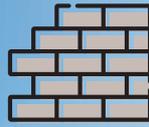
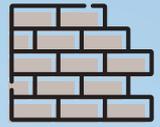


stellar living



Annual Report
2018

Here at Stellar Living

 we're focused on **BUILDING** 

a better tomorrow

Through the provision of
sustainable affordable housing

with **\$44.8m** total
property assets and



\$39m **46.3%**
in TOTAL equity
ratio of EBITDA to TOTAL revenue



units acquired since early 2015

247
properties under management

82,638
day rental for all properties



192 properties owned



55 properties
leased

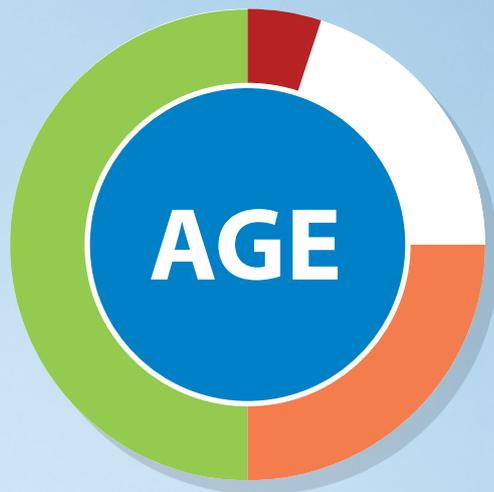
*99% Tenant
Satisfaction*

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

across
15 local government areas

Statistics

Primary Tenant Age Groups



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

stellar living 

Perth Metro

73 Managed Properties

Kalgoorlie

17 Managed Properties

Mandurah

157 Managed Properties



About Stellar Living Limited

We at Stellar Living Limited continue to pursue our Vision to construct and manage housing for communities of people who may be in poverty, low income earners, in crisis or people that 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.



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.



Innovation

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



Integrity

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



Acceptance

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



Collaboration

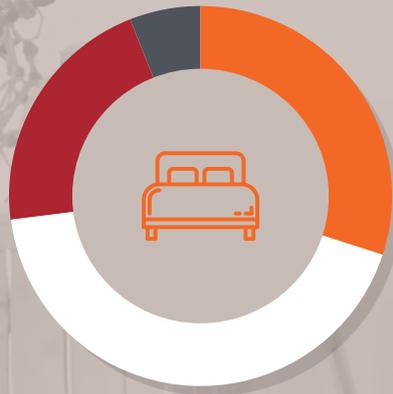
We are not afraid to work with others towards reaching a common goal. We share our knowledge and skills to help develop our internal capacity to ensure effective and efficient outcomes.



Excellence

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

Properties by Bedroom



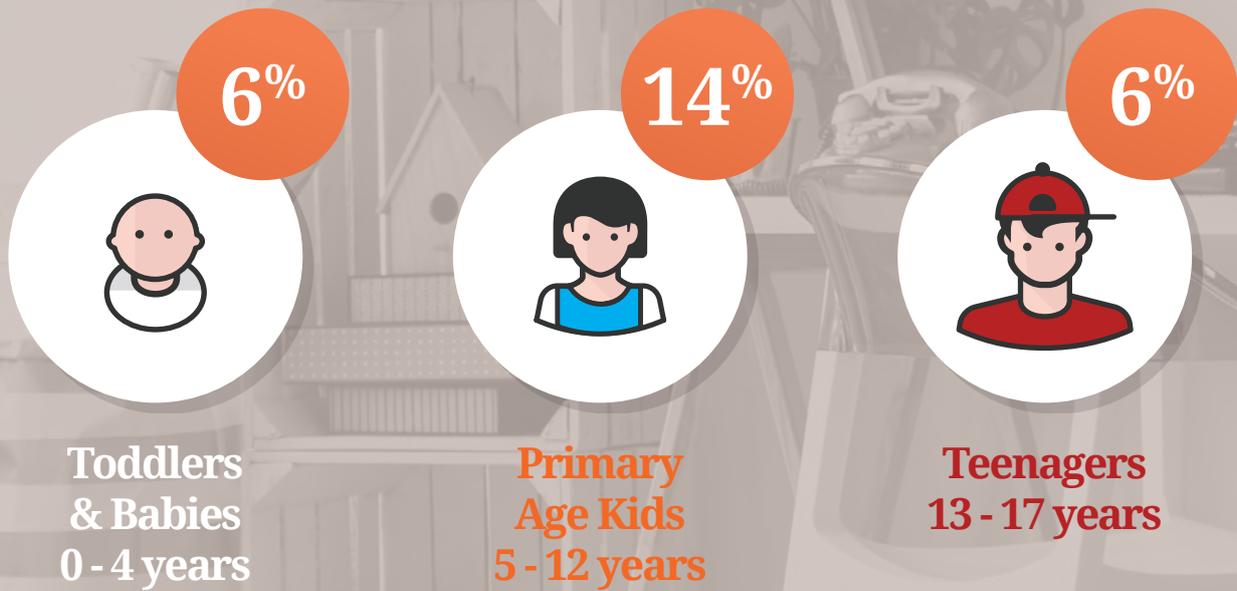
1 Bedroom

2 Bedroom

3 Bedroom

4 Bedroom

Children & Adolescent Tenants (all tenancies)

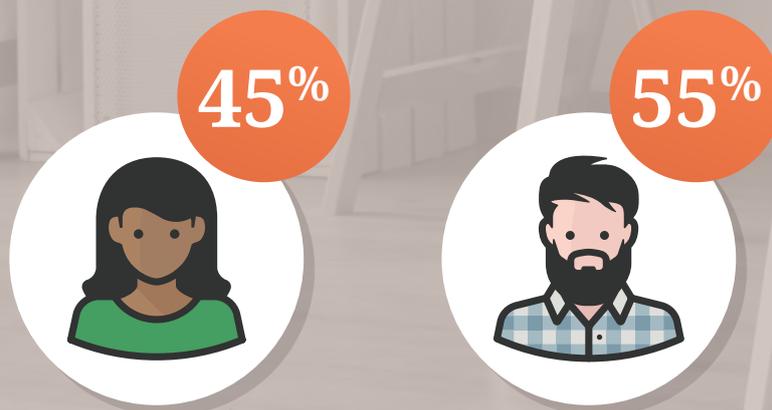


Toddlers
& Babies
0 - 4 years

Primary
Age Kids
5 - 12 years

Teenagers
13 - 17 years

Gender of Primary Tenants



45%

55%

Director's Report

The 2017/2018 Financial Year saw Stellar produce another rewarding year even though it was a year in which growth slowed, with very few opportunities in a very flat housing market.

On the 30 June 2017 Stellar completed the purchase of a complex of 9 apartments in Redcliffe and for the months of July and August 2017 Stellar was involved in tenanting these apartments. As of the date of this report our rental stock is 249 units of which we own 194 units. Over 50 properties are provided for various types of crisis accommodation. To date we have purchased/developed 51 properties and 2 offices. In March of 2018 we moved our office to the two office spaces purchased at 1 Hadlow Place Thornlie in 2016.

In October 2017 Stellar Living was the first Western Australian Community Housing Provider to pass through the rigorous registration process in the new WA system which is aligned to the National Regulatory Standards for Community Housing Providers in Australia.

How we spend our money

For every \$1 of op. Revenue	18/17 Results	16/17 Results
Revenue	\$2,908,724	\$2,647,394
Direct Wages	9.2%	9.9%
R&M	8.7%	9.2%
Strata	1.3%	1.1%
Tenant	3.7%	2.7%
R&T's	6.4%	6.3%
Insurance	3.9%	4.0%
Indirect Wages	13.3%	13.1%
Borrowings	10.1%	8.4%
Support / Admin Costs	7.27%	6.55%
	63.8%	61.9%



Our Income

The oversupply of rental properties in the WA residential market continued its effect on our rental revenue stream for the 2017/2018 financial year which had closely matched our budget expectations. The average rental income received had dropped from around \$204 per week to closer to \$186 per week. Rental vacancies increased with more people leaving the WA Housing Wait list 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.

We received over \$96,000 from Lottery West this financial year to help move offices and to purchase new technology. As always Stellar is grateful to Lottery West for their on-going assistance and support.



Our Expenditure

The 2017/2018 year saw total expenditure (excluding Depreciation) come in under budget by 5%, in excess of \$100,000. 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 managed and contained costs.



Tenant Satisfaction

We exist because we care deeply for both current and prospective tenants. Despite some belt tightening 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 that answered the survey questions.



EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was \$1.34m, a return of over 46.3% to Total Income. We did produce a bottom line of \$43k 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 2018 reflects the property investments we have made over the past years and the associated liabilities. During the year we repaid debt of \$1.4m bringing our total borrowings to \$6.18 million, a little over 13.5% to 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

Stellar Living moved to its new Thornlie offices in April 2018. Over the next 5 years Stellar Living will concentrate on refining its operating systems. Work has already begun with investment into a new CRM application (Zavanti), purchasing OCR technology and VOIP systems and a move to Xero accounting. We had received much needed funds from Lottery West to assist with our move and future plans. Also, during this time, we will continue to lobby governments on increasing housing transfers and to develop more partnerships with registered Community Housing Providers which will allow for growth and business expansion with a roll out of future government plans such as with Metronet.

It is expected that sometime early in 2019 the National Housing Finance and Investment Corporation (NHFIC) will become fully operational which will provide a much needed boost in funding operations for registered Community Housing Providers. Stellar expects that NHFIC will offer funding (in lieu of banks) that will be competitive and over a much longer term which will enable Stellar to bring forward its growth plans by up to 5 years.

The Board continues to recognise 4 key strategic areas for alignment for the next 5 years being:

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

The Board has also acknowledged 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 continues to be a slowing of property development/ investment, a more competitive market place for rentals and a state government that is beginning to recognise the value that Community Housing Providers present as an option to public housing.

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. The governments of today are striving to better engage with Community Housing Providers to help fix what is 'broken'. Community Housing Providers are able to take calculated risks and experiment with new approaches in providing affordable housing choices to those in need and in a more effective and efficient way than via public housing programs.

Stellar Living is a relatively small organisation in a large sector 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 is also a member of 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
- ✓ Identifying 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.

Excerpt from...

Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
<u>Revenue:</u>			
Revenue from ordinary activities	2	2,565,940	2,486,533
Grant funding	2	342,784	243,300
		2,908,724	2,729,833
<u>Expenses:</u>			
Property Management expenses		(629,561)	(525,636)
Administration expenses		(279,513)	(288,514)
Employee Benefits		(653,304)	(627,831)
		(1,562,378)	(1,441,981)
<i>Profit for the year before interest, tax, depreciation, amortisation and impairment</i>		1,346,346	1,287,853
<u>Less:</u>			
Depreciation & amortisation		(1,008,553)	(941,296)
Interest expense		(294,486)	(230,357)
		(1,303,039)	(1,171,653)
Profit/(Loss) for the year		43,307	116,200
Total comprehensive income for the year		43,307	116,200

* For full details and accompanying notes refer to Stellar Living's special purpose financial report for 30 June 2018

Statement of Financial Position

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
<u>Current assets:</u>			
Cash assets	3	532,436	692,689
Trade & other receivables	4	191,665	457,438
Total current assets		724,101	1,150,127
Property, plant & equipment	5	44,824,013	45,705,707
Total non-current assets		44,824,013	45,705,707
Total assets		45,548,114	46,855,834
<u>Current liabilities:</u>			
Trades & other payables	6	242,036	204,274
Borrowings	7	-	500,000
Provisions	8	31,212	42,195
Total current liabilities		273,248	746,469
<u>Non-current liabilities:</u>			
Borrowings	9	6,180,303	7,076,791
Provisions	10	39,728	21,046
Total non-current liabilities		6,220,031	7,097,837
Total liabilities		6,493,279	7,844,306
Net assets		39,054,835	39,011,528
<u>Equity:</u>			
Retained profits	11	39,054,835	39,011,528
Total equity		39,054,835	39,011,528

* For full details and accompanying notes refer to Stellar Living's special purpose financial report for 30 June 2018

Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
<u>Cash flows from Operating Activities:</u>			
Receipts from customers		2,864,602	2,479,002
Payments to suppliers and employees		(1,516,915)	(1,086,889)
Grant funding received - NRAS		308,069	422,468
Interest received		1,824	3,975
Interest paid		(294,486)	(230,358)
Net cash provided by operating activities	12(b)	1,363,094	1,588,198
<u>Cash flows from Investing Activities:</u>			
Purchase of property, plant & equipment		(126,859)	(2,789,943)
Net cash (used in) investing activities		(126,859)	(2,789,943)
<u>Cash flows from Financing Activities:</u>			
Repayments on loan from St George Bank		(1,396,488)	(1,000,000)
Drawdown loan from St George Bank		-	2,517,949
Payment of Amount due to developer		-	(558,500)
Net cash provided by financing activities		(1,396,488)	959,449
Net (decrease) in cash held		(160,253)	(242,296)
Cash at the beginning of the year		692,689	934,985
Cash at the end of the year	12(b)	532,436	692,689

* For full details and accompanying notes refer to Stellar Living's special purpose financial report for 30 June 2018

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

Mr Luigi D'ALESSANDRO

Board of Directors

Our People



Pictured above: Jane (left) and Ann

Our people are at the heart of our successful service delivery. We believe in our key values of Care, Respect, Integrity, Excellence, Collaboration and Acceptance and are very much aware of our responsibility to provide effective and compassionate services to our tenants and their communities. Stellar Living empowers and engages all staff to deliver the best outcomes for our tenants and we are committed to providing a supportive and rewarding working environment for our workforce and recognises that the quality, responsiveness and professionalism of our staff is directly linked to the achievement of our strategic goals.

The stability of our staff enabled us to focus much attention on continuing improvements in business systems and processes. We maintain a positive work environment by employing skilled staff who are committed to service excellence and the community housing sector. Our staff truly care about the wellbeing of our tenants and one another.

"I would personally like to thank my entire team for the continued effort they put in to ensure our tenants are treated as their number one priority. You always rise to the challenge and go that extra mile when needed. thanks for being extraordinary. It's incredible what we have achieved," Steve Walker – Stellar Living CEO

Introducing our receptionist, **Jane** and our Operations Administrator, **Ann**.

How long you have been at Stellar and how do you find working at Stellar?

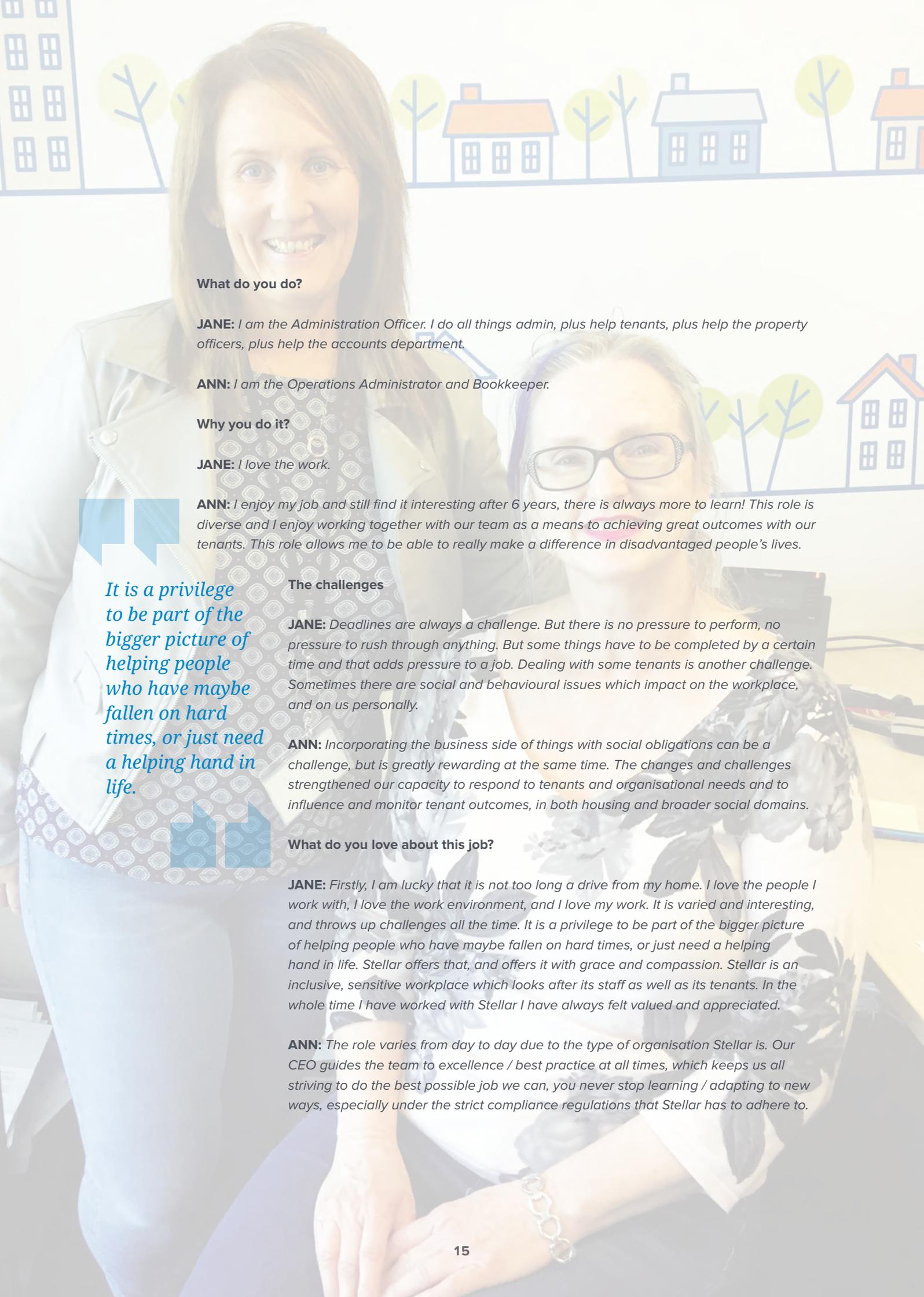
JANE: *I have been working with Stellar Living for about three and a half years. I began as a temp. Stellar Living I would say hands down is the best job I have ever had. Great boss, relaxed workplace, people mostly get on well with each other. Although there is clear delineation between roles, we all muck in and help each other all the time.*

ANN: *I have been working for Stellar Living for 6 years now! Stellar is a great place to work, both CEO and the team are a pleasure to work alongside, we have a great team morale and everyone is really supportive of each other.*



Stellar is a great place to work, both CEO and the team are a pleasure to work alongside, we have a great team morale and everyone is really supportive of each other.





What do you do?

JANE: *I am the Administration Officer. I do all things admin, plus help tenants, plus help the property officers, plus help the accounts department.*

ANN: *I am the Operations Administrator and Bookkeeper.*

Why you do it?

JANE: *I love the work.*

ANN: *I enjoy my job and still find it interesting after 6 years, there is always more to learn! This role is diverse and I enjoy working together with our team as a means to achieving great outcomes with our tenants. This role allows me to be able to really make a difference in disadvantaged people's lives.*

It is a privilege to be part of the bigger picture of helping people who have maybe fallen on hard times, or just need a helping hand in life.

The challenges

JANE: *Deadlines are always a challenge. But there is no pressure to perform, no pressure to rush through anything. But some things have to be completed by a certain time and that adds pressure to a job. Dealing with some tenants is another challenge. Sometimes there are social and behavioural issues which impact on the workplace, and on us personally.*

ANN: *Incorporating the business side of things with social obligations can be a challenge, but is greatly rewarding at the same time. The changes and challenges strengthened our capacity to respond to tenants and organisational needs and to influence and monitor tenant outcomes, in both housing and broader social domains.*

What do you love about this job?

JANE: *Firstly, I am lucky that it is not too long a drive from my home. I love the people I work with, I love the work environment, and I love my work. It is varied and interesting, and throws up challenges all the time. It is a privilege to be part of the bigger picture of helping people who have maybe fallen on hard times, or just need a helping hand in life. Stellar offers that, and offers it with grace and compassion. Stellar is an inclusive, sensitive workplace which looks after its staff as well as its tenants. In the whole time I have worked with Stellar I have always felt valued and appreciated.*

ANN: *The role varies from day to day due to the type of organisation Stellar is. Our CEO guides the team to excellence / best practice at all times, which keeps us all striving to do the best possible job we can, you never stop learning / adapting to new ways, especially under the strict compliance regulations that Stellar has to adhere to.*

stellar living



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