

stellar living

Sustainable Affordable Innovative



STELLAR LIVING LTD
ABN 56 146 754 645
SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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STELLAR LIVING LTD

ABN 56 146 754 645

DIRECTORS' REPORT

Your directors present their report on the Company for the financial year ended 30 June 2018.

Overview

Stellar Living Ltd was incorporated on 8 October 2010 and was endorsed by the Australian Taxation Office as a Deductible Gift Recipient and Public Benevolent Institution on 17 March 2011. Stellar Living Ltd is registered as a Public Benevolent Institution with the Australian Charities and Not-for-profits Commission (ACNC). Stellar Living Ltd was also registered as a WA Community Housing Tier 2 Provider on 23 October 2017.

Directors

The names and particulars of the Directors of the Company in office during or since the end of the year and until the date of this report are as follows:

Stuart Angus Duplock - **Chair**
Stephen James Walker - **CEO**
Luigi (Lou) D'Alessandro
Anthony Pietropiccolo
Jennifer Anne Vartan (**Resigned 27/09/2017**)
Anthony Gwynn Bevan
Anne Burns

Directors have been in office since the start of the financial year and to the date of this report unless otherwise stated.

Information on Directors:

Stuart Duplock (Chairman)

Stuart has a broad range of experience in the property industry in Australia spanning the residential, commercial, retail, industrial and tourism sectors. He has previously held senior roles at ASX listed and private property development and property investment groups. Prior to his property career he held corporate advisory roles in Australia and the UK.

Qualifications, Memberships and Awards

- Bachelor of Business
- Fellow, Institute Chartered Accountants Australia and New Zealand
- Fellow, Australian Institute of Company Directors
- Fellow, Financial Services Institute of Australasia
- Licensed Real Estate Agent, WA

Stephen (Steve) Walker (CEO)

Steve is a fully qualified accountant with post graduate qualifications and over 40 years' business experience in tax, insolvency, finance and administration including senior level operational management experience in human resources, information technology and organizational/strategic development. Over the years Steve has held and continues to hold a number of senior corporate, financial, advisory and board positions in medium to large organisations in both the Private and NFP sectors. Steve was appointed CEO of Stellar Living Ltd in March of 2012 and also holds a position as Executive Director on the board of Stellar Living Ltd.

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DIRECTORS' REPORT (cont.)

Qualifications, Memberships and Awards

- Bachelor of Business (Accounting)
- Fellow, CPA Australia
- Fellow, Australian Institute of Company Directors

Luigi (Lou) D'Alessandro

Lou has over 30 years' experience in the land development, construction and architectural fields. Lou is a Registered Architect, Registered Builder and Fellow of the Royal Australian Institute of Architects. He has held senior executive positions in both the public and private sectors. Lou has been involved in land development, urban renewal, joint ventures, acquisitions, master planning, pier reviews, construction and design of major metropolitan and regional developments and projects.

Qualifications, Memberships

- Bachelor of Architecture
- Registered Architect (Reg no. 993)
- Registered Builder (Reg no. 6212)
- Fellow, Royal Australian Institute of Architects

Anthony (Tony) Pietropiccolo AM

Tony's experience in the community and social services sector is wide and lengthy having been involved in this work in both paid and voluntary positions for over 30 years. Tony is registered as a psychologist with the Psychology Board of Australia. Tony started his professional career as a Welfare Officer in the area of intellectual disability, he subsequently worked as a counsellor at the Family Court counselling service for a number of years, before being appointed in 1989 to his current position as Director of Centrecare Inc. Tony's long term involvement in the not for profit sector and his experience in service delivery, policy development, governance and sector advocacy has seen him in a number of leadership roles; presenting at a variety of social sector related conferences and workshops; and as chair or a member of many Boards and Committees. In 1996 Tony received the Community Sector's Individual Leadership Award and in 2012, he was appointed in the Queen's Birthday Honours as a Member of the Order of Australia in the General Division (AM).

Qualifications, Memberships

- B.A. (Social Science)
- Graduate Diploma of Psychology and Registered with the Psychologists Board of Australia

Jennie Vartan

Jennie is a Chartered Surveyor who also holds a degree in Anthropology. She has over 30 years' experience as a property and not-for-profit professional in the UK and in Australia. Her experience includes the management, valuation, development and sale of large housing portfolios. She has extensive experience in the not-for-profit residential sector as a consultant, director and non-executive director.

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DIRECTORS' REPORT (cont.)

Anthony (Tony) Bevan (Company Secretary)

Tony is a Chartered Accountant with a diverse background. He is currently a Director of Wintawari Guruma Aboriginal Corporation, the native title holder for the Eastern Guruma people, and the CEO of their commercial arm. He is also a non-executive Director of Madalah Limited an education scholarship provider for Indigenous students and the Company Secretary of MC Mining Coal of Africa Limited, an ASX listed mining Company.

Tony has previously worked in commerce as a CFO and Company Secretary, mainly in the construction and mining sectors. He also spent some time in public practice as a partner of various accounting firms in the audit and corporate finance area. He is a past State Councilor and State Chairman of Chartered Accountants, Australia and New Zealand.

Qualifications, Memberships

- Bachelor of Commerce (Accounting)
- Fellow, Chartered Accountants Australia and New Zealand
- Graduate Member Australian Institute of Company Directors

Anne Burns

Anne is the current Chairman of Centrecare Inc. and is a Director of Halden Burns Pty Ltd. Anne has been a leading journalist and corporate advisor for the past 30 years, working in the print media in Sydney, Melbourne and Perth before starting a communication advisory firm. Anne has a life-long interest in public affairs.

Directors' Attendances at Meetings for the year ended 30 June 2018:

Directors	Board Meeting	
	Eligible to attend	Attended
SJ Walker	5	5
L D'Alessandro	5	4
A Pietropiccolo	5	5
JA Vartan	2	2
SA Duplock	5	5
A Bevan	5	5
A Burns	5	3

Principal Activities:

Stellar Living Ltd focuses on providing quality community housing (both social and affordable) throughout Western Australia for people who are disadvantaged, marginalised or unable to readily access housing. Stellar Living Ltd also provides housing/tenancy management services.

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DIRECTORS' REPORT (cont.)

Vision

Our vision is **'to increase the provision of sustainable affordable housing options for West Australians in need'**.

Purpose

Our purpose is to be **'a leader in providing innovation and direction in expanding social and affordable housing opportunities and associated services that create and sustain strong communities'**.

Objectives

As outlined in Chapter 2 of Stellar Living Ltd's constitution, Stellar's objectives are:

1. Provide for the direct relief of poverty, suffering, destitution, misfortune, helplessness and distress through the provision of low-cost and affordable housing;
2. Make donations or financial contributions to any organisation which undertakes charitable or benevolent works;
3. Acquire, construct and provide low cost and affordable housing stock for people in poverty, with low income, who are homeless, socially marginalised, inadequately housed or otherwise disadvantaged;
4. Own and manage a portfolio of housing stock for rental to people on low income and in housing need;
5. Provide property and tenancy management services for the provision of low cost rental housing;
6. Respond to changing client and community needs and maintain high quality client and housing services;
7. Develop models for the supply, management and ownership of affordable housing in conjunction with private institutions, government and community agencies;
8. Grow the accommodation and housing program by identifying new expansion opportunities in keeping with sound governance, managerial capacities and local housing needs;
9. Work in partnership with the community to ensure that tenants have access to the support services they require;
10. Achieve continual improvements in management of housing provision and service; and
11. Pursue its objectives/goals within a community development framework.

Values

Care & 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.

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

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

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DIRECTORS' REPORT (cont.)

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.

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

Operating Results 2017/2018 Financial Year:

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 to 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 offices when we 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.

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 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.

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.

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.

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DIRECTORS' REPORT (cont.)

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.

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.

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DIRECTORS' REPORT (cont.)

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 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 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 & 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

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DIRECTORS' REPORT (cont.)

- Considering smarter use of technology and its implementation
- Reduction of duplication in sharing of administration functions
- Lobbying, networking & 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.

Dividends:

Being a company limited by guarantee, Stellar Living Ltd does not pay dividends. The Board members of Stellar are not paid any remuneration for their role as directors of Stellar Living Ltd other than for reimbursement of expenses or by agreement for specific services rendered. No payments were made during the year for services as a director of Stellar Living Ltd.

Staff:

There have been no changes in staffing during the year. The Directors have again noted the company's success and achievements during the year and wish to thank the CEO and his team for their continued efforts and valuable contributions throughout the year.

After Balance Date Events:

There are no subsequent events of a material nature that would require disclosure in these financial statements.

Future Developments, Prospects:

Likely developments in the operations of the Company and the expected results of those operations in future financial periods have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental Issues:

Other than for normal residential tenancies, Stellar Living's operations are not regulated by any significant environmental body regulator under a law of the Commonwealth or of a state or territory.

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DIRECTORS' REPORT (cont.)

Indemnification of Officers and Auditors:

Other than Directors and Officers Liability insurance coverage paid, no indemnities have been given, or insurance premiums paid, during or since the end of the financial period for any person who is or has been a director, officer or auditor of the Company.

To the extent permitted by law the Company indemnifies a director and officer against any liability to any person incurred while acting in their capacity and in good faith. Indemnification includes costs and expenses incurred in their capacity in successfully defending legal proceedings and ancillary matters.

Proceedings on Behalf of the Company:

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

Directors' Benefits:

During or since the financial year, no Director of the Company has received or become entitled to receive a benefit because of a contract that the Director or a firm of which the Director is a member or an entity in which the Director has a substantial financial interest made with the Company or an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or becomes entitled to receive the benefit other than:

- i. a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors; or
- ii. the fixed salary of a full time employee of the Company or an entity that the Company controlled or a related body corporate.

Members' Guarantee:

Stellar Living Ltd is a Company Limited by Guarantee and accordingly, the liability of each member is limited. The Company's constitution states each member undertakes to contribute an amount not more than \$1 to the property of the company if it is wound up while they are a member or within one year after they cease to be a member, for payment of the company's debts and liabilities before the time they ceased to be a member and the costs, charges and expenses of winding up. As at 30 June 2018 there was one member, being Centrecare Incorporated.

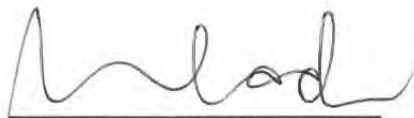
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DIRECTORS' REPORT (cont.)

Auditor's Independence Declaration:

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, appearing to read 'Stuart Duplock', written over a horizontal line.

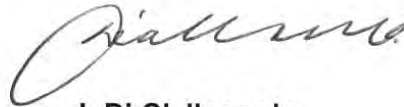
Stuart Duplock
Chair

Dated this 26th day of September 2018

AUDITOR'S INDEPENDENCE DECLARATION

We declare that, to the best of our knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit of the financial report of Stellar Living Limited for the year ended 30 June 2018.

Perth, Western Australia
26 September 2018



L Di Giallonardo
Partner

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 30 JUNE 2018**

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

The accompanying notes form part of the financial statements.

STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2018**

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

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
<i>Cash Flows from Operating Activities</i>			
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)
<i>Net cash provided by operating activities</i>	12(b)	<u>1,363,094</u>	<u>1,588,198</u>
<i>Cash Flows from Investing Activities</i>			
Purchase of property, plant & equipment		(126,859)	(2,789,943)
<i>Net cash (used in) investing activities</i>		<u>(126,859)</u>	<u>(2,789,943)</u>
<i>Cash Flows from Financing Activities</i>			
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)
<i>Net cash provided by financing activities</i>		<u>(1,396,488)</u>	<u>959,449</u>
<i>Net (decrease) in cash held</i>		(160,253)	(242,296)
<i>Cash at the beginning of the year</i>		<u>692,689</u>	<u>934,985</u>
<i>Cash at the end of the year</i>	12(a)	<u><u>532,436</u></u>	<u><u>692,689</u></u>

The accompanying notes form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	<i>Note</i>	<i>Retained Profits</i> \$
Balance at 30 June 2016		38,895,328
Profit for the year ended 30 June 2017	11	116,200
Balance at 30 June 2017		39,011,528
Profit for the year ended 30 June 2018	11	43,307
Balance at 30 June 2018		39,054,835

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the Corporations Act 2001 and the requirements of the Company's Constitution and the Australian Charities and Not-for-profit Commission Act 2012. The Directors have determined that the company is not a reporting entity as there are no users who are dependent on its financial statements.

Stellar Living Ltd is a Company Limited by Guarantee, incorporated and domiciled in Australia. It is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of Accounting

The report has been prepared in accordance with the requirements of the Corporations Act 2001 and the following applicable Australian Accounting Standards:

AASB 101:	Presentation of Financial Statements
AASB 107:	Statement of Cash Flow
AASB 108:	Accounting Policies, Changes in Accounting Estimates & Errors
AASB 110:	Events after the Reporting Period
AASB 116:	Property, Plant and Equipment
AASB 137:	Provisions, Contingent liabilities and Contingent Assets
AASB 1004:	Contributions
AASB 1031:	Materiality
AASB 1048:	Interpretation of Standards

No other applicable Accounting Standards, Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The report is also prepared on an accruals basis. It is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following material accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report.

a. Revenue

Any non-reciprocal grant revenue is recognised in the statement of comprehensive income as revenue when the Company obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Stellar Living Ltd is a not-for-profit (non-reporting) entity and may receive non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of comprehensive income.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised as it accrues using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

b. Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

c. Receivables and Other Debtors

Trade receivables and other receivables are normally recorded as a current asset at amounts due less any allowance for doubtful debts. Receivables expected to be collected beyond 12 months are recorded as a Non-Current Asset.

d. Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost, are recognised at the fair value of the assets at the date they are acquired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Depreciation

The depreciable amount of all assets above including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Office equipment and furniture	20%
Plant and equipment	20%
Buildings	2.5%
Building Improvements	2.5%
Leasehold property improvements	2.5%
Motor vehicles	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset but not the legal ownership, that are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

f. Impairment of Assets

At the end of each reporting period, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon on the asset's ability to generate net cash inflows and when the Company would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of a class of asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a re-valued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

For the 2017/2018 financial year the directors considered it not necessary to conduct a formal valuation to test the carrying value of property assets as it was considered that there would be no material change to the carrying value of property assets as at 30 June 2018.

g. Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

h. Accounts Payable

Trade payables and other accounts payable are normally recognised as a current liability when the entity within 12 months, the Company becomes obliged to make future payments resulting from the purchase of goods and services. Non-current liabilities are assessed as amounts requiring repayment beyond a period of 12 months.

i. Income Tax

The Company is exempt from income tax under Subdivision 50-5 of the Income Tax Assessment Act 1997 and has endorsement as a Charity and a Deductible Gift Recipient.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

j. Goods and Services Tax (GST)

Stellar Living Ltd is registered for GST purposes. Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the assets or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

k. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

l. Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, the effect as at the beginning of the earliest comparative period must be disclosed.

m. Critical Accounting Estimates and Judgments

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

Key estimates during the year:

(a) Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers.

n. Economic Dependence

Stellar Living Ltd as a not-for-profit (Non-reporting) entity is dependent on the Department of Housing for the majority of its revenue derived to operate the business. At the date of this report the Board of Directors has no reason to believe the Department of Housing will not continue to support Stellar Living Ltd or any projects it undertakes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

o. New Accounting Standards for Application in Future Periods

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Company's operations and effective for the current annual reporting period.

The Directors has determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore no change necessary to the Company's accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2018. As a result of this review, the Directors have determined that the following standards may have a material effect on the Company's accounting policies in future financial periods, however the Company has not yet quantified this effect:

- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income of Not-for-Profit Entities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
2. REVENUE		
<i>Revenue from ordinary activities</i>		
Rental Revenue	2,556,765	2,477,181
Interest Revenue	1,825	3,975
Sundry Revenue	7,350	5,378
	<u>2,565,940</u>	<u>2,486,533</u>
 <i>Grant Funding</i>		
NRAS	244,800	243,300
Lotterywest	97,984	-
	<u>342,784</u>	<u>243,300</u>
 3. CASH & CASH EQUIVALENTS		
Cash at Bank	532,036	692,289
Petty Cash	400	400
	<u>532,436</u>	<u>692,689</u>
 4. OTHER CURRENT ASSETS		
Trade Debtors	58,876	49,143
<i>Less: Provision for Doubtful Debts (Vacated Tenants)</i>	(38,710)	(6,640)
Prepayments	7,744	19,526
Rental Security Bonds	-	2,727
GST Receivable	15,746	289,981
Other Receivables	136,232	1,184
Accrued Income	11,777	101,517
	<u>191,665</u>	<u>457,438</u>

Current trade receivables are non-interest bearing. Non-tenant debtors are generally on 30 day net terms. Tenant debtors terms are fortnightly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
5. PROPERTY, PLANT & EQUIPMENT			
Land – at cost		<u>10,542,399</u>	<u>10,542,399</u>
		10,542,399	10,542,399
Buildings – at cost		39,032,242	39,032,238
Accumulated Depreciation		<u>(5,063,280)</u>	<u>(4,087,473)</u>
		33,968,962	34,944,765
Building Improvements – at cost		301,788	207,571
Accumulated Depreciation		<u>(27,384)</u>	<u>(21,555)</u>
		274,404	186,016
Computer and Equipment – at cost		69,986	37,348
Accumulated Depreciation		<u>(36,915)</u>	<u>(29,538)</u>
		33,071	7,810
Office equipment and furniture - at cost		18,503	18,503
Accumulated Depreciation		<u>(18,435)</u>	<u>(18,039)</u>
		68	464
Leasehold Property: Refurbishment & Improvements - cost		-	19,701
Accumulated Depreciation		-	<u>(2,043)</u>
		-	17,657
Motor Vehicle – at cost		11,905	11,905
Accumulated Depreciation		<u>(6,796)</u>	<u>(5,308)</u>
		5,109	6,596
TOTAL		<u>44,824,013</u>	<u>45,705,707</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
6. TRADE & OTHER PAYABLES	\$	\$
Trade Creditors	36,572	21,787
Accrued Expenses	42,079	43,469
Payroll Liabilities	7,456	4,581
Tenant Bonds	3,875	1,523
Rental Income in Advance	83,758	81,353
Annual Leave Accrual	68,296	51,561
	<u>242,036</u>	<u>204,274</u>
7. BORROWINGS		
Interest bearing secured loan payable to St George Bank (Butson Place, Hadlow Place, Thornlie, Erskine and part of Meadow Springs properties have been pledged as security) at a rate of 3.27% per annum plus 1.0% line fee as at 30 June 2018	-	500,000
	<u>-</u>	<u>500,000</u>
8. PROVISIONS		
Current Long Service Leave		
Opening Balance	42,195	36,785
Less Adjustment to Provision	(10,983)	5,410
TOTAL PROVISIONS	<u>31,212</u>	<u>42,195</u>
9. BORROWINGS		
Interest bearing secured loan payable to St George Bank (Butson Place, Hadlow Place, Thornlie, Erskine and part of Meadow Springs properties have been pledged as security) at a variable rate of 3.27% plus a 1.0% line fee as at 30 June 2018	6,180,303	7,076,791
	<u>6,180,303</u>	<u>7,076,791</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
10. PROVISIONS		
Non-Current Long Service Leave		
Opening Balance	21,046	9,151
Additional Provision Raised	18,682	11,895
TOTAL PROVISIONS	39,728	21,046

11. RETAINED PROFITS

Balance at beginning of year	39,011,528	38,895,328
Profit/(Loss) for the year	43,307	(116,200)
Balance at end of year	39,054,835	39,011,528

12. CASH FLOW INFORMATION

(a) Reconciliation of Cash

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

Cash on hand, at bank and term deposits	<u>532,436</u>	<u>692,689</u>
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(b) Reconciliation of cash flow from operations with Profit/(Loss) for the year

Profit/(Loss) for the year	43,307	116,200
Bad debts written off	-	15,726
Depreciation	1,008,553	941,296
Change in assets and liabilities:		
- (Decrease)/Increase in trade and other receivables	265,772	508,997
- Increase in trade and other payables/provisions	45,462	5,979
Cash Flow provided by operating activities	<u>1,363,094</u>	<u>1,588,198</u>

13. AUDITOR'S REMUNERATION

Audit of the financial statements	13,500	13,500
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

14. COMPANY DETAILS

The registered office and principal place of business of the Company is Office 1, 1 Hadlow Place, Thornlie, Western Australia 6108.

15. COMMITMENTS

The Company has the following commitments:

	2018	2017
Operating Lease commitments:	\$	\$
Non-cancellable operating lease (Rent + Outgoings) for office premises contracted for but not capitalized in the financial statements: Payable:		
- not later than 1 year	-	35,218
	-	35,218

16. RELATED PARTY TRANSACTIONS

The sole member of Stellar Living Ltd is Centrecare Inc. Centrecare operates a Service Level Agreement for the provision of Information Technology services to Stellar Living for an annual fee of \$12,000.

17. SUBSEQUENT EVENTS

There are no subsequent events of a material nature that would require disclosure in these financial statements.

18. CONTINGENT LIABILITIES

The Company has entered into a Community Housing Agreement and Funding Agreement with the Department of Housing as part of the transfer of properties and funds from the Department. These Agreements establish the terms on which the Company must discharge its function as a Community Housing Provider. The Department has lodged caveats over the properties it transferred to the Company to secure the performance of the Company's obligations under the Agreements.

DIRECTORS' DECLARATION

The Directors have determined that the Company is not a reporting entity. The Directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes as set out on pages 14 to 28 are in accordance with the Corporations Act 2001 and the Australian Charities and Not-for-profits Commission Act 2012 and:
 - a) comply with Australian Accounting Standards to the extent as detailed in Note 1 to the financial statements, the Corporations Regulations 2001 and the Australian Charities and Not-for-profits Commission Regulations 2013; and
 - b) give a true and fair view of the financial position as at 30 June 2018 and performance for the year ended on that date in accordance with accounting policies described in Note 1 to the financial statements.
2. 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.



Stuart Duplock
Chair

Dated this 26th day of September 2018

**INDEPENDENT AUDITOR'S REPORT
To the Members of Stellar Living Limited**

Opinion

We have audited the accompanying financial report of Stellar Living Limited ("the company"), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance and cash flows for the year then ended; and
- b) complying with Australian Accounting Standards to the extent described in Note 1 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 Company in accordance with the auditor independence 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.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, 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.

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

Responsibilities of Management and Directors for the Financial Report

Management is responsible for the preparation of the special purpose financial report that gives a true and fair view in accordance with the relevant Australian Accounting Standards in accordance with the *Australian Charities and Not-for-Profit Commission Regulations 2013* and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines 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 special purpose financial report, management is responsible for assessing the Company'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 management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company'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 Australia Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd.

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
26 September 2018

L Di Giallonardo

L Di Giallonardo
Partner