current address of the registered office and principal place of business is:
Level 9, 59 Goulburn St, Sydney, NSW 2000.

NOTE 26: MEMBERS' GUARANTEE

The entity is incorporated under the Australian Charities and Not-for-profits Commission Act 2012 and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of $1 each towards meeting any outstanding and obligations of the entity. At 30 June 2019 the number of members was 227 (2018: 229).

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements comprising the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity, and accompanying notes to the financial statements, are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012* and

   a. comply with Australian Accounting Standards and the *Australian Charities and Not-for-Profit Commission Regulations 2013*; and

   b. give a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date;

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Mark Turner	**Graham Monk**
Director	Director

Dated this 24th day of October 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Bridge Housing Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Bridge Housing Limited (the registered entity), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the responsible entities' declaration.

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

(i) Giving a true and fair view of the registered entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards 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 registered entity in accordance with the auditor independence requirements of 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

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the registered entity's annual report, 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.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 responsible entities for the Financial Report

The responsible entities of the registered entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the registered entity'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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

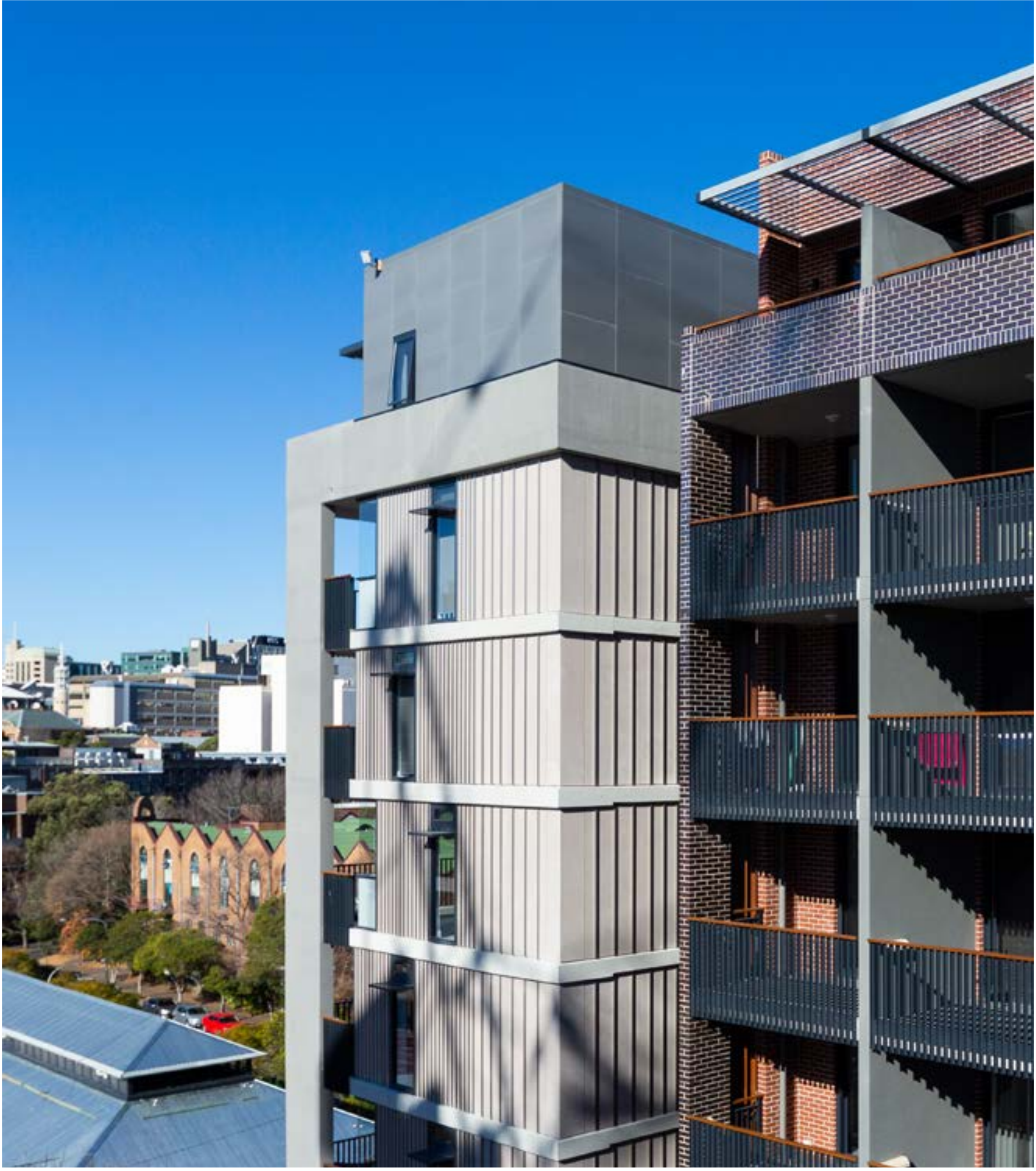
This description forms part of our auditor's report.

BDO East Coast Partnership

BDO

Ian Hooper
Partner

Sydney, 24 October 2019



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