



Australian Government



National Housing Finance
and Investment Corporation

National Housing Finance and Investment Corporation

Annual Report 2018–19



About this report

This Annual Report is for the period commencing 29 June 2018 and ending on 30 June 2019 (defined as the financial year). It provides information about the National Housing Finance and Investment Corporation (NHFIC), as required by the *National Housing Finance and Investment Corporation Act 2018* (NHFIC Act), the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and other regulatory reporting obligations.

The Annual Report covers NHFIC's business activities, strategy, performance (including the Annual Performance Statement), governance, risk management, executive remuneration and financial statements. It discusses the progress NHFIC has made during the year in achieving its performance objectives as outlined in the Corporate Plan 2018–19, in particular the improved housing outcomes it has delivered for Australians.

Further information about NHFIC's operating environment, strategic objectives and performance targets for the next four years is contained in the Corporate Plan 2019–20.

An online version of this report, as well as the Corporate Plan, are available on the NHFIC website at www.nhfc.gov.au.

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The document must be attributed as the *National Housing Finance and Investment Corporation Annual Report 2018–19*.

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Chair and CEO report

It is our privilege to present the inaugural National Housing Finance and Investment Corporation Annual Report. This report highlights our achievements in making a positive difference to Australians from across the housing spectrum.



Brendan Crotty, Chair

The National Housing Finance and Investment Corporation (NHFIC) was established by the Australian Government in June 2018 and is dedicated to improving housing outcomes for Australians. In our first year we focused on establishing our operations, engaging with our stakeholders and progressing initial financing transactions to support the community housing sector.

During the year, an independent, skills-based Board was appointed and Executive team put in place. We recruited key staff with skills drawn from finance, legal and public policy backgrounds and developed and implemented credit, risk and other governance frameworks and policies to ensure sound decision-making practices.

The Board and Executive are highly experienced and are fully committed to delivering on NHFIC's strategic objectives. An Audit and Risk Committee and a Bond Issue and Due Diligence Management Committee were established to assist the Board in its work, as well as a Credit Committee to facilitate objective oversight of credit assessments and proper credit risk management.

To ensure that NHFIC operates in the public interest, fit-for-purpose policies and procedures were developed and implemented that balance our public sector accountabilities, particularly being disciplined with taxpayers' money, with our mandate to also meet commercial lending discipline.

During the year, the Board made decisions to offer finance of more than \$450 million to community housing providers (CHPs) through the Affordable Housing Bond Aggregator (AHBA), funding more than 400 dwellings and supporting the ongoing operations of CHPs that are providing affordable homes and support services to Australians. The longer finance also provides more certainty for CHPs and reduces refinancing risks and costs.

In March 2019, NHFIC issued its first social bond of \$315 million, which was four times over-subscribed. This was the largest social bond aligned to international principles



Nathan Dal Bon, CEO

issued in Australia to date and represented a significant milestone towards building a new investment asset class for affordable housing in Australia. The funds raised by the bond were lent to CHPs that are providing social and affordable housing. The strong investor demand enabled NHFIC to provide a fixed interest rate of under 3 per cent for 10-year, interest-only loans to CHPs involved in the first round of NHFIC loans.

During the financial year, we announced the upcoming launch of our Capacity Building Program. This is a \$1.5 million grant program to help CHPs access NHFIC's transformative financing to support the delivery of additional social and affordable rental homes.

The year ahead

We made significant progress in 2018–19 in setting NHFIC up to effectively and efficiently deliver on its purpose. We are working towards our second bond issuance with a strong pipeline of projects in the application phase from across Australia.

In 2019–20, we will roll out the Capacity Building Program providing grants to assist tier 2 and 3 CHPs with the upfront finance and business planning work required to support a NHFIC loan application. This will broaden the range of CHPs successfully accessing NHFIC finance.

Based on the progress we have made, the support from various stakeholders and the strength of our organisation, we are confident that NHFIC will continue to grow and support affordable housing outcomes for Australians. Our Corporate Plan 2019-20 also outlines how we will build on the initiatives and relationships developed during our first year of operation.

We look forward to helping improve housing outcomes for Australians and contributing to efforts to increase the supply of affordable housing.

Signed for and on behalf of the members of the Board in accordance with a resolution of the Board and in accordance with Section 46 of the *Public Governance and Performance Accounting Act 2013* (PGPA Act).

A handwritten signature in black ink, appearing to read 'Brendan Crotty'.

Brendan Crotty
Chair

A handwritten signature in blue ink, appearing to read 'Nathan Dal Bon'.

Nathan Dal Bon
Chief Executive Officer

2 October 2019

Highlights

400+
more dwellings

SUPPORTING OVER 400 NEW SOCIAL
AND AFFORDABLE DWELLINGS



\$450m+
**LOANS COMMITTED
TO CHPs**

More than \$450m in loans provided to CHPs to drive the supply of social and affordable housing.



INTEREST RATE

THE FUNDS RAISED BY NHFIC'S FIRST SOCIAL BOND WERE LENT AT AN INTEREST RATE OF LESS THAN 3%.



**ESTABLISHED A
BEST-PRACTICE
GOVERNANCE
REGIME**

Strong governance arrangements established, including appropriate controls to provide transparency and accountability to the Board and Management on NHFIC's operations.

\$50m+
cost
savings



OVER 10-YEAR LOAN TERM

NHFIC's innovative financing model is delivering an estimated \$50m+ in financial cost savings for CHPs over the 10-year term of the loans, enabling them to invest more in new social and affordable housing.



\$1.5m

**CAPACITY
BUILDING
PROGRAM**

ESTABLISHED A \$1.5M
CAPACITY BUILDING PROGRAM TO SUPPORT
TIER 2 & 3 CHPs ACCESS NHFIC'S FINANCE.



\$315m

SOCIAL BOND

NHFIC's debut \$315m
bond issue was 4x
over-subscribed with total
bids in excess of \$1.3b.

Our business and strategy

NHFIC is dedicated to improving housing outcomes, with a particular focus on affordable housing.

About NHFIC

NHFIC was established by the Australian Government under the *National Housing Finance and Investment Corporation Act 2018* (NHFIC Act) and is defined as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*. NHFIC is part of the Treasury portfolio of agencies and reports to the Assistant Treasurer and Minister for Housing (the responsible Minister).

We are governed by an independent, skills-based Board that reports to Parliament through our responsible Minister. The Board is responsible for NHFIC's investment strategy and its overall operations, and is governed by directions provided by the responsible Minister under the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018*.

Further information on NHFIC's governance is provided in the 'Our Governance' section.

The challenge

Australia is facing a shortage of affordable housing for both purchase and rental, particularly for lower to middle-income households. The number of Australians experiencing homelessness increased by 14 per cent from 2011 to 2016, to an estimated 116,000.¹

The reduced housing affordability has led to an increased percentage of the country's population seeking social housing. However, the supply of social housing stock has not been able to keep up with the country's growing population, and as many as 206,000² households are waiting for access to social housing units.

In order to address this need, CHPs play an important part in the Australian housing system, providing accommodation services for people in social and affordable housing. There are currently more than 350 mainstream registered CHPs across Australia, and one of the biggest challenges they face is the funding gap, meaning the difference between revenue gained from sub-market rents and costs of providing social and affordable housing. NHFIC can assist to take some of the funding pressure off CHPs.

1 Australian Bureau of Statistics, Catalogue Number 2049.0—*Census of Population and Housing: Estimating homelessness*, 2016.

2 https://www.ahuri.edu.au/_data/assets/pdf_file/0021/15339/The-opportunity-risks-and-possibilities-of-social-impact-investment-for-housing-and-homelessness-Executive-Summary.pdf

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CHPs provide accommodation services for people in social and affordable housing.

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How NHFIC helps

NHFIC offers loans, investments and grants to encourage investment in housing, with a particular focus on affordable housing. This includes providing finance to eligible housing-enabling projects. We can help important housing projects go ahead—strengthening housing supply, improving access to cheaper and longer-term loans for CHPs and supporting affordable housing.

NHFIC operates the Affordable Housing Bond Aggregator (AHBA) to provide loans to registered CHPs financed by the issue of bonds on the commercial market; and the National Housing Infrastructure Facility (NHIF) to provide loans, grants and equity finance to overcome impediments to the provision of housing that is due to a lack of necessary infrastructure. NHFIC also provides grants for capacity building services to assist tier 2 and 3 CHPs with applications for NHFIC finance.

In everything we do, we are guided by our core values which underpin our organisation’s culture, the way we go about our work, how we interact with our stakeholders and how we deliver on our purpose.

Affordable Housing Bond Aggregator

The AHBA provides low cost and longer-term loans to registered CHPs to support the provision of more social and affordable housing. AHBA loans can be used for:

- acquire or construct new housing stock
- maintain existing housing stock
- assist with working capital requirements and/or general corporate requirements
- refinance existing debts.

NHFIC funds AHBA loans by issuing its own bonds into the wholesale capital market. The Australian Government has also provided a \$1 billion line of credit facility through which NHFIC may advance initial loans to CHPs prior to issuing bonds.

The AHBA uses a ‘pass-through’ model to provide greater funding certainty and lower finance costs to CHPs to assist them to expand their operations and the supply of affordable housing.

Investors have the opportunity, through the purchase of social bonds issued by NHFIC, to begin to address the significant and prevailing funding gap in Australia’s community housing sector.



National Housing Infrastructure Facility

The NHIF is a \$1 billion facility that provides finance for eligible infrastructure projects that will unlock new housing supply, particularly affordable housing.

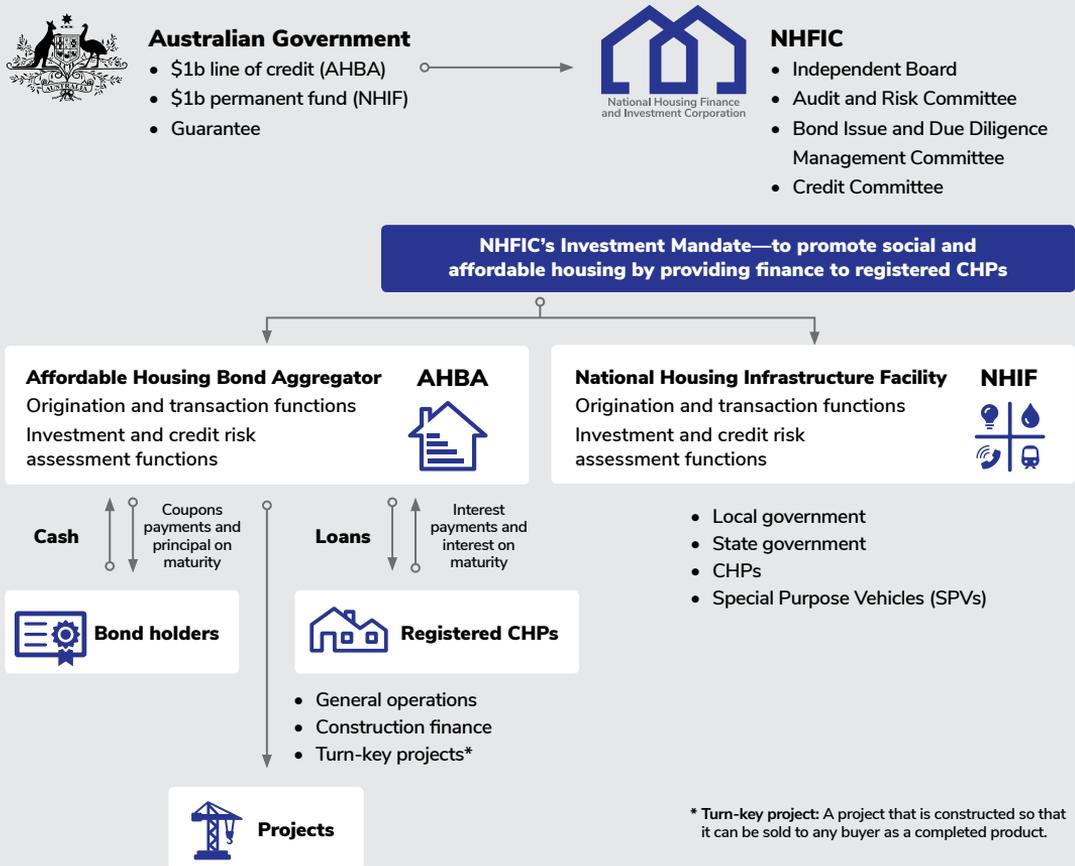
The NHIF offers concessional loans, grants and equity finance to help support critical housing-enabling infrastructure projects. It can be used for:

- new or upgraded infrastructure for services, such as stormwater, sewerage, water, gas, electricity telecommunications or transportation (including roads)
- site remediation works, including the removal of hazardous waste or contamination
- onsite and linking infrastructure.

To be eligible for financing, an applicant must demonstrate that without NHIF finance its project would be unlikely to proceed, likely to proceed only at a much later date, or likely to proceed with a lesser impact on new affordable housing.

The terms of NHIF financing are flexible with a range of concessions available to suit the applicant's project requirements. These may include, for example, concessional interest rates and/or longer loan tenure or extended period of capitalised interest.

Figure 1: Our operating model





Our strategic objectives

To help us achieve our purpose, NHFIC set five strategic objectives during the year. These objectives focused on establishing NHFIC and our systems, processes and governance practices.

Our strategic objectives for 2019–20 are focused on building on the work completed in our first year, and continuing to embed best-practice systems, processes and governance practices into our operations.

Further details on our 2019–20 strategic objectives are available in the 2019–20 Corporate Plan available on our website.

Our strategic objectives for 2018–19 were:



Facilitate the sustainable growth of the community housing sector across Australia



Facilitate investment and increase the supply of housing, and in particular affordable housing



Build strong stakeholder relationships that support better housing outcomes



Become a high-performance organisation



Establish a best-practice governance regime



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To help us achieve our purpose, NHFIC set five strategic objectives during the year. These objectives focused on establishing NHFIC and our systems, processes and governance practices.
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Annual performance statement

The NHFIC Board presents the 2018–19 financial year annual performance statement of NHFIC.

Introductory statement

The NHFIC Board, as the accountable authority of the National Housing Finance and Investment Corporation (NHFIC), presents the 2018–19 financial year annual performance statement of NHFIC, as required under Paragraph 39(1) (a) of the PGPA Act.

The annual performance statement is based on properly maintained records, it accurately reflects the performance of the entity, and complies with Subsection 39(2) of the PGPA Act.

Fulfilling our purpose

Our purpose is to improve housing outcomes for Australians by contributing to efforts to increase the supply of housing, particularly affordable housing.

The performance outcomes we are reporting against are set out in the 2018–19 Corporate Plan. The analysis of NHFIC's overall performance below should be read in conjunction with the rest of this Annual Report, and in particular the Chair and CEO Report.

Table 1: NHFIC performance summary of the 2018–19 financial year

Performance areas	Performance objectives	Targets 2018–19	Analysis	Outcomes achieved
 <p>Facilitate the sustainable growth of the community housing sector across Australia</p>	AHBA loan facility established and functioning well with appropriate geographic coverage	Develop and implement arrangements with a focus on existing projects.	AHBA loan facilities were established with both the external market (through a successful bond issuance program) and line of credit from the Commonwealth.	✓
	Total loan portfolio valued at \$900m–\$1.25b by 2021–22	\$200m–250m	NHFIC Board approved total loan commitments of \$472 million during 2018–19, of which \$308 million was settled before 30 June 2019.	✓
	Regular AHBA bond issuance program established	Develop and implement the products to establish and support the bond facility.	NHFIC established a successful bond issuance program and procedures with appropriate governance structures, experienced Joint Lead Managers and an agreement with the ASX Austraclear as the transactional clearing house.	✓
	Total dollar value of bonds issued by AHBA valued at \$500m–\$800m by 2021–22 (noting that the NHFIC can also draw funds from a line of credit)	Nil	In March 2019, NHFIC issued its first bond of \$315 million, the largest social bond issued to date in Australia. ³ The inaugural bond issue was for a tenor of 10 years and was rated AAA (stable) by S&P. NHFIC is currently on track to achieve the performance objective by 2021–22.	✓
	Increase the capacity of the CHP sector to successfully apply for loans	Establish the Capacity Building Program.	Capacity Building Program established for launch in 2019–20.	✓

3 Largest social bond in Australia in accordance with 2018 International Capital Market Association (ICMA) social bond principles.

Social Bond

This year NHFIC developed a Sustainability Bond Framework aligning with the UN Sustainable Development Goals and the International Capital Market Association's Social Bond Principles 2018.

The Sustainability Bond Framework governs the:

- use of proceeds of bond issuance
- process for evaluation and selection of assets financed or refinanced by the issue
- management of the proceeds of the issue
- form of reporting NHFIC will undertake.

Investors have the opportunity to invest in a



AAA rated
Government guaranteed bond

NHFIC's first bond issuance was a social bond of \$315 million issued in March 2019. The funds raised by the bond were lent to CHPs that are providing social and affordable housing in Australia. To date this is the largest social bond aligned to the ICMA Social Bond Principles to be issued in Australia.

By issuing a social bond, NHFIC aims to:

- support its mandate to help low-income and vulnerable Australians access affordable housing. Investing in NHFIC social bonds provides investors with the unique opportunity to be a part of the solution to the housing crisis faced by these Australians
- highlight the acute shortage of affordable housing in Australia in an effort to attract more attention to the issue
- encourage investors to support the development of the sustainability and social bond markets in Australia.

The social bond is directly aligned to supporting the achievement of the following Sustainable Development Goals targets by 2030:



Target 1.4: Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.



Target 11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

+ Further details are contained in the Sustainability Bond Framework which can be viewed on our website

Performance areas	Performance objectives	Targets 2018–19	Analysis	Outcomes achieved
 <p>Facilitate investment and increase the supply of housing, in particular affordable housing</p>	Accelerate infrastructure development	Develop policies and procedures to implement the NHIF	NHIF policies and procedures were developed and soundings in the market for infrastructure development completed.	✓
	Blended NHIF finance \$800m in blended finance deals over four years.	The first NHIF loan facility signed.	NHFIC is well-advanced in progressing a number of potential projects for NHIF funding and expects to announce the first NHIF transaction in the first half of 2019–20.	✗
 <p>Build strong stakeholder relationships that support better housing outcomes</p>	Good working relations with state and territory Registrars	Protocols established with each Registrar nationally.	Strong relationships have been developed with state and territory governments and registrars.	✓
	Raised awareness of the NHFIC values	Significant communication and stakeholder engagement activity. The NHFIC website is easy to navigate for stakeholders.	NHFIC has established strong stakeholder relations, actively engaging in roundtables and industry events participation. Social media channels were established to distribute regular content and company activity updates. Website redesign project commenced with delivery scheduled for early 2019–20.	✓

Performance areas	Performance objectives	Targets 2018–19	Analysis	Outcomes achieved
 <p>Become a high-performance organisation</p>	Highly experienced and skilled workforce	Continue to recruit workforce with appropriate expertise to enable the NHFIC to deliver its functions.	Significant recruitment of highly skilled, experienced people in specialised areas including origination, credit, finance, strategy and operations, legal and compliance, while continuing to utilise shared services from Export Finance Australia as necessary.	✓
	Adequate systems, policies, governance and management oversight	Develop and implement systems, policies and procedures which are fit-for-purpose.	NHFIC utilised the existing established systems, policies and procedures of Export Finance Australia, which were adapted to meet NHFIC's needs and requirements.	✓
	Financial sustainability	<p>Operating expenses per annum are within annual appropriation provided by government.</p> <p>Achievement of benchmark return to cover operating costs from 2021–22 and build an adequate capital reserve in accordance with legislation.</p> <p>Maintain the minimum target value of the permanent fund associated with NHIF.</p>	<p>Operating expenses for the period were within the annual appropriation provided by the Government. The four-year business plan targets returns to cover operating costs from 2021–22 and build an adequate capital reserve in accordance with legislation for NHFIC to be self-sustaining.</p> <p>NHFIC has commenced reserve accumulation to meet the minimum target value of the permanent fund associated with NHIF over the medium to long term.</p>	✓
 <p>Establish a best-practice governance regime</p>	Best-practice governance	Establishment of fit-for-purpose frameworks to meet legislative obligations.	Strong governance arrangements have been established, including appropriate controls to provide transparency and accountability to the Board and management on NHFIC's operations	✓

Evolve Housing

Total loan of \$70 million

NHFIC finance is helping Evolve Housing to refinance and fund new developments, with interest savings being invested in community support programs.

Evolve Housing is a not-for-profit tier 1 community housing provider whose core focus is to relieve housing stress by increasing the quality and availability of its housing portfolio and building socially inclusive communities. Evolve Housing also operates a profit-for-purpose property management service which reinvests profits back into social support programs for disadvantaged members of the community.

The AHBA loan will enable Evolve Housing to refinance existing projects and fund new ones. Over the 10-year term of the loan, it is estimated that NHFIC's finance will save Evolve Housing around \$9 million in interest and other costs.

The AHBA loan was used to refinance completed assets in Evolve Housing's Harts Landing project, a partnership with developer Payce. Harts Landing is comprised of commercial tenancy and a mixture of private, social and affordable residences providing 124 affordable and 14 social housing apartments. The development has a socially inclusive tenant cohort including key workers (for example teachers, nurses, police officers), couples over 65, single women over 55 (some from low-income groups and with children), and tenants with disabilities.

The AHBA loan has also enabled Evolve Housing to accelerate delivery of its housing projects, including a 30-apartment project in Merewether Street, Newcastle.

“The savings in interest expense have allowed Evolve to increase its development of support service programs for tenants.”

Phil Frost CFO, Evolve Housing



Affordable housing outcomes

The purpose of the loan is to increase affordable housing supply. It will achieve this by the following outcomes:



Existing dwellings: Refinancing more than 670 social and affordable dwellings including the recent development, Harts Landing, at Penrith.



Additional dwellings: Enabling construction of 30 new dwellings in Newcastle.



Anticipated interest savings: Around \$9 million over the 10-year loan term.



Possible outcomes from interest savings: Interest savings injected into community programs such as youth under 25 years, finance, living and health skills, as well as employment services programs. Benefits also provide flexibility to acquire further development sites.

Unity Housing Company Limited

Total loan of \$38 million

NHFIC's financing has helped Unity Housing Company Limited (Unity) meet its SA Government Stock Transfer Program obligations, delivering more affordable and social housing.

Unity is the largest CHP in South Australia and provides safe and secure affordable and sustainable housing solutions to vulnerable people and people on low incomes, particularly those living with disabilities or experiencing homelessness. Unity currently owns 1,200 dwellings and manages around 3,000 dwellings which house more than 4,500 people.

The AHBA loan has enabled Unity to refinance existing debt and a working capital facility. The loan will be used to help fund the construction of its development pipeline relating to the SA Government Stock Transfer Program.

It is estimated that NHFIC's finance will save Unity at least \$3 million in interest and other costs, potentially funding the construction of 10 additional dwellings over the 10-year term of the loan.

NHFIC's long-term and more affordable fixed financing is vital in supporting Unity to maintain and deliver incremental new social and affordable housing in South Australia.

“Unity Housing’s ability to invest in future housing projects with certainty has increased dramatically with NHFIC’s long-term, low cost finance.”

Matthew Woodward CEO, Unity Housing



Affordable housing outcomes

The purpose of the loan is to increase affordable housing supply. It will achieve this by the following outcomes:



Existing dwellings: Refinancing more than 400 social and affordable dwellings.



Potential additional dwellings: Providing essential capital to underpin a construction program aiming to deliver up to 100 new dwellings over the next 10 years



Anticipated interest savings: Around \$3 million over the 10-year loan term.



Possible outcomes from interest savings: With the potential cost savings it is anticipated that Unity could develop an additional 10 dwellings (assuming \$330k construction cost) over the term of the loan or fund community programs for their tenants.

Our people and culture

Our values

At NHFIC we are guided by our core values which underpin our organisation's culture, the way we go about our work, how we interact with our stakeholders and how we deliver on our purpose.



ONE TEAM—Creating solutions together

We foster constructive and transparent relationships with one another and our stakeholders, being agile and open to new ideas. We nurture talent and build collaborative teams, supporting achievement and work-life balance.



RESPECT—Valuing every individual

We respect each other and value diverse experience, expertise and backgrounds. We are honest, trustworthy, ethical and fair.



EXCELLENCE—Driving optimal results

We strive to be a high-performance organisation and we support our people to make informed decisions, operating within a governance framework based on transparency and accountability.



COMMITMENT—Making a difference

We are committed and engaged in delivering our purpose, dedicated to the success of our stakeholders and each other.

Organisation structure and location

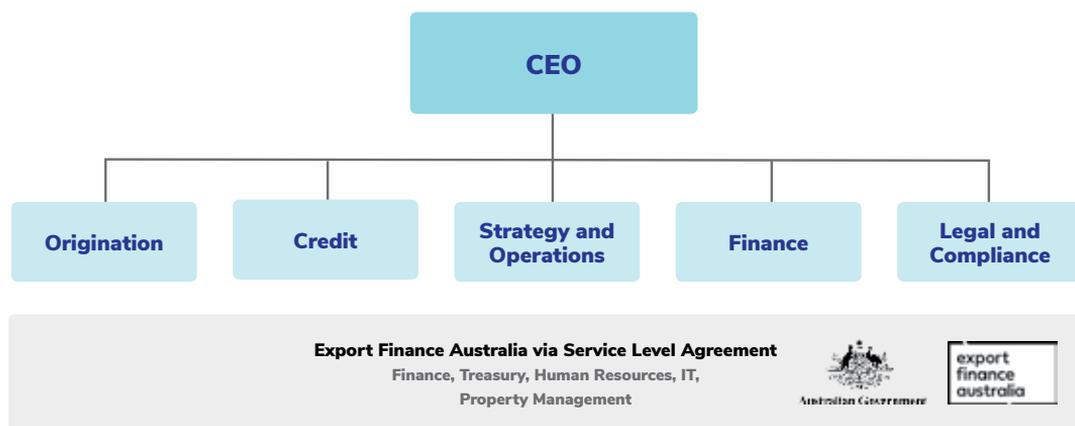
We rely on our people to achieve our purpose. We have a highly motivated and committed team with extensive experience in government and commercial sectors. Our Executive comprises our CEO and six direct reports overseeing our five key departments.

We are based in the Export Finance Australia head office in Sydney. We leverage selected support functions from Export Finance Australia which ensures a cost-efficient use of existing Australian Government resources

and minimises NHFIC's overhead costs. As an experienced financier, Export Finance Australia has expertise in managing large and complex lending transactions. Export Finance Australia's support is governed by a service level agreement (SLA), and the services provided under the SLA fall under two broad categories:

- 1 establishment services, including marketing and corporate governance/compliance
- 2 operational services, including financial management and reporting, treasury, human resources, information technology and property management.

Figure 2: NHFIC organisational chart



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The ability for us to achieve our purpose is heavily reliant on our people.

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Diversity and inclusion

We actively build and maintain a diverse team with the technical skills required to deliver our purpose. We value diverse experience, expertise and backgrounds to foster a strong organisation, deepen our problem-solving ability, innovation and success.

Our gender diversity is 53 per cent male and 47 per cent female employees, with 40 per cent of our people from a non-English speaking background or with parents from a non-English speaking background.

We recognise that our culturally diverse team gives us the ability to deliver client services that are culturally appropriate, accessible, consumer-orientated and effective.

We foster a collaborative environment and provide equal opportunities in employment, including employment conditions, recruitment selection, remuneration, learning and development, and career development.

Learning and development

We are committed to growing the capability of our people by supporting their learning and development needs. We invest in building our team's technical learning capability through identifying skill gaps and providing additional training where required. We also encourage an open learning culture through monthly knowledge-sharing sessions facilitated by various team members.

As part of the NHFIC's performance and development process, our people leaders discuss development needs and career goals with their teams.

Employee benefits



Flexible working

We support flexible work practices and we work with our people to help them manage work, personal, family and other needs.

Our people are equipped with technology to work remotely from the NHFIC office. We encourage agile working by providing creative workspaces and break-out areas. NHFIC employees have both formal and informal flexible work arrangements.



Wellbeing initiatives

Our people's mental and physical health are important to us. We offer our people yearly flu vaccinations and access to an employee assistance program. Through this program our people and their immediate family members have access to a free, confidential counselling service, along with other services including nutrition, legal and financial.



Work health and safety

We take a pragmatic, risk-based approach to maintaining our work health and safety compliance framework and management practices. Our strong culture of incident notification and investigation includes reporting any accidents or 'near misses'. Incidents and near misses are managed, with proactive measures put in place to reduce the potential risks identified.

We work closely with Export Finance Australia around work health and safety. Export Finance Australia's Health and Safety Representative conducts regular inspections of our workspace. We engage with our people on work health and safety matters, including the adequacy of facilities, and take steps to ensure a positive, productive and risk-free working environment.

New employees and consultants are provided with an in-depth induction program that includes a work health and safety overview with Export Finance Australia's Health and Safety Representative. We provide our people with training on workplace behaviour as part of our ongoing compliance program. Our first aid officer also undergoes regular training.

We record and monitor hazards and controls. For the reporting period, NHFIC has not, in relation to work health and safety matters, been investigated or received any notices. There were no 'notifiable incidents' under the *Work Health and Safety Act 2011* during 2018–19.



Indemnities and insurance

Our employees and Board members were indemnified during 2018–19 in relation to liabilities and related legal costs incurred as officers of NHFIC. The scope of this indemnity is consistent with legislative requirements.

We also maintained and paid premiums for professional indemnity insurance and directors' and officers' liability insurance, including cover for certain legal costs. We did not pay out any amount in connection with any Board member or employee indemnities during the financial year.



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 We have a highly motivated and committed team with extensive experience in government and commercial sectors.

Workforce demographics

As at 30 June 2019, NHFIC had 15 full-time equivalent (FTE) employees. All our employees are employed under the NHFIC Act and are not members of the Australian Public Service.

Table 2: Employee statistics

Classification	Full-time FTEs		Part-time FTEs		Total	
Male	8	53%	0	0%	8	53%
Female	7	47%	0	0%	7	47%
Total	15	100%	0	0%	15	100%

Classification	Non-English Speaking background FTEs		Aboriginal and Torres Strait Islander background FTEs		People with Disability FTEs	
NHFIC employees	8	53%	1	7%	0	0%

CASE STUDY

BlueCHP Limited

Total loan of \$70 million

NHFIC's transformative financing has enabled BlueCHP Limited (BlueCHP) to revise its debt profile to increase the supply of social and affordable housing.

BlueCHP is a not-for-profit CHP operating with a core function to source, purchase, develop and own dwellings. BlueCHP undertakes stand-alone development projects, third-party CHP developments and joint ventures, delivering more than 1,700 properties in the last 10 years.

The AHBA loan has enabled BlueCHP to refinance 630 social and affordable dwellings in its portfolio of properties. Such dwellings include a mixture of detached houses, attached houses and granny flats and group homes.

One of BlueCHP's community housing projects includes Jordan Springs, a newly developed precinct located near Penrith, Sydney and 5km from the refurbished Nepean Hospital. Jordan Springs is an example of an affordable housing property that has been integrated into an existing community without any visible differences. The loan also includes working capital to fund construction of an additional 87 single dwellings in Jordan Springs.

It is estimated that NHFIC's low cost financing will save BlueCHP at least \$1.3 million each year for 10 years which can be used for new housing projects.

"Financing made available through the NHFIC loan is worth at least \$13 million in savings over the 10-year term which can be deployed into new community housing."

Charles Northcote CEO, BlueCHP Limited



Affordable housing outcomes

The purpose of the loan is to increase affordable housing supply and it will achieve this through the following outcomes:



Existing dwellings: Refinancing more than 630 social and affordable dwellings.



Additional dwellings: Enable construction of 87 new single dwellings in Jordan Springs.



Anticipated interest savings: Around \$13 million over the 10-year loan term.



Possible outcomes from interest savings: With the potential cost savings it is anticipated that BlueCHP could develop an additional 40 dwellings (assuming \$330k construction cost) over the term of the loan or fund community programs through their service providers.

Our governance

Accountability

NHFIC is established under the *National Housing Finance and Investment Corporation Act 2018* (NHFIC Act) and is defined as a corporate Commonwealth entity under the PGPA Act. NHFIC is part of the Treasury portfolio of agencies and reports to the Assistant Treasurer and Minister for Housing (the responsible Minister, the Minister).

The responsible Ministers for the reporting period were:

1 July 2018–24 August 2018

The Hon Scott Morrison MP, Treasurer

24 August 2018–29 May 2019

The Hon Josh Frydenberg MP, Treasurer

29 May 2019–30 June 2019

**The Hon Michael Sukkar MP,
Assistant Treasurer and Minister for Housing**

The duties of the responsible Minister in relation to NHFIC are set out in the NHFIC Act.⁴ These include that the Minister appoints the Board and may provide directions about the performance of NHFIC's functions. The responsible Minister's directions together constitute the Investment Mandate, including in relation to such matters as strategies and policies the Board must observe, decision-making criteria, limits on financial assistance, and risk and return on investments. The Investment Mandate may not, however, direct the Board in relation to particular financing decisions.

At the date of publishing this Annual Report, NHFIC's *Investment Mandate Direction 2018* is the operative direction.

The Board must keep the Minister informed about NHFIC's operations and provide any information the Minister may require. The Minister or Minister's representative responds to questions from members of Parliament about NHFIC, and the parliamentary orders relating to us. Members of our Executive team may be requested to attend Senate Estimate hearings to answer questions, on behalf of the Minister, on NHFIC's operations.

As a corporate Commonwealth entity, NHFIC is subject to the requirements of the PGPA Act in relation to corporate governance, reporting and accountability.

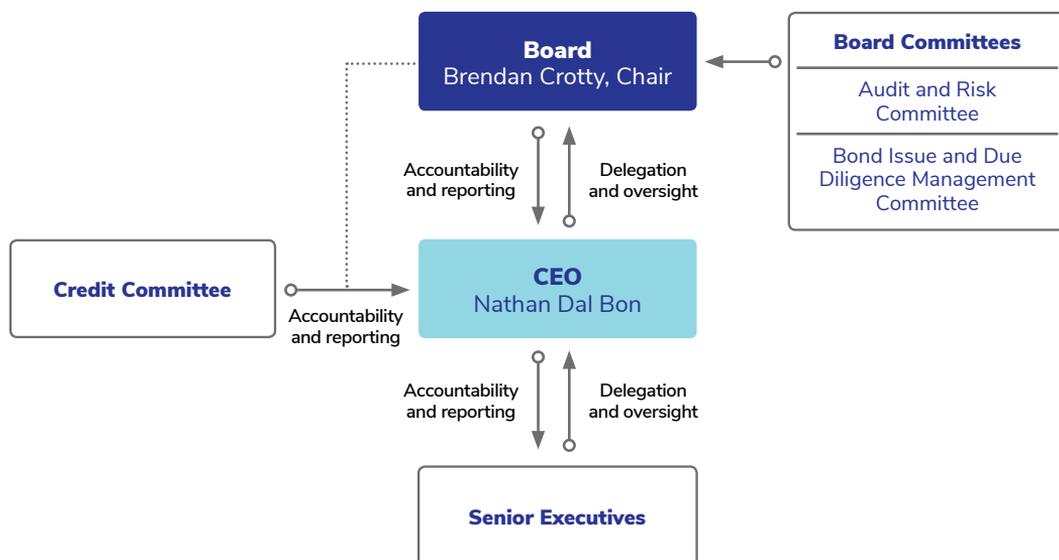
⁴ NHFIC Act, Section 12 (Investment Mandate), Section 18 (Appointment of the Board).

Corporate governance

NHFIC is committed to maintaining high standards of corporate governance which it considers essential to being a long-term sustainable organisation and to continually act in the best interests of the Australian public.

In order to develop a governance framework that is fit-for-purpose and appropriate for NHFIC's size and function, NHFIC considered its statutory responsibilities under the NHFIC Act, Investment Mandate, PGPA Act, PGPA Rule and other relevant legislation, as well as the relevant parts of the ASX Corporate Governance Principles & Recommendations (4th edition), which are considered the benchmark for good corporate governance practices in Australia.

Figure 3: The corporate governance structure at NHFIC



The Board

The Board comprises seven independent non-executive members:

Table 3: The NHFIC Board

Member	Term	Start Date	End Date
Brendan Crotty (Chair)	3 years	19 July 2018	18 July 2021
David Cant	3 years	26 July 2018	25 July 2021
Teresa Dyson	5 years	26 July 2018	25 July 2023
Adrian Harrington	5 years	26 July 2018	25 July 2023
Kylie Rampa	5 years	26 July 2018	25 July 2023
Tony De Domenico	5 years	10 April 2019	9 April 2024
Phillip Barresi	5 years	10 April 2019	9 April 2024

The biographical information of each Board member are outlined later in this Annual Report.

Roles and responsibilities of the Board

The Board is ultimately responsible for the overall operation and stewardship of NHFIC and reports to the Parliament through our responsible Minister. In performing its role, the Board decides, within the scope of the Investment Mandate, the strategies and policies to be followed by NHFIC. It monitors compliance with those strategies and policies, defines our risk appetite, makes financing decisions and otherwise ensures the proper, efficient and effective performance of our functions.

The key responsibilities of the Board are:

- providing input to and approving NHFIC's strategic direction, objectives, goals and budgets as developed by management in a manner which is at all times consistent with NHFIC's functions under the NHFIC Act and the Investment Mandate
- directing, monitoring and assessing NHFIC's performance against strategic and business plans, approving and monitoring expenditure and reviewing and approving the major policies of NHFIC
- identifying the principal business risks, ensuring NHFIC has in place an appropriate risk management framework and establishing the acceptable levels of risk within which the Board expects the management of NHFIC to operate
- reviewing and approving the systems of internal compliance and control, audit, risk management and legal compliance, to determine the integrity and effectiveness of those systems
- approving and monitoring material internal and external financial and other reporting and monitoring the operational and financial position and performance of NHFIC

- ensuring that the capital and reserves of NHFIC are sufficient to meet the likely liabilities of NHFIC and to make adequate provision for default in the repayment of principal, or in the payment of interest or other charges, in connection with loans made by NHFIC
- ensuring ethical behaviour and compliance with NHFIC's own governing documents, including NHFIC's code of conduct and corporate governance standards.

Further details of the responsibilities of the Board are set out in the Board Charter. This charter is reviewed annually, and a copy of the charter is available on our website.

Board size, appointment, skills and independence

The NHFIC Board must include a Chair and a minimum of four and maximum of six Board members. Board members are appointed by the Minister under a formal letter of appointment setting out key terms and conditions. The maximum term of office of a Board member is five years. At the end of this period the Board member retires, but is eligible for re-appointment.

Board skills

In appointing Board members, the Minister must ensure that Board members collectively have an appropriate balance of qualifications, skills or experience. This includes skills in the following areas:

- banking and finance
- law
- housing (including social or affordable housing)
- infrastructure planning and financing
- local government
- public policy.

The Board will regularly review its composition to ensure it comprises the optimum number of members and that Board members have an appropriate mix of skills.

Independence of Board members

At the time of appointment to the Board, each Board member's independence was assessed. At the time of appointment and through to the date of this Annual Report, the Board considers all Board members to be independent.

Conflicts of interest

All Board members of NHFIC are required to disclose any interests or other directorships held, and to update the information provided in a timely manner. A Register of Interests is maintained by NHFIC to manage any potential conflicts of interest.

Where a Board member has a declared actual, perceived or potential material personal interest in a matter, that Board member will not participate in any discussion or voting when the matter is being considered by the Board or relevant Board Committee.

Each year, Board members are required to complete a declaration of personal interests which is subject to review by NHFIC's Board. NHFIC maintains a register of the declared interests.

Board and other committees

To assist the Board to discharge its responsibilities, the Board has established two Board Committees, the Audit and Risk Committee and the Bond Issue Due Diligence and Management Committee. An additional Credit Committee has been established that reports directly to the CEO.

Each committee is governed by its own charter, detailing the its role and responsibilities, membership requirements and frequency of meeting. Each charter is reviewed periodically and revised when appropriate.

Table 4: NHFIC Committees

Committee	Role and responsibilities	Membership requirements	Frequency of meetings
Board Committee— Audit and Risk Committee	The primary responsibility of the Committee is to assist the Board by reviewing the appropriateness of the Board's financial reporting, performance reporting, risk management and internal controls.	<p>The Committee must comprise:</p> <ul style="list-style-type: none"> • at least 3 members • a majority of which must not be employees. <p>All members must have appropriate qualifications, knowledge, skills and experience to assist the Audit and Risk Committee to perform its functions.</p> <p>Current members: Teresa Dyson (Chair), David Cant and Adrian Harrington.</p>	At least three times per year
Board Committee— Bond Issue and Due Diligence Management Committee	The primary responsibility of the Committee is to assist the Board to execute on NHFIC's strategy and achieve the optimal pricing on bonds issued by NHFIC in the wholesale debt capital market; optimise the use of funding sources for its AHBA loans business; optimise the investment of NHFIC's capital and reserves and short-term surplus cash; and manage NHFIC's exposures to interest rate risk and liquidity risk.	<p>The Committee must comprise:</p> <ul style="list-style-type: none"> • at least 3 members • a majority of which must not be employees. <p>All members must have appropriate qualifications, knowledge, skills and experience to assist the Bond Issue and Due Diligence Management Committee to perform its functions.</p> <p>Current members: Stephen Knight (Chair), Brendan Crotty, Adrian Harrington and Kylie Rampa.</p>	At least three times per year
Credit Committee	The primary responsibility of the Committee is to assist the Board with the objective oversight and management of credit risk arising from providing finance to proponents eligible under NHFIC's Investment Mandate. The Credit Committee works closely with the NHFIC credit assessment team.	<p>The Committee must comprise:</p> <ul style="list-style-type: none"> • at least 3 members • all independent from the Board • a majority of whom must not be employees. <p>All members must have appropriate qualifications, knowledge, skills and experience to assist the Credit Committee to perform its functions.</p>	Monthly

Further details of the responsibilities of the Committees are set out in each Committee's charter. The charters are reviewed annually, and a copy of each charter is available on our website.

Ethical and responsible behaviour

Code of Conduct

NHFIC's Codes of Conduct for Board members and staff were approved by the Board on 31 August 2018 and apply to Board members, senior executives and employees. The codes provide information about the behaviours that NHFIC expects and seeks to foster a culture where ethical conduct is valued and demonstrated in its day-to-day business.

All employees, consultants and contractors are required to demonstrate key behaviours consistent with the following standards:

- act with care, diligence, being impartial and objective
- perform to the best of their ability, maintaining high standards of honesty and integrity
- treat everyone with courtesy and respect, without coercion or harassment of any kind
- consider matters on their merits
- comply with applicable Australian laws and NHFIC's policies, procedures and guidelines.

The Codes of Conduct are supported by a number of internal policies and procedures, providing further guidance for Board members and staff on acceptable actions and behaviour.

Public interest disclosure (whistleblower) protection

NHFIC is committed to maintaining the highest standards of ethical and accountable conduct and ensuring that individuals who make public interest disclosures are provided with the protections available under the *Public Interest Disclosures Act 1994* (PID Act).

NHFIC has developed detailed processes to be followed by NHFIC's supervisors, authorised officers, principal officer and investigation delegates for reporting, investigating and responding to disclosures made under the PID Act.

NHFIC's Public interest Disclosure (Whistleblower) Policy provides a framework for the escalation of disclosable conduct. This includes conduct that is illegal, corrupt, unethical or is an abuse of public trust. The Whistleblower Policy applies to all current and former employees of NHFIC, including contractors providing goods or services to NHFIC.

Anti-Money Laundering/Counter Terrorism Financing (AML/CTF)

As a designated service provider, NHFIC is required to have an AML/CTF program in place which, among other things, identifies, manages and reduces the money laundering and terrorism financing risk it potentially faces.

NHFIC has enrolled with the Australian Transaction Reports and Analysis Centre (AUSTRAC) and developed a comprehensive AML/CTF program. The program includes a framework for reporting suspicious matters to AUSTRAC together with comprehensive 'know your customer' procedures and ongoing customer due diligence and transaction monitoring procedures.

Safeguard integrity in corporate reporting

NHFIC is developing formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting, including the Corporate Plan, Annual Report and other reports and media releases NHFIC's issues to the public.

Internal controls

During the year, NHFIC implemented a number of internal controls to ensure the integrity of its corporate reporting systems, including the accuracy of financial reporting. These internal controls take the form of appropriate financial delegations, financial planning and reporting and compliance with appropriate procurement standards.

Prior to the release of any corporate reports to the public, the reports are reviewed by members of the Executive and, in the case of the Corporate Plan and Annual Report, the Audit and Risk Committee and Board before their release to the public. This process helps to ensure that corporate reports are accurate, balanced and understandable and provide the responsible Minister with appropriate information to make informed decisions.

In August 2019, NHFIC appointed McGrathNicol as its internal auditors and approved a three-year internal audit program to evaluate and continually improve the effectiveness of its risk management and internal control processes.

External audit

The Auditor-General is responsible for auditing the financial statements. The external audit for 2018–19 was performed by the Australia National Audit Office. In addition, NHFIC's Annual Report is tabled in Parliament.

Declaration by the Chief Executive Officer and Chief Financial Officer

Prior to the approval of the annual financial statements by the Board, the CEO and CFO provide confirmation in writing that our financial records have been properly maintained and that the financial statements give a true and fair view of the financial position and performance of NHFIC.

The CEO and CFO also make representations over the adequacy and effectiveness of NHFIC's risk management framework and internal controls.

Environmental reporting

Ecologically Sustainable Development—EPBC Act reporting

NHFIC has a statutory obligation under Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* to report on how its activities accord with Ecologically Sustainable Development principles. NHFIC complies with this responsibility through application of its Good Corporate Citizenship Policy, as outlined in the Environmental Footprint section below.

Good Corporate Citizenship Policy

NHFIC's Good Corporate Citizenship Policy is consistent with the Australian Government's expectations outlined in the NHFIC Investment Mandate. Section 31 of the Investment Mandate requires NHFIC to have regard to Australian best-practice governance principles, and the Australian best-practice corporate governance for commercial financiers when performing its functions, including developing and annually reviewing policies with regard to environmental, social and governance issues.

Environmental Footprint

In 2018–19, NHFIC operated from one location, a head office in Sydney, New South Wales, where NHFIC has a SLA with Export Finance Australia. Further information on the SLA with Export Finance Australia is provided in the 'Our people and culture' section of this Annual Report.

Our Board

.....
The NHFIC Board is responsible for our corporate governance and operations.
.....

Brendan Crotty

Chair

Term of appointment

19 July 2018 to 18 July 2021



Brendan was appointed as NHFIC Board Chair in July 2018. He brings to NHFIC extensive property industry expertise, including 17 years as the Managing Director of Australand Property

Group from 1990 to 2007, followed by 10 years as Chairman of Western Sydney Parklands Trust. Brendan is also currently a director of Brickworks Limited and Dennis Family Holdings. Most recently Brendan retired as director of General Property Trust and the Macquarie University Council.

Brendan holds Post Graduate Diplomas in Town and Country Planning (Queensland Institute of Technology) and Business Administration (Macquarie University). He has completed the Advanced Management Programme at the International Institute for Management Development Business School and the Strategic Use of Information Technology Programme at Stanford University.

David Cant

Member

Term of appointment

26 July 2018 to 25 July 2021



David has over 40 years' of experience in providing housing for those on low incomes. David is currently an independent director of PowerHousing Australia and the Community Housing

Industry Association (QLD). David is Co-Chair of Under 1 Roof, a consortium of housing and homelessness organisations in Brisbane.

David was the inaugural CEO at Brisbane Housing Company from 2002–2017, which is now one of the largest registered community housing providers in Queensland. David was a member on the Prime Minister's Council on Homelessness from 2009 to 2013.

David holds a Bachelor of Arts (Politics and Economics) from the University of Oxford and a Masters in Philosophy (Town Planning) from University College London.

Teresa Dyson

Member

Term of appointment

26 July 2018 to 25 July 2023



Teresa is an experienced company director, chair and a senior taxation lawyer with over 20 years' experience advising on infrastructure transactions, financing, corporate tax, mergers and acquisitions, the not-for-profit sector, and tax controversy matters.

Teresa is currently a director on the boards of Genex Power Ltd, Power & Water Corporation, Seven West Media Ltd, Consolidated Tin Mines Ltd, Energy Super, FARE, Energy Queensland Ltd and Gold Coast Hospital & Health Board. Teresa is also a member of the Takeovers Panel and the Foreign Investment Review Board. Teresa has formerly served as the Chair of the Law Council of Australia, Business Law Section and has also been a Partner at Deloitte and Ashurst (formerly Blake Dawson). She is a former Chair and member of the Board of Taxation.

Teresa holds a Bachelor of Arts, Bachelor of Laws (Hons) and Master of Taxation from the University of Queensland, a Master of Applied Finance from Macquarie University, and is a Graduate of the Australian Institute of Company Directors. Teresa has been admitted as a solicitor in New South Wales, Victoria, Queensland and to the High Court of Australia.

Adrian Harrington

Member

Term of appointment

26 July 2018 to 25 July 2023



Adrian has more than 25 years' of experience in the funds management and real estate industries. Adrian is currently the Head of Capital and Product Development at Charter Hall and the Chairman of

the Australian Housing and Urban Research Institute (AHURI). Adrian chaired the Construction Forecasting Council from 2014–2017. Adrian was formerly Head of Funds Management at Folkestone from 2011–2018, CEO Funds Management UK and USA for Mirvac Group from 2007–2008 and CEO of Mirvac's Funds Management business in Australia between 2005 and 2007.

Adrian holds a Bachelor of Science (Hons) from the University of New South Wales, a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia and is a Graduate of the Australian Institute of Company Directors. Adrian is a Fellow of the Financial Services Institute of Australasia.

Kylie Rampa

Member

Term of appointment

26 July 2018 to 25 July 2023



Kylie has over 25 years' of experience in the Australian and global real estate sectors. Kylie is currently the CEO Property, Australia for the Lendlease Group. She is also a director of Lendlease Real

Estate Investments Limited and Lendlease Development Pty Limited, Director and Vice President of the Property Council of Australia, Director of the Sydney Opera House Trust as well as Chair of the Building and Heritage Committee. Prior to her role as CEO Property, Australia, Kylie was Managing Director of Lendlease Investment Management and has held other senior positions with the Gandel Group, Macquarie Group, AMP and Schroders.

Kylie holds a Bachelor of Business from the Queensland University of Technology.

Tony De Domenico OAM

Member

Term of appointment

10 April 2019 to 9 April 2024



Tony has over 40 years' experience across government, corporate, community and education sectors both domestically and internationally.

Tony is currently the Chair of Abalone Victoria (Central Zone),

Chair of Plastic Oceans Australasia, Director of Common Equity Housing Ltd, Director of Prahran Market, and Director and Life Member of the Italian Chamber of Commerce. He is also a Life Member of the Urban Development Institute of Australia, and a Corporate Life Governor of The Royal Life Saving Society (ACT).

He was previously the Executive Director of the Urban Development Institute of Australia (UDIA). Tony has been Chair of Places Victoria, Deputy Chair of Development Victoria and has also served on the Council of Latrobe University including a term as Deputy Chancellor. He was Chair of the Australian Housing and Urban Research Institute (AHURI) from 2014–2018.

Tony has extensive diplomacy experience, serving as a trade and investment diplomat based in Milan, and from 1992–1997 he was elected to the ACT Legislative Assembly where he was appointed Deputy Chief Minister, Minister for Urban Services, and Minister for Economic Development and Regulatory Reform.

He was awarded a Medal in The Order of Australia at the Queen's Birthday Honours List in 2018 for his contribution to urban planning, research and development in Victoria.

Phillip Barresi

Member

Term of appointment

10 April 2019 to 9 April 2024



Phillip was appointed to the NHFIC Board in April 2019 bringing with him extensive national and international board and committee experience. He currently serves as a consultant and coach to senior corporate

executives and directors on governance and leadership, drawing on over 40 years' experience and knowledge.

Phillip has previously served on various boards and committees within the disability employment, aged care, youth at risk and community banking sectors. Most recently he served as the Director for Australia, New Zealand, Korea and Egypt on the Board of the European Bank for Reconstruction and Development based in London.

Phillip has held former appointments as Chief Executive Officer for both a leading energy industry association and an electricity generator industry group, as well as an appointment as the Chairman of Australia's premier oil lubricant manufacturing and distribution company. Prior to this, Phillip served as a member of the Australian Parliament for nearly 12 years, including chairing a joint parliamentary committee with oversight of public accountants and audit. He was an advocate for tax reform, trading bloc opportunities, small business development, industrial labour relations and youth employment initiatives.

Board meetings

Table 5: Summary of Board member meeting attendance

Member	Board meetings		Audit and Risk Committee meetings		Bond Issue Due Diligence and Management Committee meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Brendan Crotty (Chair)	14	14	-	-	5	5
David Cant	14	14	5	5	-	-
Teresa Dyson	14	14	8	8	-	-
Adrian Harrington	14	14	8	8	5	5
Kylie Rampa	13	14	2	3	5	5
Tony De Domenico ⁴	2	2	-	-	-	-
Phillip Barresi ⁴	2	2	-	-	-	-

⁴ Appointed Board member 10 April 2019 and was therefore only eligible to attend two Board meetings.

Our approach to risk management

Risk and capital management is a critical part of our business. NHFIC's approach to risk and capital management is based around assessing the level of, and appetite for, risk and ensuring that the level of capital is appropriate to that risk profile.

Figure 4: NHFIC's risk management framework



Risk governance

The Board is responsible for defining NHFIC's risk appetite and establishing an appropriate risk management framework.

During the year, the Board, with the assistance of the Audit and Risk Committee, developed a Risk Management Framework which sets out the core principles and types of risks NHFIC faces. This forms the basis on which a Risk Appetite Statement (RAS) and Risk Control Matrix (RCM) have been established.

The Board relies on the Executive to manage the implementation and embedding of the risk appetite into NHFIC's activities, to monitor performance and to report, as appropriate, to the Audit and Risk Committee and/or the Board.



Risk culture

NHFIC's risk culture and principles guide everyday behaviour in the organisation.

NHFIC strives to:

- maintain the highest professional and ethical standards
- align any staff incentives and rewards to encourage behaviour consistent with its risk appetite
- provide an environment where employees are empowered to the full extent of their abilities and that fosters innovation and learning within business practices
- monitor, stress test and re-evaluate risk ensuring management information systems and risk reporting accurately reflect the underlying risk
- only provide facilities after carefully and appropriately considering the risk implications
- be intolerant of regulatory and compliance breaches.

Risk appetite

Risk appetite is a fundamental part of both risk management and capital management. NHFIC guides itself in fulfilling this obligation by setting its own standards for capital adequacy, drawing upon the experiences of domestic and international non-bank lenders, such as the Housing Finance Corporation in the United Kingdom.

The RAS sets the boundaries for the risks that NHFIC may accept in order to achieve its objectives within risk policies, risk tolerances and operational limits set by the NHFIC Act, Investment Mandate, PGPA Act and the Board.

The risk appetite for NHFIC represents the types and degree of risk that it is willing to accept for its stakeholders in its strategic and business actions.

.....
The Risk Control Matrix
enables management
to form a view of
the residual risk and
communicate those risks
to the NHFIC Board and
Audit Risk Committee.
.....

NHFIC's risk appetite is:

- a **Dynamic.** The NHFIC Board will review the Risk Appetite Statement on a regular basis in conjunction with the Corporate Plan and relevant Government policies (such as the Investment Mandate).
- b **Defined.** It requires NHFIC to operate within its defined tolerances and governance procedures.
- c **Encompassing.** It provides a roadmap that guides its internal risk culture and sets boundaries defined by principles and metrics (both quantitative and qualitative) which are considered collectively.
- d **Judgement based.** It recognises that articulating risk appetite is a complex process balancing many different views, but is ultimately a question of judgement.

Risk control and measurement

The RCM is a key element in NHFIC's Risk Management Framework. The RCM lists the risks that NHFIC is expected to face, outlines the controls or risk mitigation in place, assigns relevant risk owners, assesses the likelihood and consequence of each risk before and after mitigation or controls are applied, and will over time assist in identifying early warning signals.

The RCM enables management to form a view of the residual risk and communicate risks to the NHFIC Board and Audit and Risk Committee (through the regular provision of the Risk Dashboard and Risk Assessment Matrix). Management formally reviews the RCM on a semi-annual basis.

Risks are classified depending on their nature—reputation, strategic, credit, funding liquidity and earning, operational, regulatory and compliance, fraud and corruption, culture and people.

Risks are classified depending on their nature. NHFIC's key risks fall into the following risk categories:

Table 6: Risk categories relevant to NHFIC

Risk category	Description
Reputation	Risks associated with negative public or political profile and funds usage.
Strategic	Risks related to meeting strategic objectives and expectations of key stakeholders, business strategy, resourcing and proper corporate structure.
Credit	Risk of default from a borrower failing to make their required payments under NHFIC's loan conditions. Risks of improper credit analysis and portfolio concentration.
Funding, liquidity and earnings	Risks related to our ability to raise and access finance from the capital market, and our ability to settle liabilities or obligations as they become due. Risks related to insufficient earnings to meet operational expenditure.
Operational	Risks related to cyber security, loss resulting from inadequate or failed internal processes, people and systems, or from external events.
Regulatory and compliance	Risks associated with breach of the Investment Mandate, NHFIC Act, PGPA Act and rules or other legislation or directions from the Minister relevant to NHFIC and changes in Government policies.
Fraud and corruption	Failure to prevent and detect fraud.
Culture and people	Risks associated with the loss of corporate capacity, knowledge management and inappropriate corporate culture.

Remuneration

NHFIC's remuneration strategy is designed to attract, reward and retain skilled employees, to help NHFIC achieve its purpose and deliver on outcomes. NHFIC strives for a high-performance culture that aligns rewards to performance, while recognising that NHFIC has to operate within an acceptable cost framework and comply with the Government's policies for its statutory agencies.

Remuneration of key management personnel

During the year ended 30 June 2019, NHFIC had one senior executive and seven Board members who met the definition of key management personnel. Their names and the length of term as key management personnel are summarised below:

Table 7: Key management personnel

Name	Title	Appointment date
Nathan Dal Bon	Chief Executive Officer	21/12/2018
Brendan Crotty	Board member (Chair)	19/07/2018
David Cant	Board member	26/07/2018
Teresa Dyson	Board member	26/07/2018
Adrian Harrington	Board member	26/07/2018
Kylie Rampa	Board member	26/07/2018
Tony De Domenico	Board member	10/04/2019
Phillip Barresi	Board member	10/04/2019

All Board members of NHFIC are appointed by the Australian Government (through the responsible Minister) on a part-time basis. The CEO is appointed by the Board on a full-time basis.

Remuneration of the CEO and fees for Board members are set through the determinations of the Australian Government Remuneration Tribunal (the Tribunal), an independent statutory body overseeing the remuneration of key Commonwealth offices. NHFIC is regulated to comply with the Tribunal's determinations and plays no role in the consideration or determination of the CEO's remuneration or Board member fees.

The Tribunal sets annual CEO remuneration and Chair and Board fees (exclusive of statutory superannuation contributions). The Chair fee includes all activities undertaken by the Chair on behalf of NHFIC (inclusive of committee participation), however additional fees are payable to Board members based on their appointment to Board sub-committees. Fee packaging may be made available to Board members within the fees specified. Statutory superannuation is paid in addition to the fees set by the Tribunal and the CEO also accrues long service leave.

The following table sets out the CEO remuneration and Board member fees (excluding superannuation) as directed by the Tribunal for 2018–19.

Table 8: Key remuneration and Board member fees

Position	2018–19 annual entitlement
Board Chair	\$110,860
Board member	\$55,430
Audit committee Chair	\$16,320
Audit committee member	\$8,160
Chief Executive Officer	\$498,810

Remuneration of senior executives

The CEO is responsible for designing executive remuneration to attract, retain and motivate high-quality senior executives and to align their interests with the creation of long-term value. To accomplish these goals, each senior executive's remuneration package consists of fixed annual remuneration and 'at risk' remuneration delivered through a discretionary bonus to recognise their contribution and acknowledge high performance.

Remuneration reviews are completed each year and NHFIC uses data from the Financial Institutions Remuneration Group (FIRG) to benchmark against salaries paid by financial institutions for comparable roles, to stay competitive. The budget for remuneration increases is determined by reference to annual FIRG data, market data, Government guidelines, Board decisions and NHFIC's operating budget. While NHFIC aims to remain within the FIRG data range, we recognise that as a government body we cannot compete with international commercial organisations that pay at significantly higher levels in the range.

Remuneration tables

Key management personnel

Table 9: Remuneration of key management personnel for 2018–19

Name	Position title	Short-term benefits		Post-employment benefits	Other long-term benefits	Total remuneration \$
		Base salary \$			Long service leave \$	
Nathan Dal Bon	CEO	344,511		33,406	8,180	386,097
Brendan Crotty	Board member (Chair)	103,385		9,822	-	113,207
David Cant	Board member	57,141		4,888	-	62,029
Teresa Dyson	Board member	66,648		6,332	-	72,979
Adrian Harrington	Board member	57,981		5,508	-	63,489
Kylie Rampa	Board member	52,771		5,013	-	57,784
Tony De Domenico	Board member	12,192		1,158	-	13,350
Phillip Barresi	Board member	12,192		1,158	-	13,350
Total		706,820		67,285	8,180	782,285

Senior executive staff

Table 10: Remuneration for senior executives for 2018–19

Remuneration Band	Number of senior executive staff	Short-term benefits			Post-employment benefits	Other long-term benefits	Average total remuneration \$
		Average base salary \$	Average bonuses \$	Average other benefits and allowances \$	Average superannuation contributions \$	Average long service leave \$	
\$0–\$220,000	3	136,384	16,864	-	15,119	3,117	171,484
\$220,001–\$245,000	1	173,013	28,000	-	15,813	3,729	220,554
\$245,001–\$270,000	1	197,928	32,500	6,800	17,835	4,452	259,515

Note: Senior executives were appointed throughout the year. The average length of service for senior executives in 2018–19 was 7 months.

Highly paid staff

NHFIC did not have any employees who met the definition of highly paid staff during 2018–19.



Financial statements

Statement by Board Members, Chief Executive Officer and Chief Financial Officer

Independent Auditor's report

Financial statements

Statement of profit or loss and other comprehensive income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to and forming part of the Financial Statements

Statement by Board Members, Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the period ended 30 June 2019 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*, and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that National Housing Finance and Investment Corporation (NHFIC) will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board.



Brendan Crotty
CHAIRMAN
19th September 2019



Nathan Dal Bon
CHIEF EXECUTIVE OFFICER
19th September 2019



Peter Roberts
CHIEF FINANCIAL OFFICER
19th September 2019



INDEPENDENT AUDITOR'S REPORT

To the Treasurer and Assistant Treasurer

Opinion

In my opinion, the financial statements of the National Housing Finance and Investment Corporation ('the Entity') for the period ended 30 June 2019:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2019 and its financial performance and cash flows for the period then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 and for the period then ended:

- Statement by the Board Members, Chief Executive Officer and Chief Financial Officer;
- Statement of Profit or loss and other Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to and forming part of the financial statements

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Board is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Board is also responsible for disclosing, as applicable, matters related

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to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office 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 the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, 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 my 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 Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority'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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Clea Lewis
Executive Director

Delegate of the Auditor-General

Canberra

1 October 2019

Statement of profit or loss and other comprehensive income

for the period ended 30 June 2019

	Note	2019 \$'000
INCOME		
Interest and loan fee revenue	1.1A	5,820
Revenue from Government	1.1B	53,714
Total Income		59,534
EXPENSES		
Employee benefits	1.2A	2,910
Suppliers	1.2B	4,317
Finance costs	1.2C	1,964
Concessional loan provisions	1.2D	61,151
Allowance for credit loss expense	1.2E	164
Total Expenses		70,506
Loss from continuing operations		(10,972)
Total Comprehensive income/(loss)		(10,972)

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

Statement of Financial Position

as at 30 June 2019

	Note	2019 \$'000
ASSETS		
Financial assets		
Cash and cash equivalents	2.1A	39,347
Trade and other receivables	2.1B	1,279
Loans and advances	2.1C	273,162
Other investments—deposits	2.1D	201,458
Total Financial assets		515,246
Non-financial assets		
Property, plant and equipment		18
Prepayments		78
Total Non-financial assets		96
Total Assets		515,342
LIABILITIES		
Payables		
Suppliers	2.2A	2,027
Other payables	2.2A	2,972
Total Payables		4,999
Interest bearing liabilities		
Other interest bearing liabilities	3.2A	329,878
Total interest bearing liabilities		329,878
Provisions		
Employee leave & other entitlements	4.1A	413
Other provisions	2.3A	26,024
Total Provisions		26,437
Total Liabilities		361,314
Net Assets		154,028
Equity		
Contributed equity		165,000
Retained earnings		(10,972)
Total Equity		154,028

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

Statement of Changes in Equity

for the period ended 30 June 2019

	Retained earnings	Contributed equity	Total equity
	\$'000	\$'000	\$'000
Opening balance	-	-	-
Comprehensive income			
Loss for the period	(10,972)	-	(10,972)
Total comprehensive income	(10,972)	-	(10,972)
Transactions with owners			
Equity injection	-	165,000	165,000
Total Transactions with owners	-	165,000	165,000
Transfers between equity components			
Closing balance as at 30 June 2019	(10,972)	165,000	154,028

The accompanying notes form an integral part of the financial statements.

Statement of cash flows

for the period ended 30 June 2019

	Note	2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received		
Contributions from Government		53,714
Interest and Loan fees		3,283
Total cash received		56,997
Cash used		
Employees		2,472
Suppliers (inclusive of GST)		2,039
Finance costs		457
Total cash used		4,968
Net cash from operating activities		52,029
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received		
Interest on investments		1,793
Total cash received		1,793
Cash used		
Purchases of investments		201,458
Net increase/(decrease) in Loans and Advances		308,323
Purchase of property, plant, equipment and intangibles		18
Total cash used		509,798
Net cash from/(used by) investing activities		(508,005)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received		
Proceeds from borrowings		330,323
Equity Injection		165,000
Total cash received		495,323
Net cash from/(used by) financing activities		495,323
Net increase/(decrease) in cash equivalents held		39,347
Cash equivalents at beginning of financial period		-
Cash equivalents at end of financial period	2.1A	39,347

The above statement should be read in conjunction with the accompanying notes

Notes to and forming part of the Financial Statements

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Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Overview

The National Housing Finance and Investment Corporation (NHFIC) was established in June 2018 under the *National Housing Finance and Investment Corporation Act 2018 (Cth) (NHFIC Act)*. NHFIC is classified as a corporate Commonwealth entity and is an Australian Government owned for-profit entity.

The Australian Government established NHFIC in recognition that greater private and institutional investment is needed to expand the community housing sector and provide more Australians with access to affordable rental housing. NHFIC operates the Australian Housing Bond Aggregator (AHBA) to provide lower cost and longer-term finance for community housing providers by aggregating their borrowing requirements and issuing bonds into the wholesale market at a lower cost and longer-term than traditional bank finance. In addition, the Australian Government has loan funding of up to \$1 billion as a warehouse facility for the operation of the AHBA. The benefits of accessing finance more efficiently will allow community housing providers to reinvest into expanding the supply of affordable housing. This will help to improve outcomes for social housing and homelessness.

NHFIC also administers the \$1 billion National Housing Infrastructure Facility (NHIF). The NHIF will provide support to local governments through a range of options to finance critical infrastructure such as:

- transport links;
- power and water infrastructure; and
- site remediation works.

The NHIF will help local governments address infrastructure bottlenecks that impede development and build the infrastructure needed to speed up the supply of new housing. The NHIF will provide financial assistance through grants or equity/loan arrangements.

a Basis of preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*.

The financial statements have been prepared in accordance with:

- Australian Accounting Standards ('AAS') and Interpretations—Reduced Disclosure Requirements ('RDR') issued by the Australian Accounting Standards Board ('AASB') that apply for the reporting period, with more extensive disclosures for Financial Instruments; and
- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)*.

These financial statements have been prepared on an accrual basis and under the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are prepared in Australian dollars and rounded to the nearest thousand dollar (\$'000).

As NHFIC was established on 29 June 2018, a reporting exemption was granted for the prior year. The financial statements prepared are for the period of NHFIC's operation from 29 June 2018 to 30 June 2019.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Overview (continued)

b New Australian Accounting Standards (AAS)

Consistent with government policy, no accounting standard has been adopted earlier than the application date as stated in the standard.

The adoption of new standards and amendments that came into effect for this financial period did not have a significant financial impact on the financial statements.

AASB 9—Financial Instruments

AASB 9 has been applied from 1st July 2018.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value Through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 replaces the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

The reason for holding investments is to collect the contractual cash flows which are 'solely payments of principal and interest on the principal amount outstanding'. NHFIC's business model is to hold these financial assets until maturity. In limited cases Investments may be liquidated for cash requirement purposes.

AASB 9 requires all investments and loans measured at amortised cost to be evaluated for impairment at transition date and also requires an ongoing evaluation using an expected credit loss model.

On evaluation, all investment securities have a term to maturity of less than twelve months and are held with Australian ADIs rated AA- or higher. Therefore, it has been determined that no impairment should be recognised on day one or in the subsequent twelve months.

Loans and advances are measured at amortised cost and these loans were evaluated at 30 June 2019 using an expected credit loss model.

AASB 15—Revenue from contracts with customer

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue.

There is no significant effect to the accounting results on the implementation of this standard.

A number of new and revised Australian accounting standards apply to NHFIC's financial statements in later years. The assessment of the main effects of these standards on its financial statements is set out below.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Overview (continued)

AASB 16—Leases

Effective 1 July 2019, AASB 16 requires the majority of operating leases to be brought onto the balance sheet. As NHFIC does not hold any significant leases at present there will be no material impact.

c Taxation

Under section 52 of the NHFIC Act, NHFIC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST)

- where the amount of GST incurred is not recoverable as an input tax credit from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- the net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of the receivables, payables or commitments.

d Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for:

- items of property with a project cost less than \$15,000 (which are expensed in the year of acquisition); and
- items of plant and equipment costing less than \$5,000 (which are expensed in the year of acquisition).

Revaluations and fair value measurement

All leasehold improvements, plant and equipment are measured at fair value.

Following initial recognition at cost, leasehold improvements and plant and equipment are carried at fair value less accumulated depreciation and any accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from the assets' fair values at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class. Any accumulated depreciation is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Overview (continued)

NHFIC has a policy of having non-financial assets revalued every five years unless there are significant changes in economic indicators.

Depreciation

Depreciable property, plant and equipment are written-off to their estimated residual values over their estimated useful lives to NHFIC, using in all cases, the straight-line method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2019
Leasehold improvements	Lease term
Plant and equipment	3–20 years

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Impairment of non-financial assets

All assets were assessed for impairment at 30 June 2019. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Department were deprived of the asset, its value in use is taken to be its current replacement cost.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Overview (continued)

e Contingencies and commitments—assets and liabilities

Where, as a result of past events, there is a possible asset or liability whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NHFIC this will be disclosed as a contingent asset or contingent liability. When the inflow of economic benefits is probable, but not virtually certain, NHFIC will recognise the contingent asset. When the outflow of economic benefits is probable, NHFIC will recognise the contingent liability.

Commitments to provide financial facilities are contractually based. For loans and advances NHFIC has committed to lend a fixed amount and any undrawn amounts under these facilities are shown as commitments.

f Events after the reporting period

There have been no material events occurring after the reporting period that impact these financial statements for the period ended 30 June 2019.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 1: Our Financial Performance

Note 1.1: Revenue

	2019 \$'000
NOTE 1.1A: INTEREST AND LOAN FEE REVENUE	
Interest and fees from loans and advances	2,285
Interest from cash and short-term investments	2,924
Unwinding of concessional loan discount provisions	611
Total finance income	5,820

Accounting Policy

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to NHFIC and the revenue can be reliably measured.

For transactions at amortised cost, the income or expenses are taken through the profit or loss using the effective interest method. Establishment fees relating to the successful origination or settlement of a loan are deferred and recognised as an adjustment to the effective interest rate on the loan.

	2019 \$'000
NOTE 1.1B: REVENUE FROM GOVERNMENT	
Revenue from Australian Government for NHFIC Operational funding	18,714
Revenue from Australian Government for NHIF Grants	35,000
Total Revenue from Government	53,714

Accounting Policy

Revenue from Government

Amounts provided by the Australian Government for NHFIC operating funds and NHIF grants are recognised as Revenue from Government in the Statement of profit or loss and other comprehensive income when NHFIC gains control of the contribution.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 1.2: Expenses

	2019 \$'000
NOTE 1.2A: EMPLOYEE BENEFITS	
Wages and salaries	2,362
Superannuation	
Defined contribution plans	158
Defined benefit plans	51
Leave and other entitlements	164
Other employee benefits	174
Total employee benefits	2,910

Accounting Policy

Employee Benefits

Accounting policies for employee related expenses is contained in the Our People section (refer to Note 4).

NOTE 1.2B: SUPPLIER EXPENSES	
Goods and services supplied or rendered	
Legal Fees	1,026
Consultants	889
Services provided by Export Finance Australia	772
Recruitment services	552
Information technology services	235
Insurances	196
Travel and incidentals	156
Credit Information	151
Professional Fees	120
External Auditor Fees	66
Contractors	62
Staff training and development	34
Other	59
Total suppliers	4,317

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 1.2: Expenses (continued)

	2019 \$'000
NOTE 1.2C: FINANCE COSTS	
Interest on loans	38
Interest on bonds	1,926
Total finance costs	1,964
NOTE 1.2D: CONCESSIONAL LOAN PROVISIONS	
Concessional loan discount provisions	61,151
Total Concessional loan provisions	61,151

Accounting Policy

Concessional Loan Discount

A concessional loan discount provision is recorded when NHFIC makes a loan at a discount to the prevailing market equivalent rates or terms. The concessional loan discount provisions is a non-cash concession and will unwind over the term of the underlying loan and will be disclosed as concessional loan income. As the concessional loan discount is a non-cash adjustment, it does not impact the underlying operational earning of NHFIC. Over the life of the loans, the impact of the reported profit or loss of NHFIC from the discount and income will net to \$nil.

The Investment Mandate which guides NHFIC's operations requires it to make loans to the Community Housing Provider Sector (CHPS) at the lowest possible interest rates, after making allowance for a margin that will cover NHFIC's operating costs. The total financial impact of the differences between market interest rates and those charged by NHFIC, which amount to \$61.15m are recorded as "Concessional loan discount provisions" and represents management's best estimate of the interest savings that will flow through to the CHPS over the life of the current NHFIC loan portfolio.

Reference to the Statement of Cash Flows demonstrates that NHFIC should always have capacity to service AHBA interest commitments, as the Concessional loan provisions have no impact on cash flows. Furthermore, NHFIC's Statement of Financial Position discloses Net Assets of \$154 million and a high level of liquidity.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 1.2: Expenses (continued)

Accounting Judgement and Estimates

NHFIC is required to record a concessional loan discount provision when it makes a loan at a discount to the prevailing market equivalent rate or terms. This requires extensive judgement in determining the 'market equivalent rate' so as to ascertain the extent of the implicit discount attached to the loan. To estimate the market rate, NHFIC considers key loan terms including, the term (loan tenor and drawdown and repayment profile), base rate and type (fixed or floating), level of subordination, security position and other relevant factors so the extent of concessionality being offered in the transactions can be estimated.

NHFIC's aim is to provide AHBA loans to registered CHPs at the lowest cost and most appropriate tenor. To achieve this aim the discounts provided to the market rates can result in significant concessional loan discounts. The average tenor of the loan portfolio is 10 years, when discounting the difference between the future cashflows at the loan rate and the market equivalent rate, this results in significant concessional loan charges. As the AHBA loan portfolio increases, the concessional loan charges will also increase in line with the portfolio, depending on amount of discount provided for each loan.

	2019 \$'000
NOTE 1.2E: ALLOWANCE FOR CREDIT LOSS EXPENSE	
Allowance for credit loss expense	164
Total Allowance for credit loss expense	164

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 2: Financial Position

Note 2.1: Financial assets

	2019 \$'000
NOTE 2.1A: CASH AND CASH EQUIVALENTS	
Cash at bank and in hand	39,347
Total cash and cash equivalents	39,347

Accounting Policy

Cash and cash equivalents

Cash is recognised at its nominal amount as this is considered fair value. Cash and cash equivalents includes cash at bank and in hand and deposits at call which are readily convertible to cash on hand.

Accounting Policy for Financial Assets

Trade Receivable and other Receivables

Trade receivables and other receivables are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

Loans and Advances

Loans are carried at amortised cost. The recoverable amount is represented by the gross value of the outstanding balances, adjusted by allowances for credit risk, deferred net fee income, and concessional loan discounts. Deferred net fee income received in cash at the start of the loan are brought to income on an effective yield basis over the life of the loan by reducing the carrying amount. Interest income is recognised using the effective interest method. A loan or receivable is recognised as impaired when it is likely that the debt will not be recovered in full. In this instance a specific provision will be created for the impairment.

Investment securities at amortised cost

The reason for holding investments is to collect the contractual cash flows which are 'solely payments of principal and interest on the principal amount outstanding'. NHFIC's business model is to hold these financial assets until maturity. They are short to medium-term term deposits. Interest income is taken up using the effective interest method. They are carried at amortised cost.

Impairment

All investment securities have a deal term to maturity of less than twelve months and are held with Australian ADIs rated AA- or higher. Therefore, it has been determined that no impairment should be recognised on day one or in the subsequent twelve months.

For loans measured at amortised cost under AASB 9, the incurred loss model for impairment has been replaced with an expected credit loss model. These loans were evaluated at 30 June 2019 using an expected credit loss model.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 2.1: Financial assets (continued)

	2019 \$'000
NOTE 2.1B: TRADE AND OTHER RECEIVABLES	
Goods and services receivables in connection with:	
Other receivables	
Statutory receivables	77
Interest	1,202
Total trade and other receivables (gross)	1,279
Less impairment allowance	-
Total trade and other receivables (net)	1,279
Trade and other receivables (net) expected to be recovered in:	
No more than 12 months	1,279
Total trade and other receivables (net)	1,279
Credit terms for good and services were within 30 days.	
Interest receivable is due monthly, quarterly or upon maturity depending on the terms of the investment.	
NOTE 2.1C: LOANS AND ADVANCES	
Loans to Community Housing Providers	308,323
Gross loans and advances	308,323
Concessional loan discount provisions	(34,516)
Unearned income and deferred net fee income	(481)
Less allowance for credit loss	(164)
Total loans and advances (net)	273,162
Maturity analysis loans and advances, net of concessionality:	
Due after 5 years	273,162
Total loans and advances	273,162
NOTE 2.1D: OTHER INVESTMENTS	
Deposits	201,458
Total Other investments	201,458
Other investments expected to be recovered in:	
No more than 12 months	201,458
Total Other investments	201,458

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 2.2: Payables

	2019
	\$'000
NOTE 2.2A: TRADE AND OTHER PAYABLES	
Trade creditors	
Suppliers	2,027
Total supplier payables	2,027
Other payables	
Interest payable	1,952
Other accrued expenses	1,020
Total other payables	2,972
Trade and other payables expected to be settled in:	
No more than 12 months	4,999
Total trade and other payables	4,999

All suppliers payable are expected to be settled in no more than 12 months. Settlement was usually made within 30 days.

Accounting Policy

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 2.3: Provisions

	2019 \$'000
NOTE 2.3A: OTHER PROVISIONS	
Provision for irrevocable commitments	
As at 1 July 2018	
Amounts used	26,024
Total as at 30 June 2019	26,024

Accounting Policy

Provisions

Provisions are recognised when NHFIC has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the obligation is measured using a discount rate which reflects current market assessments and the risks specific to the liability. Increases in the provision due to the passage of time (unwinding of the discount) are then recognised as expense.

Provision for irrevocable loan commitments

NHFIC calculates a expected credit loss allowance and concessional discount expense for the undrawn component of loans that are not yet fully drawn and where future drawdowns are unconditional.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 3: Our Funds Management

Note 3.1: Contributions from Government

The Australian Government has provided operating funding for the first three years to assist with the establishment of the NHFIC. In addition, the Australian Government has provided \$1.0 billion over five years (2018–19 to 2022–23) for the operation of the National Housing Infrastructure Facility (NHIF), which consist of funding for grants and equity/loan arrangements. This funding is appropriated to the Department of the Treasury.

	2019 \$'000
Appropriations provided to Department of Treasury for the purpose of funding NHFIC operations and the NHIF	218,714
Funds drawn down during the financial period:	
Operational funding	18,714
NHIF grants	35,000
Equity contributed towards the NHIF permanent fund	165,000

In addition, the Department of the Treasury maintains the NHFIC Special Account established in accordance with section 47A of the NHFIC Act. The purpose of the special account is to provide NHFIC with loan funding of up to \$1 billion as a warehouse facility for the operation of the Affordable Housing Bond Aggregator. The \$1 billion may be credited to the NHFIC special account over four years in accordance with section 47B of the NHFIC Act.

	2019 \$'000
Appropriations credited during the year to the NHFIC Special Account maintained by the Department of the Treasury	255,000
Funds drawn down during the year as a loan to NHFIC to meet the purpose of its functions or as directed by the responsible Minister and the Finance Minister in accordance with the Investment Mandate.	15,323

Accounting Policy

Revenue from Government

Amounts provided by the Australian Government for the NHFIC operating funds and NHIF grants are recognised as Revenue from Government in the Statement of Comprehensive Income when NHFIC gains control of the contribution.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 3.1: Contributions from Government (continued)

Equity Injections

Amounts provided by the Australian Government for NHIF equity and loan arrangements are recognised as an equity injection in the Statement of Financial Position.

Drawing from the NHFIC Special Account

Amounts received from the Australian Government as drawings from the NHFIC Special Account will be recognised as a Loan from the Australian Government. Repayments of loan will be credited to the NHFIC Special Account.

Note 3.2: Interest bearing liabilities

	2019 \$'000
NOTE 3.2A: OTHER INTEREST BEARING LIABILITIES	
Loans from the Commonwealth Government	15,323
Fixed rate bonds	314,555
Total Other interest bearing liabilities	329,878
Other interest bearing liabilities expected to be settled in:	
More than 12 months	329,878
Total other interest bearing liabilities	329,878

On 22 March 2019, NHFIC launched the largest social bond in Australia for the total value of \$315 million. The bond issue was a 10 year fixed rate bond at an annual interest rate of 2.38%.

Accounting Policy

The Loan from the Commonwealth Government represents amounts received as drawings from the NHFIC Special Account and is measured at measured at amortised cost.

Fixed rate bonds are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 4: People and Relationships

Note 4.1A: Employee benefits

	2019 \$'000
NOTE 4.1A: EMPLOYEE LEAVE & OTHER ENTITLEMENTS	
Short term benefits	
Leave	246
Other entitlements	167
Employee provisions	413
Employee provisions expected to be settled in:	
No more than 12 months	331
More than 12 months	82
Total employee provisions	413

Accounting Policy

Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the applicable employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination. Long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date and discounted using appropriate market yields at reporting date. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 4.1A: Employee benefits (continued)

Superannuation

NHFIC makes contributions on behalf of its members of the Public Sector Superannuation Scheme (PSS) and its obligation is limited to a required annual contributions determined by the actuaries of the superannuation plans administered by the Commonwealth. Accordingly, the plans are accounted for by NHFIC as defined contribution plans. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

NHFIC staff can also be members of superannuation funds held outside the Australian Government. NHFIC makes employer contributions to these funds as per the Superannuation Guarantee Contribution rate.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

Note 4.2: Related party disclosures

Total remuneration received and receivable by key management personnel for the period (includes Directors). Remuneration includes all cash remuneration, superannuation and any non-cash benefits (including applicable fringe benefits tax).

	2019 \$
KEY MANAGEMENT REMUNERATION EXPENSES FOR THE REPORTING PERIOD	
Short-term employee benefits	706,820
Post-employment benefits	67,285
Other long-term employee benefits	8,180
Total remuneration	782,285
Total key management personnel remuneration expenses	782,285

Total number of key management personnel that are included in the above table are: eight (8)

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by NHFIC.

The Board and CEO remuneration and other benefits are set by the Remuneration Tribunal. The Board members and CEO are not paid performance awards.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 4.3: Related party relationships

The entity is an Australian Government controlled entity. Related parties to the entity are the key management personnel as defined above and other Australian Government entities.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens.

Significant transactions with related parties can include provision of corporate and administration services to NHFIC, the provision of insurance, the provision of leases and the purchases of goods and services.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no material related party transactions to be separately disclosed.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 5: Managing Uncertainties

Commitments to provide financial facilities

	2019 \$'000
Loans	163,928
Total commitments to provide financial facilities	163,928

Accounting Policy

Loan commitments are defined amounts (undrawn portions of credit facilities) against which clients can borrow money under defined terms and conditions.

Note 5.1: Financial instruments

Accounting Policy

Financial assets

With the implementation of AASB 9 Financial Instruments in 2019, NHFIC classifies its financial assets in the following categories:

- a financial assets at fair value through profit or loss;
- b financial assets at fair value through other comprehensive income; and
- c financial assets measured at amortised cost.

The classification depends on both NHFIC's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when NHFIC becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

- 1 the financial asset is held in order to collect the contractual cash flows; and
- 2 the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount. Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 5.1: Financial instruments (continued)

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

Financial assets measured at fair value through other comprehensive income are held with the objective of both collecting contractual cash flows and selling the financial assets and the cash flows meet the SPPI test. Any gains or losses as a result of fair value measurement or the recognition of an impairment loss allowance is recognised in other comprehensive income.

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets either doesn't meet the criteria of financial assets held at amortised cost or at FVOCI (i.e. mandatorily held at FVTPL) or may be designated.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased significantly.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial Liabilities at Amortised Cost

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 5.1: Financial instruments (continued)

	2019 \$'000
NOTE 5.1A: CATEGORIES OF FINANCIAL INSTRUMENTS	
Financial Assets	
Financial assets at amortised cost	
Cash and cash equivalents	39,347
Trade and other receivables	1,279
Loans and advances	273,162
Other investments	201,458
Total	515,246
<hr/>	
Total financial assets	515,246
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Financial Liabilities	
Financial liabilities at amortised cost	
Supplier payables	2,027
Other payables	2,972
Loans from the Commonwealth Government	15,323
Fixed rate bonds	314,555
Total	334,877
<hr/>	
Total financial liabilities	334,877

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 5.1: Financial instruments (continued)

	2019 \$'000
NOTE 5.1B: NET GAINS OR LOSSES FROM FINANCIAL ASSETS	
Financial assets at amortised cost	
Interest revenue	5,209
Allowance for credit loss expense	(164)
Net gains/(losses) on financial assets at amortised cost	5,045
Net gain/(loss) from financial assets	5,045
NOTE 5.1C: NET GAINS OR LOSSES FROM FINANCIAL LIABILITIES	
Financial liabilities—at amortised cost	
Interest expense	1,964
Net gain/(loss) financial liabilities—at amortised cost	1,964
Net gain/(loss) from financial liabilities	1,964

NOTE 5.1D: CREDIT RISK

Credit risk arises from the possibility of defaults by counterparties on contractual obligations, resulting in financial loss. Exposures to credit risk for NHFIC are as follows:

	2019 \$'000
Credit risk exposures	Note
Cash and cash equivalents	2.1A
Trade and other receivables	2.1B
Loans and advances	2.1C
Other investments—deposits	2.1D
Total*	550,330
Commitments	5
Total	163,928
Total credit risk exposure	714,258

* Other assets, and Property, Plant and Equipment, Loans from Government have not been included in the above table as there is no significant associated credit risk.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

NHFIC's principal exposure to credit risk arises from the financing and credit facilities extended to customers.

NHFIC evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on Management's credit evaluation of the counterparty. Collateral held will vary, but may include:

- a General Security Deed over all assets and undertakings of the counterparty;
- First Registered Mortgages over the collateral property securities; and
- specific charges over defined assets of the counterparty; and
- Ancillary Deeds where applicable; and
- Facility and Common Terms Agreements which include affirmative and negative covenants and in some instances, guarantees of counterparty obligations

NHFIC uses seven broad categories of risk grade, with category 1 representing the lowest risk. Within categories 1 to 6 an outlook modifier of plus or minus is used if the counterparty is particularly strong or weak for that risk grade. The equivalent risk, based on Standards and Poor's risk rating, is stated in brackets. The gross exposures of the loan portfolio under each category are as follows:

As at 30 June 2019, NHFIC holds collateral of \$1.1 Billion.

Gross loans and advances	2019	
	Loan Value \$'000	%
Risk category 3 (BBB- to BBB+)	178,000	58%
Risk category 4 (BB- to BB+)	130,323	42%
Total Gross loans and advances	308,323	100%

Reconciliation of the Allowance for credit loss:

Movements in relation to loans and receivables

As at 1 July 2018	-
Allowance for credit loss on loans and advances	164
Allowance for credit loss on irrevocable commitments	-
Total as at 30 June 2019	164

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 5.1: Financial instruments (continued)

Credit risk arising from NHFIC through its investment portfolios is limited to Authorised Deposit-taking Institutions rated AA- or above.

The tables below show Investment credit risk exposures by the current counterparty rating:

	2019 Investment Value \$'000	%
Other investments—deposits		
Australian Authorised Deposit-taking Institutions		
AA+ to AA-	201,458	100%
Total Other investments—deposits	201,458	100%

	Not Past due nor impaired 2019 \$'000	Past due or impaired 2019 \$'000	Total 2019 \$'000
Credit quality of financial instruments not past due or individually determined as impaired			
Cash and cash equivalents	39,347	-	39,347
Trade and other receivables	1,202	-	1,202
Loans and advances	308,323	-	308,323
Investments—deposits	201,458	-	201,458
Total financial assets	550,330	-	550,330
Committed credit facilities	163,928	-	163,928
Total credit risk exposure	714,258	-	714,258

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 5.1: Financial instruments (continued)

NOTE 5.1E: LIQUIDITY RISK

Prudent liquidity risk management is achieved by maintaining sufficient cash and liquid deposits to meet any sudden shortfalls in the ability to fund NHFIC. NHFIC also has the explicit guarantee of the Commonwealth of Australia, which is rated AAA and therefore in normal markets there is no significant liquidity risk.

The liquidity table below is based on estimated future cash flows for principal and interest. The contractual undiscounted amounts comprise principal and interest repayment obligations and are as follows:

	Contractual undiscounted principal and interest			
	3 months or less 2019 \$'000	3 months to 1 year 2019 \$'000	1 year to 5 years 2019 \$'000	Greater than 5 years 2019 \$'000
Undiscounted financial assets				
Cash and cash equivalents	39,347	-	-	-
Trade and other receivables	1,202	-	-	-
Loans and advances	2,259	6,728	35,873	351,804
Investments—deposits	203,437	-	-	-
Total undiscounted financial assets	246,246	6,728	35,873	351,804
Undiscounted financial liabilities				
Other interest bearing liabilities	3,748	3,973	45,758	352,485
Total undiscounted financial liabilities	3,748	3,973	45,758	352,485
Net undiscounted financial assets/(liabilities)	242,497	2,755	(9,885)	(681)

While the above maturity profile shows a refinancing shortfall in the categories 1 year to 5 years, and greater than 5 years, this is predominately due to the expectation that loans currently funded via loans from Government will be replaced with borrowings from future bond issuances. Further, at the reporting date, two CHP loans totalling \$22 million funded by the first bond issuance were yet to draw, and proceeds remained on deposit resulting in the shortfall in the greater than 5 years category.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 5.1: Financial instruments (continued)

NOTE 5.1F: INTEREST RATE RISK

As NHFIC is involved in lending and borrowing activities, interest rate risks arise. NHFIC's policy is to minimise interest rate risk and central to its business model, loans are issued at fixed rates and tenors which are matched to a fixed rate borrowings either from bond issuances or loans from Government. Whilst the exposure to interest rate risk is eliminated on the loans portfolio, interest receivable from cash and other financial assets will be impacted prospectively from a change interest rates.

NHFIC's primary exposure to interest rate risks of interest bearing financial assets and financial liabilities is set out below:

	2019 \$'000
Interest Bearing Financial Assets	
Classified as floating rate	
Cash and cash equivalents	39,347
Total classified as floating rate	39,347
Classified as fixed rate	
Investments—deposits	201,458
Loans and advances	308,323
Total classified as fixed rate	509,781
Interest Bearing Financial Liabilities	
Classified as fixed rate	
Other interest bearing liabilities	329,878
Total classified as fixed rate	329,878

The cash and cash equivalents and other financial assets are expected to be invested in Investments—deposits in the short term, and the majority of these financial assets are expected to be classified as fixed rate. A +/-20bp change in the interest rate on floating rate financial assets would have approximately a +/- \$0.4 million impact on the reported revenue and surplus.

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 6: Other information

Note 6.1: Reporting of NHFIC activities

	NHIF 2019 \$'000	AHBA 2019 \$'000	Total 2019 \$'000
INCOME			
Interest and loan fee revenue	2,653	3,167	5,820
Revenue from Government	35,000	18,714	53,714
Total income	37,653	21,881	59,534
EXPENSES			
Suppliers	466	3,851	4,317
Employee benefits	-	2,910	2,910
Finance costs	-	1,964	1,964
Total expenses net of provisions	466	8,725	9,191
Allowance for credit loss expense	-	164	164
Concessional Loan provisions	-	61,151	61,151
Total expenses	466	70,040	70,506
Total surplus/(deficit)	37,187	(48,159)	(10,972)
ASSETS			
Financial assets			
Cash and cash equivalents	-	39,347	39,347
Trade and other receivables	1,111	168	1,279
Loans and advances	-	273,162	273,162
Other investments—deposits	201,457	-	201,457
Non-financial assets			
Property, plant and equipment	-	18	18
Prepayments	-	78	78
Total assets	202,569	312,773	515,341

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 6.1: Reporting of NHFIC activities (continued)

	NHIF 2019 \$'000	AHBA 2019 \$'000	Total 2019 \$'000
LIABILITIES			
Suppliers	-	2,027	2,027
Other payables	382	2,590	2,972
Other Interest Bearing Liabilities	-	329,878	329,878
Employee provisions	-	413	413
Other Provisions	-	26,023	26,023
Total Liabilities	382	360,932	361,313
Net assets			
	202,187	(48,159)	154,028
EQUITY			
Contributed equity	165,000	-	165,000
Retained surplus/(deficit)	37,187	(48,159)	(10,972)
Total Equity	202,187	(48,159)	154,028

Notes to and forming part of the Financial Statements

for the period ended 30 June 2019

Note 6.2: Aggregate assets and liabilities

	2019 \$'000
ASSETS EXPECTED TO BE RECOVERED IN:	
No more than 12 months	242,102
More than 12 months	273,240
Total Assets	515,342
LIABILITIES EXPECTED TO BE SETTLED IN:	
No more than 12 months	5,330
More than 12 months	355,984
Total Liabilities	361,314
Total Assets and Liabilities	154,028



Index of statutory reporting requirements

Section	Subject	Location	Page
<i>Public Governance, Performance and Accountability Act 2013</i>			
s.39	The Board must prepare annual performance statements.	Annual Performance Statement	
s.43	A copy of the annual financial statements and the Auditor-General's report must be included in an annual report	Financial statements and Independent Auditors Report	
s.46	The Board must prepare a give an annual report to the entity's responsible Minister, for presentation to the Parliament, on NHFIC's activities during the period.	Chair and CEO Report	
<i>Public Governance, Performance and Accountability Rule 2014</i>			
s.17BB	The Board must approve the annual report by a resolution of directors and signed by a director and include how and when approval was given.	The Annual Report was approved by the Board	
s.17BE (a)–(b)	The annual report must detail NHFIC's enabling legislation, its objects and functions and its purposes as set in its corporate plan for the period.	Our business and strategy; and Our governance	
s.17BE (c)–(f)	The annual report must detail the particulars of the responsible Minister and any directions given or policy orders applied during the financial year.	Our governance	
s.17BE (g)	The annual report must include NHFIC's Annual Performance Statements	Annual performance statement	
s.17BE (h)–(i)	The annual report must detail any significant issues reported to the Minister.	There were no significant issues reported to the Minister during the 2018–19 Financial Year	
s.17BE (j)	The annual report must detail particulars of the Board.	Our governance	
s.17BE (k)–(l)	The annual report must detail particulars of NHFIC's organisational structure and outline the location of NHFIC's major activities or facilities.	Our business and strategy; and Our people and culture	

Section	Subject	Location	Page
s.17BE (ka)	Statistics on the entity's employees on an ongoing and non ongoing basis, including the following: <ul style="list-style-type: none"> a. statistics on full time employees; b. statistics on part time employees; c. statistics on gender; d. statistics on staff location 	Our people and culture	
s.17BE (m)–(p)	The annual report must outline the main corporate governance policies.	Our governance	
s.17BE (q)–(s)	The annual report must detail any judicial and administrative decisions or reviews or reports having a significant effect on NHFIC.	There were no judicial and administrative decisions or reviews or reports having a significant effect on NHFIC during 2018–19.	
s.17BE (t)	The annual report must detail any indemnity applied during the financial year.	Our people and culture	
s.17BE (ta)	The annual report must include information about executive remuneration.	Remuneration	
s.17BE (u)	The annual report must include an index of NHFIC's statutory reporting requirements.	Index of statutory reporting requirements	
National Housing Finance and Investment Corporation Act 2018			
s.56	The annual report must include: <ul style="list-style-type: none"> a. particulars of any changes to the Investment Mandate during the period and their impact on the operations of NHFIC b. In relation to each financial support provided by NHFIC during the period, a summary of: <ul style="list-style-type: none"> iii. The amount of that kind of financial support iv. The risks and returns to the Commonwealth 	Annual performance statement There were no changes made to the Investment Mandate during the 2018–19 Financial Year.	
Environment Protection and Biodiversity Conservation Act 1999			
s.516A (3)(6)	Ecologically sustainable development and environmental performance	Our governance	
Equal Employment Opportunity (Commonwealth Authorities) Act 1987			
s. 9(4)	Report on Equal Employment Opportunity program	Our people and culture	
Work Health and Safety Act 2011			
Sch2, Pt 4, Clause 4(2)	Work health and safety initiatives, outcomes, statistics and investigations	Our people and culture	

Abbreviations and acronyms

Abbreviation or acronym	Description
NHFIC	National Housing Finance and Investment Corporation
NHFIC Act	<i>National Housing Finance and Investment Corporation Act 2018</i>
Investment Mandate	<i>National Housing Finance and Investment Corporation Investment Mandate Direction 2018</i>
Finance Minister	The Minister who administers the <i>Public Governance, Performance and Accountability Act 2013</i>
Responsible Minister	Assistant Treasurer and Minister for Housing
Board	Board of the National Housing Finance and Investment Corporation
Chair	Chair of the National Housing Finance and Investment Corporation
CEO	Chief Executive Officer of the National Housing Finance and Investment Corporation
Executive	Members of the executive leadership team of the National Housing Finance and Investment Corporation
AHBA	Affordable Housing Bond Aggregator
NHIF	National Housing Infrastructure Facility Finance
CHP	Community housing provider
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>
Remuneration Tribunal Act	<i>Remuneration Tribunal Act 1973</i>

