

stellar living



Annual Report
2017

HERE AT STELLAR LIVING
**WE'RE FOCUSED ON
BUILDING**

A better tomorrow
THROUGH THE *PROVISION* OF
SUSTAINABLE
affordable housing

WITH **\$45.7m**
TOTAL PROPERTY ASSETS

& \$38.9M
IN TOTAL EQUITY

47.2% RATIO OF **EBITDA**
TO **TOTAL REVENUE**

51 units acquired since
early 2015

247 PROPERTIES UNDER
MANAGEMENT

Our Community Housing portfolio
is across 14 local government areas

82,638 DAY RENTAL FOR ALL
PROPERTIES

192 PROPERTIES OWNED
and **55** PROPERTIES
LEASED

94% TENANT
SATISFACTION

WE STRIVE FOR A CULTURE OF
excellence IN ALL
WE DO

About Stellar Living Limited

We at Stellar Living Limited continue to pursue our Vision to acquire or construct and manage housing for communities of people that may be in poverty, low income earners, in crisis or people who are suffering under a disability. We work with many other organisations to help these people find some relief from some of the challenges they encounter. We build to rent.



Care and respect

We will treat people with respect, dignity and common courtesy with recognition of the intrinsic worth of all human beings and the importance of sustaining their dignity and valuing their views.



Collaboration

We are not afraid to work with others towards reaching a common goal. We share our knowledge and skills to help develop our internal capacity to ensure effective and efficient outcomes.



Innovation

Actively striving to develop new ways of 'thinking and doing' things in our business and in challenging others to do the same.



Acceptance

Welcoming people in all their diversity in a manner that diminishes anxieties, enhances self-worth, communicates goodwill and leads to reconciliation.



Integrity

Taking an honest, fair, ethical and transparent approach in everything we do.

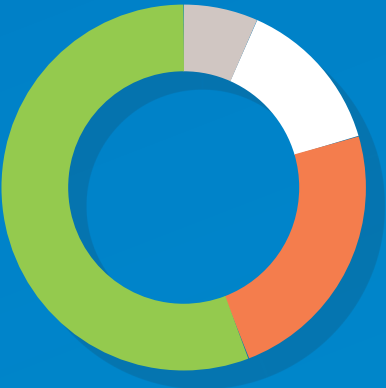


Excellence

We strive for a culture of excellence in all we do.

Statistics

Primary Tenant Age Groups



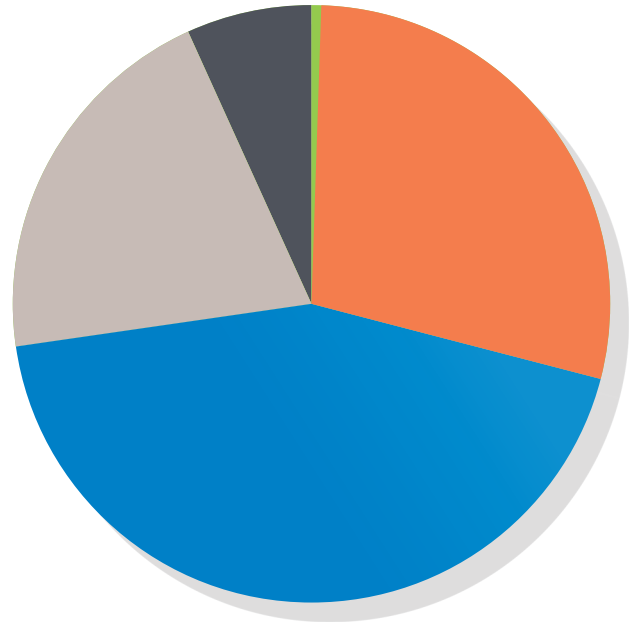
- 18 to 30 years
- 31 to 45 years
- 46 to 65 years
- 65 & over

Perth Metro
73 MANAGED
PROPERTIES

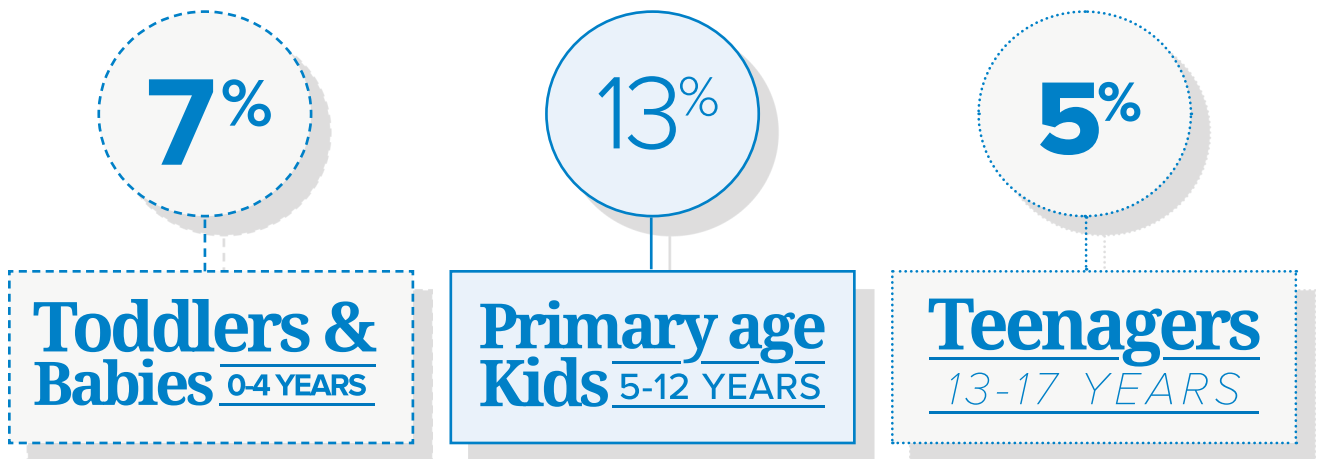
Kalgoorlie
17 MANAGED
PROPERTIES

MANDURAH
157 MANAGED
PROPERTIES

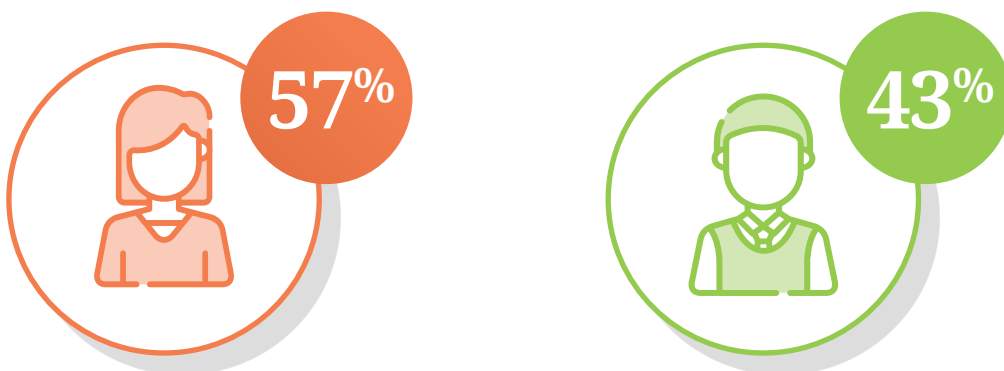
Properties by Bedroom



Children & Adolescent Tenants (all tenancies)



Gender of Primary Tenants



Director's Report

The 2016/2017 Financial Year saw Stellar Living produce another rewarding year from both a financial and growth perspective.

On the 30 June 2017 Stellar Living completed the purchase of a complex of 9 apartments in Redcliffe. This purchase increased our rental stock to 249 units of accommodation of which we own 194 units. St George Bank again were able to assist us in financing the purchase. We have now surpassed our WA Housing Authority Performance Targets by 19 dwellings **(146% of target)** since our first receipt of housing stock back in July 2011 when we received 132 properties from the Rudd government Federal Stimulus Package of 2009. We also received \$3.1m in assistance from the state government from the sale of properties which since this time has enabled us to purchase/develop 51 properties and 2 offices.

How we spend our money

For every \$1 of op. Revenue	16/17 Results	15/16 Results
Revenue	\$2,729,833	\$2,647,394
Direct Wages	9.9%	10.1%
R&M	9.2%	10.4%
Strata	1.1%	1.3%
Tenant	2.7%	3.3%
R&T's	6.3%	6.3%
Insurance	4.0%	3.9%
Indirect Wages	13.1%	15.1%
Borrowings	8.4%	3.7%
Support/Admin Costs	6.55%	8.05%
	61.9%	66.3%



Our Income

The oversupply of rental properties in the WA residential market affected our rental revenue stream for the 2016/2017 financial year with a drop of 2.6% to budget expectations. Rental vacancies increased with more people leaving the WA Housing Waitlist for private rental properties as they became more affordable. Those still not able to afford private rentals remained on the Wait List with lower incomes (from which we draw a prescribed percentage for our rental income). Even though our rental income dropped slightly, people had greater choice for housing which is a good outcome.

Our Recovery Income during the 2016/2017 financial year increased by over \$60,000 due to Centrecare Inc. (sole member of Stellar Living Ltd) providing in excess of \$37,000 towards lost rental income through vacancies within their Service Provision arrangements. We also challenged the Water Corporation for overcharging and received a refund in excess of \$14,000.



Our Expenditure

The 2016/2017 year saw total expenditure come in under budget by almost 8%, in excess of \$200,000. With a perceived drop in income becoming more real as the financial year progressed we were mindful of 'overspend'. Not taking shortcuts but by paying more attention to detail, in particular the management of repairs/maintenance, tenant debt, tenant damage and insurance claims and other operating costs, Stellar Living managed and contained costs.



Tenant Satisfaction

We exist because we care deeply for both current and prospective tenants. Despite the need to restrain costs and higher than normal vacancies we again received excellent satisfaction levels from our tenant feedback process with a result of 'satisfied or better' of 94% of those who answered the survey questions.



EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was \$1.28m, a return of over 47% to Total Income. We did produce a bottom line of \$116,200 after all costs, including the deduction of interest and depreciation, an excellent result given the current environment and property investments we had made in previous years.

Director's Report cont...



Our Balance Sheet

Our balance sheet as at 30 June 2017 reflects the property investments we have made over past years' and the associated liabilities. Our total borrowings of close to \$7.6 million is a little over 16% of Total Assets. Cash reserves and future cash flows are more than adequate to service future debt levels. Our Key Performance Indicators continue to meet and surpass expectations and have helped inform and measure our strategic intent.

Our Future

In the latter half of the year Stellar Living reviewed and revised its strategic plan for the next 5 years. The Board had recognised 4 key strategic areas for alignment for the next 5 years being:

- ① **Growth**
- ② **Quality**
- ③ **Revenue**
- ④ **Reputation**

The Board has also recognised that over the next 5 years, without any further capital injections or partnering and leasing opportunities offered by either federal or state government initiatives, the growth capacity of the organisation is limited. This is compounded by the fact that in WA there is currently a slowing of property development/ investment, a more competitive market place for rentals, a new state government and new thought arising by the federal government's productivity review on the social and community housing system which they consider to be 'broken' (Productivity Commissions Draft Report into Human Services June 2017).

There is no doubt that opportunity will arise but it will take time and effort in working with governments in influencing policy development by demonstrating initiative and innovation in both new ways of doing things and by being more efficient and effective in ways of old. Some things are working and some things are not. The governments of today must better engage with Community Housing Providers to help fix what is 'broken'. Community Housing Providers are not afraid to take calculated risks and experiment with new approaches in providing affordable housing choices to those in need.

Stellar Living is a relatively small fish in a large pond but still manages, through its agility and acumen, to not only provide outstanding results but to be involved in the development of the Community Housing Sector. Our CEO remains a director of the national housing peak Community Housing Industry Association (CHIA) and also chairs the state branch of CHIA. He is also involved in a number of Housing Authority Panels looking to evolve current state social and affordable housing policy. Through this involvement, Stellar aids in bringing the community housing sector closer in developing a united 'voice' and common purpose on the role that community housing providers can play and in the development of social and affordable housing policy. This will enhance and focus community housing's capability of better penetration of its knowledge and practices through the layers of policies, strategies and programs governments currently generate.

Stellar Living, with its limited resources, continues to embark on a course of action to help bring about scale and opportunity by considering mergers, partnerships and strategic alliances with like-minded organisations. This has the benefit of seeding innovation, reducing costs and risks and increasing the opportunity for growth and continued sustainability. These may be highlighted as:

- ☑ Building knowledge, policies, practice and procedure
- ☑ Identify risks and maintaining safe working environments
- ☑ Creating housing and business development opportunities
- ☑ Raising capital/funds for new projects
- ☑ Developing more effective front line management best practices with support and training
- ☑ Considering smarter use of technology and its implementation
- ☑ Reduction of duplication in sharing of administration functions
- ☑ Lobbying, networking and negotiating
- ☑ Peer support
- ☑ Procurement and
- ☑ Research

We look forward to better ways of doing business and better ways of working with government to the end-game of providing more affordable housing choices to those in need. Stellar has a lot to contribute in helping pave the way for more consistent and effective strategies on the contribution that the community housing sector can bring to addressing Australia’s housing shortage.



Performance Measures

Stellar Living measures its performance against specific criteria as decreed by the Housing Authority through the Community Housing Agreement aligned to its Performance Agreement with Stellar Living and is held accountable to the Housing Authority for agreed outcomes. Stellar Living is now progressing towards registration under the National Regulatory System for Community Housing Providers (NRSCH). Stellar Living has also agreed with the terms and conditions of the National Rental and Affordability Scheme (NRAS) relative to property entitlements under the Scheme. Stellar Living is also required to maintain specific covenants with its bankers.

Stellar Living continues to measure its performance producing rolling financial scenarios (using quantitative and qualitative data); including cash flow forecasts and budgets over a future 10 year period from its current financial (operational) year. These scenarios are reviewed each financial year and validated against trends and economic forecasts of conditions that have the potential to affect planning outcomes.

The Board holds management accountable through annual budgets and reporting of non-financial information which is monitored against actual results and strategic plans on a monthly basis.

Through the Board and a dedicated team of individuals delivering and supporting the services we provide, Stellar Living is poised with its small footprint to deliver valuable initiatives throughout the coming years.

Excerpt from...

Statement of Comprehensive Income

For the year ended 30 June 2017

	2017 \$	2016 \$
Revenue:		
Revenue from ordinary activities	2,486,533	2,405,801
Grant funding	243,300	241,593
	<u>2,729,833</u>	<u>2,647,394</u>
Expenses:		
Property Management expenses	(525,636)	(594,349)
Administration expenses	(288,514)	(280,989)
Employee Benefits	(627,831)	(666,368)
	<u>(1,441,981)</u>	<u>(1,541,706)</u>
<i>Profit for the year before interest, tax, depreciation, amortisation and impairment</i>	1,287,853	1,105,688
Less:		
Depreciation & amortisation	(941,296)	(855,831)
Interest expense	(230,357)	(97,983)
Impairment expense	-	(563,024)
	<u>(1,171,653)</u>	<u>(1,516,838)</u>
Profit/(Loss) for the year	116,200	(411,150)
Total comprehensive income	116,200	(411,150)
Profit/(Loss) for the year		

* For full details and accompanying notes refer to Stellar Living's special purpose financial report for 30 June 2017

Statement of Financial Position

For the year ended 30 June 2017

	2017 \$	2016 \$
<u>Current assets:</u>		
Cash assets	692,689	934,985
Trade & other receivables	457,438	982,161
Total current assets	1,150,127	1,917,146
Property, plant & equipment	45,705,707	43,857,060
Total non-current assets	45,705,707	43,857,060
Total assets	46,855,834	45,774,206
<u>Current liabilities:</u>		
Trades & other payables	204,274	215,599
Borrowings	500,000	1,058,500
Provisions	42,195	36,785
Total current liabilities	746,469	1,310,844
<u>Non-current liabilities:</u>		
Borrowings	7,076,791	5,558,842
Provisions	21,046	9,152
Total non-current liabilities	7,097,837	5,567,994
Total liabilities	7,844,306	6,878,878
Net assets	39,011,528	38,895,328
<u>Equity:</u>		
Retained profits	39,011,528	38,895,328
Total equity	39,011,528	38,895,328

* For full details and accompanying notes refer to Stellar Living's special purpose financial report for 30 June 2017

Statement of Cash Flows

For the year ended 30 June 2017

	2017 \$	2016 \$
<u>Cash flows from Operating Activities:</u>		
Receipts from customers	2,479,002	2,397,643
Payments to suppliers and employees	(1,086,889)	(1,509,512)
Grant funding received - NRAS	422,468	18,153
Interest received	3,975	28,150
Interest paid	(230,358)	(97,983)
<i>Net cash provided by operating activities</i>	1,588,198	836,451
<u>Cash flows from Investing Activities:</u>		
Purchase of property, plant & equipment	(2,789,943)	(6,355,255)
<i>Net cash (used in) investing activities</i>	(2,789,943)	(6,355,255)
<u>Cash flows from Financing Activities:</u>		
Secured Loan from Bendigo Bank	-	(1,200,000)
Repayments on loan from St George Bank	(1,000,000)	-
Drawdown loan from St George Bank	2,517,949	6,058,842
Unsecured loan from developer	-	(70,000)
Payment of Amount due to Developer	(558,500)	-
<i>Net cash by / (used in) financing activities</i>	959,449	4,788,842
<i>Net (decrease)/increase in cash held</i>	(242,296)	(729,962)
Cash at the beginning of the year	934,985	1,664,947
Cash at the end of the year	692,689	934,985

* For full details and accompanying notes refer to Stellar Living's special purpose financial report for 30 June 2017

Directors

Mr Stuart DUPLOCK

Chairperson of the Board of Directors

Mr Anthony BEVAN

Deputy Chair of the Board of Directors and Company Secretary

Mr Stephen WALKER

Board of Directors and Chief Executive Officer

Ms Anne BURNS

Board of Directors

Mr Anthony PIETROPICCOLO

Board of Directors

Ms Jennifer VARTAN

Board of Directors

Mr Luigi D'ALESSANDRO

Board of Directors



OUR LATEST ADDITION - **Butson Place, Redcliffe**

Stellar Living is proud to announce its purchase of a 9 Apartment Complex (2 x 2) at Butson Place in Redcliffe on 30 June 2017.

The property is well located with close proximity to transport, shopping, medical, schools and other facilities. Since 2011 Stellar has added a further 51 residential properties and 2 offices to its original government provided (federal stimulus) portfolio of 132 properties. Stellar now holds a total of 247 properties located throughout the Perth metro area, Kalgoorlie and Mandurah. The Redcliffe apartments will be offered to those currently on the Western Australian Wait List.





Our effort and existence is to help those who are unable to enter the private rental housing market for all sorts of reasons.

We at Stellar Living Limited continue to pursue our Vision to construct and manage housing for communities of people that may be in poverty, low income earners, in crisis or people who are suffering under a disability. We work with many other organisations to help these people find some relief from some of the challenges they encounter.



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