

Building Homes, Growing Communities.



Argyle Community Housing Limited

2011-12

Financial Report

Argyle Community Housing Limited

Financial Statements

For the year ended 30 June 2012

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The Directors present their report together with the financial report of Argyle Community Housing Limited (the Company) for the financial year ended 30 June 2012 and the auditor's report thereon.

Directors

The names of the Directors in office at any time during, or since the end of the year are:

| | |
|--|---|
| Christopher Benton | Allan Jones (resigned 11 October 2011) |
| Terence Spencer | Ian Cropper |
| Rod D Aistrope | Nicolette McAdoo |
| Trevor Fair | Pamela Edwards (appointed 4 April 2012) |
| Terence Downing (appointed 4 April 2012) | |

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

Principal Activities

The principal activity of the Company during the financial year was the provision of low cost rental housing for low to moderate income earners.

Strategy and Objectives

Argyle Community Housing Limited is focused on five key elements with respect to the organisation's strategic imperatives and objectives.

These are:

| | |
|-------------------------|---|
| Client and Community | To improve the social outcomes for those Australians in housing stress. |
| People and Culture | To be a preferred employer with a constructive and outcomes focused culture. |
| Organisation Capability | To achieve and maintain sector leading systems and processes that facilitates efficient and effective expansion across multiple regional areas and jurisdictions. |

Strategy and Objectives (continued)

| | |
|-------------------------|--|
| Sustainable Growth | To develop and maintain a sustainable business model with reducing reliance on government funding and which provides dwellings that enhance our clients' financial sustainability. |
| Identity and Reputation | To establish Argyle's identity and reputation for delivery of quality products and services and better individual and community outcomes. |

Operating and Financial Review

The total surplus of the Company for the financial year ended 30 June 2012 amounted to \$1,714,008 (2011: Surplus \$37,022,567).

Operating profit for the year ended 30 June 2012 totalled \$2,665,032 (2011: \$2,666,110). This is prior to any adjustment for revaluation of investment property.

Operating income for the 2012 year increased by \$2,826,529 from 2011 with additional revenue generated through increased property and tenancy numbers under management.

Expenditure for the 2012 year increased by \$2,896,809 on prior year results. This increase is due to an increase of \$1,056,845 on tenant and property related expenses and an increase of \$1,551,528 on employee related expenditure.

For the financial year ended 30 June 2012 the cash assets decreased by \$2,478,886. The decrease in funds was predominantly due to the purchase of thirteen dwellings and the development of three dwellings.

The directors believe the Company is in a stable financial position.

Performance Management

The Board of Directors reviews financial performance on a monthly basis via the scheduled meeting and in more detail via the Audit and Risk Committee.

Information is provided to the Office of Community Housing on a quarterly basis as required under the current government reporting regime and the requirements under the Class 1 registration framework are monitored monthly by the Argyle Community Housing Limited Management Team.

Argyle Community Housing Limited strives to achieve better than the benchmark rate for vacant properties and aims to reduce rent arrears to less than the benchmark rate.

Events Subsequent to Reporting Date

In the opinion of the Directors there were no significant events subsequent to the reporting date that would impact upon the financial results, operations or performance of Argyle Community Housing Limited.

Directors

Each Director was in office for the period 1 July 2011 to 30 June 2012 unless otherwise stated:

| | |
|--|---|
| <p>Name Special Responsibilities Qualifications Experience</p> | <p>Christopher Benton</p> <p>Member Director, Chairperson MAICD, JP</p> <p>Chris Benton is the owner manager of the Bank of Queensland Branch in Bowral. Chris has been in banking and finance for over thirty-three years. Before coming self employed in 1995, Chris spent sixteen years working with one of the major banks. Chris is a Justice of the Peace and a member of the Australian Institute of Company Directors. Chris has owned the Bowral Branch of the Bank of Queensland for the past six and a half years. He is past president of the Rotary Club Bowral/Mittagong, a volunteer fire fighter and foundation treasurer of the Southern Highlands Renal Appeal. Chris has been Director of the Argyle Community Housing Limited Board since 2001.</p> |
| <p>Name Special Responsibilities Qualifications Experience</p> | <p>Allan Jones (resigned Directorship 11 October 2011)</p> <p>Member Director F.B.H.I</p> <p>Allan Jones was a long term resident of Wimbledon in South London. Allan ran the family jewellery business from 1956 to 1988. He entered local politics in 1961 remaining until 1988. He was a leader within the Wimbledon council for seven years with a membership of over sixty persons having the portfolio management of Finance Education & Housing. He was Mayor from between 87- 88. Allan served for fifteen years as chairman of Magistrates at Wimbledon Magistrates Court</p> <p>Allan was presented with an illuminated scroll affixed with the common seal of the Council conferring upon him the title of "Honorary Freeman" of the London Borough of Merton for his outstanding services to the community. Allan is currently Vice President of the Highlands Community Centres and is a member of the University of the 3rd Age.</p> |

Directors (continued)

| | |
|--|---|
| <p>Name Special Responsibilities Qualifications Experience</p> | <p>Ian Cropper</p> <p>Member Director, Chair of the Audit and Risk Committee</p> <p>BA. Dip Ed. JP, MAICD</p> <p>Following thirteen years industrial experience primarily in the area of Human Resources and Industrial Relations, Ian took up teaching Business Studies at TAFE. After nine years of teaching, Ian moved into management roles occupying both Deputy and Principal positions at a number of Colleges. As Principal of Goulburn TAFE College, Ian also had responsibility for the Regional Area and was a member of the Board of the Illawarra Institute of Technology. Since retiring Ian has worked on a series of short term volunteer projects both in South-East Asia and the Pacific Islands. Ian has also been past President of the Rotary Club at both the local and district level, and is a member of the Bowral Tulip Time Committee. Ian has served as a Director with Argyle Community Housing Limited for seven years.</p> |
| <p>Name Special Responsibilities Qualifications Experience</p> | <p>Rod D Aistrop</p> <p>Member Director and Chair of the Asset Management and Development Committee</p> <p>CP Eng. B Tech. MIE Aust. GAICD</p> <p>Rod graduated with a Bachelor of Technology from the University of Adelaide in 1970. He worked as a consulting engineer in South Australia, Papua New Guinea and the ACT before establishing his own engineering consultancy in 1984. He spent 1976 in South Africa in road construction. He managed a consulting practice in Sydney before re-establishing Aistrop Engineers in Bowral in 1999 specialising in the design of bridges and commercial and industrial buildings. He is the Argyle Community Housing nominated Director on the Board of Blue CHP Ltd., an affordable housing development company created by five community housing providers, was Chairman during its first eighteen months and chairs its Development and Assets Committee and is Blue CHP's nominated Director of BlueServices Pty. Ltd., a start up firm established to provide affordable services to community housing tenants. Rod is also a Director of the Rotary Club of Bowral-Mittagong, Past President of the Rotary Club of Canberra Weston Creek and Past Chairman and currently committee member of Engineers Australia, Southern Highlands and Tablelands Regional Group. Rod has served as a director of Argyle Community Housing Limited since 2004.</p> |

Directors (continued)

| | |
|--|---|
| <p>Name Special Responsibilities Qualifications Experience</p> | <p>Nicolette McAdoo</p> <p>Member Director</p> <p>MAICD</p> <p>For thirty-one years Nikki worked as a Makeup Artist in a film and television both in Australia and the UK. After moving to the Southern Highlands she decided on a change of direction and having obtained certification in Welfare, became Manager of (HCC) Highlands Community Centres. HCC offered a range of services to the Southern Highlands local community, including Emergency Relief, Youth Services, Community Development, No Interest Loans and Domestic Violence Court Support. During her seventeen years at HCC Nikki lobbied successfully obtaining additional funding for many new services in the area.</p> <p>Retiring three years ago, she joined the Committee of the Southern Highlands University of the Third Age (U3A) as Course Co-ordinator with the challenge of finding a variety of courses for their 900 local members. Nikki brings to the Board valuable insights into the community, due to her previous experiences in Human Rights Advocacy with HCC on behalf of her many clients. She believes strongly in social justice thus making her a strong advocate for the tenants of Argyle Community Housing Limited. Nikki has served as a Director with Argyle Community Housing Limited since 2005.</p> |
| <p>Name Special Responsibilities Qualifications Experience</p> | <p>Dr Terry Spencer</p> <p>Member Director, Vice Chair Committee</p> <p>BSc (hons 1), PhD, MAICD</p> <p>Terry has had a long and varied career in science management, project/program management, business analysis and business process re-engineering, predominantly in the public sector. He has also served as an expert consultant to national and international bodies in areas as diverse as technical advice, regulation and process auditing. Terry was the Australian Government Analyst (the Commonwealth's senior laboratory management position) from 2003 to 2005 when he changed career emphasis away from science to business management. He has served the community in both Queanbeyan (his home town) and Benalla (Victoria) through executive involvement in a number of community organisations. This includes two terms as a councilor of the City of Benalla, life membership of Apex and current membership of the Rotary Club of Jerrabomberra. Terry is currently engaged by the Federal Police to assist in the planning and construction of a multimillion dollar new forensic facility located in Canberra. He also has a 'paid hobby' as part time teacher of prospective builders at the Canberra Institute of Technology. Terry has been a Director with Argyle Community Housing Limited since 2007.</p> |

Directors (continued)

| | |
|--|--|
| <p>Name Special Responsibilities Qualifications Experience</p> | <p>Trevor Fair</p> <p>Member Director, Chair of the Nominations, Remuneration and HR Committee</p> <p>CPA, B Bus (Accounting/HRM)</p> <p>Trevor commenced his working career with East West Airlines as an apprentice avionics engineer before undertaking studies in Accounting and Human Resource Management at Charles Sturt University. He also worked for a number of years with the NSW Department of Education and Training as a management accountant with the Catholic Education Office. After completing his CPA, Trevor worked in public practice in Bowral before becoming a partner of Oxley Partners Chartered Accountants in January 2005. Trevor is Secretary of the Rotary Club Bowral –Mittagong, Secretary/Treasurer of the Southern Highland Community Transport and Treasurer of the local Youth Radio Station. Previous voluntary roles included Treasurer of the Rotary District 9710, Treasurer of the Southern Highlands International Piano Competition, Treasurer of Oxley College P&F. Trevor was appointed to the Argyle Community Housing Limited Board in 2008.</p> |
| <p>Name Special Responsibilities Qualifications Experience</p> | <p>Terence Downing (appointed 4 April 2012)</p> <p>Appointed Director</p> <p>B Comm, M Mgmt, CPA, FAICS, FCIS, ANZIIF Fellow</p> <p>Terry is an experienced non-executive director holding positions in both the public and private sectors across a range of organisations and industries including energy utilities, superannuation, general insurance, investment management and the private health insurance prudential regulator. His prior experience includes senior executive positions in the financial services section and consulting to service industries including insurance, banking, funds management, superannuation and aged care. Terry brings extensive financial, risk management, corporate governance and commercial experience to the Board. Terry was appointed to the Argyle Community Housing Limited Board in 2012.</p> |
| <p>Name Special Responsibilities Qualifications Experience</p> | <p>Pamela Edwards (appointed 4 April 2012)</p> <p>Appointed Director</p> <p>BA/LLB (UNSW), MAICD</p> <p>Pamela has been in the legal profession and investment management business for over twenty-five years and worked in the United Kingdom and Europe for eighteen years in the insurance, investment management and pensions businesses. Prior to that Pamela was a partner in a prominent Australian Law firm. She has served the community on the boards of Australian arts organisations and was a founder member/director of a fund-raising committee for the charity now known as Red Kite. Pamela is a former Vice President of the Corporate Counsel Association, Europe and is a member of the Australian Institute of Company Directors. Pamela was appointed to the Argyle Community Housing Limited Board in April 2012.</p> |

Directors (continued)

Unless noted above, there have been no changes to the Directors since 30 June 2012.

Meetings Held

The Company held a total of 21 meetings of Directors and Committees. This includes the Asset Management and Development Committee, Audit and Risk Committee, and the Nominations, Remuneration and HR Committee.

| <i>Director</i> | <i>Board Meetings</i> | | <i>Asset Management and Development Committee Meetings</i> | | <i>Audit and Risk Committee Meetings</i> | | <i>Nominations, Remuneration and HR Committee Meetings</i> | | <i>Corporate Governance Committee Meetings</i> | |
|--------------------|-----------------------|-----|--|-----|--|-----|--|-----|--|-----|
| | (a) | (b) | (a) | (b) | (a) | (b) | (a) | (b) | (a) | (b) |
| Christopher Benton | 11 | 11 | 3 | 2 | 5 | 5 | 1 | 1 | 1 | 1 |
| Allan Jones | 2 | 2 | - | - | - | - | - | - | - | - |
| Ian Cropper | 11 | 9 | 3 | 3 | 5 | 5 | - | - | - | - |
| Rod D Aistrop | 11 | 11 | 3 | 3 | - | - | - | - | - | - |
| Nicolette McAdoo | 11 | 9 | - | - | - | - | 1 | 1 | - | - |
| Terence Spencer | 11 | 9 | 1 | 1 | 2 | 2 | - | - | 1 | 1 |
| Trevor Fair | 11 | 11 | - | - | 5 | 5 | 1 | 1 | - | - |
| Terence Downing | 3 | 3 | - | - | 1 | - | - | - | - | - |
| Pamela Edwards | 3 | 3 | - | - | - | - | - | - | 1 | 1 |

(a) Number of meetings eligible to attend during the period

(b) Number of meetings attended

Details of Membership

The entity is incorporated under the Corporations Act 2001 and is a Company limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum amount of \$10 each towards meeting the obligations of the entity. At 30 June 2012, the total amount that members of the company are liable to contribute if the company is wound up is \$70 (2011: \$70).

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been included at page 38.

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



Chris Benton
Chairman



Ian Cropper
Director

Dated this 25th day of September 2012

Bowral

Argyle Community Housing Limited
 ABN: 88 002 761 855
 Statement of Comprehensive Income
 For the year ended 30 June 2012

| | Note | 2012 \$ | 2011 \$ |
|---|------|---------------------|---------------------|
| Income | | | |
| Tenant and property related income | 2 | 21,903,621 | 19,097,767 |
| Other income | 2 | 93,681 | 73,006 |
| Total income | | 21,997,302 | 19,170,773 |
| Expenses | | | |
| Tenant and property related expenses | 3 | (13,259,232) | (12,202,387) |
| Employee related expenses | 3 | (4,487,361) | (2,935,833) |
| Office and administration expenses | 3 | (2,000,386) | (1,711,950) |
| Total operating expenses | | (19,746,979) | (16,850,170) |
| Financial income | 2 | 414,709 | 345,507 |
| Finance expenses | | - | - |
| Net financing income | | 414,709 | 345,507 |
| Profit before fair value adjustments and contributions | | 2,665,032 | 2,666,110 |
| Contribution of Investment properties at fair value | 9(i) | - | 34,020,075 |
| (Loss)/gain on revaluation of investment properties | | (951,024) | 336,382 |
| Profit before income tax | | 1,714,008 | 37,022,567 |
| Income tax expense | 1(a) | - | - |
| Profit for the year | | 1,714,008 | 37,022,567 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | 1,714,008 | 37,022,567 |

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements on pages 16 to 36.

Argyle Community Housing Limited
 ABN: 88 002 761 855
 Statement of Financial Position
 As at 30 June 2012

| | Note | 2012 \$ | 2011 \$ |
|--------------------------------------|------|-------------------|-------------------|
| Current Assets | | | |
| Cash assets | 4 | 7,922,890 | 10,401,776 |
| Trade and other receivables | 5 | 1,219,591 | 1,549,235 |
| Other current assets | 6 | 2,113,492 | 1,295,652 |
| Total Current Assets | | <u>11,255,973</u> | <u>13,246,663</u> |
| Non-Current Assets | | | |
| Trade and other receivables | 5 | 1,344,124 | 1,015,000 |
| Other financial assets | 7 | 10 | 10 |
| Property, plant and equipment | 8 | 650,121 | 779,458 |
| Investment properties | 9 | 39,546,079 | 37,585,000 |
| Total Non-Current Assets | | <u>41,540,334</u> | <u>39,379,468</u> |
| Total Assets | | <u>52,796,307</u> | <u>52,626,131</u> |
| Current Liabilities | | | |
| Trade and other payables | 10 | 2,471,746 | 1,612,556 |
| Provisions | 11 | 318,270 | 444,186 |
| Other current liabilities | 12 | 3,089,122 | 5,406,902 |
| Total Current Liabilities | | <u>5,879,138</u> | <u>7,463,644</u> |
| Non-Current Liabilities | | | |
| Provisions | 11 | 65,705 | 18,482 |
| Other non - current liabilities | 12 | 14,359 | 20,908 |
| Total Non-Current Liabilities | | <u>80,064</u> | <u>39,390</u> |
| Total Liabilities | | <u>5,959,202</u> | <u>7,503,034</u> |
| Net Assets | | <u>46,837,105</u> | <u>45,123,097</u> |
| Equity | | | |
| Retained profits | | 46,837,105 | 45,123,097 |
| Total Equity | | <u>46,837,105</u> | <u>45,123,097</u> |

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements on pages 16 to 36.

Argyle Community Housing Limited
 ABN: 88 002 761 855
 Statement of Changes in Equity
 For the year ended 30 June 2012

| | Note | Retained Profits | Total \$ |
|---|------|---------------------|-------------|
| Balance at 1 July 2010 | | 8,100,530 | 8,100,530 |
| Profit attributable to the Company | | 37,022,567 | 37,022,567 |
| Other comprehensive income for the year | | - | - |
| Balance at 30 June 2011 | | 45,123,097 | 45,123,097 |
| Balance at 1 July 2011 | | 45,123,097 | 45,123,097 |
| Profit attributable to the Company | | 1,714,008 | 1,714,008 |
| Other comprehensive income for the year | | - | - |
| Balance at 30 June 2012 | | 46,837,105 | 46,837,105 |

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 16 to 36.

Argyle Community Housing Limited
 ABN: 88 002 761 855
 Statement of Cash Flows
 For the year ended 30 June 2012

| | Note | 2012 \$ | 2011 \$ |
|--|------|--------------|--------------|
| Cash Flow from Operating Activities | | | |
| Receipts from customers | | 18,540,483 | 17,252,130 |
| Receipts from government bodies | | 2,824,420 | 7,648,565 |
| Payments to suppliers and employees | | (21,733,239) | (18,580,577) |
| Interest received | | 414,709 | 267,981 |
| Net cash from operating activities | 13 | 46,373 | 6,588,099 |
| Cash Flow from Investing Activities | | | |
| Purchase of short term deposits | | (1,077) | (935) |
| Purchase of property plant and equipment | | (103,910) | (613,671) |
| Loan funds repaid by Blue CHP | | 805,500 | - |
| Investment properties | | (2,912,103) | (48,248) |
| Proceeds from sale of equipment | | 15,455 | 136,121 |
| Loan funds provided to Blue CHP | | (329,124) | (75,000) |
| Net cash used in investing activities | | (2,525,259) | (601,733) |
| Net (decrease)/increase in cash held | | (2,478,886) | 5,986,366 |
| Cash at the beginning of the year | | 10,401,776 | 4,415,410 |
| Cash at the end of the year | 4 | 7,922,890 | 10,401,776 |

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements on pages 16 to 36.

Note 1: Statement of Significant Accounting Policies

Basis of Preparation

The financial statements cover Argyle Community Housing Limited as an individual entity. Argyle Community Housing Limited, a not-for-profit entity, is a company limited by guarantee, incorporated and domiciled in Australia.

Argyle Community Housing Limited has early adopted the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the annual reporting period beginning 1 July 2010 to prepare Tier 2 general purpose financial statements.

The financial statements are Tier 2 general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements were authorised for issue by the Board of Directors on 25th September 2012.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of the selected non-current assets, financial assets and financial liabilities.

The financial statements are presented in Australian dollars which is the Company's functional currency.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Accounting Policies

(a) Income tax

No provision for income tax has been raised as the entity is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

(b) Property, Plant and Equipment

i) Recognition and measurement

Items of plant and equipment are measured at cost less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

ii) Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to Argyle Community Housing Limited commencing from the time the assets is held ready for use. Leasehold improvements are depreciated over the shorter of the lease term and the estimated useful lives of the improvements.

The depreciation rates for the current and comparative years for each class of depreciable asset are:

| Class of Asset | Depreciation Rate % |
|------------------------|----------------------------|
| Leasehold improvements | 20 |
| Plant and equipment | 7.5 to 50 |
| Motor vehicles | 17 to 23 |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

(c) Investment Property

Investment property, which is property held to earn rental income and/or for capital appreciation, is initially measured at cost at the date of acquisition, being the fair value of consideration plus incidental costs directly attributable to the acquisition. Investment property is subsequently carried at fair value, determined annually by valuation. Changes to fair value of investment property are recorded in profit or loss in the period in which they arise.

(d) Leases

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(e) Financial Instruments

(i) Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss in which case transaction costs are expenses to profit or loss immediately.

(ii) Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- i. The amount at which the financial asset or financial liability is measured at initial recognition
- ii. Less principle repayments
- iii. Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- iv. Less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliability predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to the expected future cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(iii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the assets is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non cash assets or liabilities assumed, is recognised in profit or loss.

(f) Impairment of Assets

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

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

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

(g) Employee Benefits

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

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

(h) Provisions

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

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks or financial institutions, other short term highly liquid investments with original maturities of six months or less, and bank overdrafts.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and rebates allowed.

Revenue from the rendering of a service or the provision of accommodation is recognised in the period in which the service or accommodation is provided.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Donations and bequests are recognised as revenue when received.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Government Grants and Funding

Government grants are recognised in the statement of comprehensive income when the entity obtains control of the grant and it is probable the economic benefits gained from the grant will flow to the Company and the amount of the grant can be measured reliably.

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

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

(k) Government Grants and Funding (continued)

Argyle Community Housing Limited receives non-reciprocal contributions of assets from the government and other parties for zero or nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of comprehensive income.

Argyle Community Housing Limited received 3 main types of government grants and funding during the year ended 30 June 2012;

- Community Housing Leasing Program – annual funding received from Community Housing Division of Housing NSW.
- Property Transfer Program – Funding received to upgrade properties transferred to Argyle Community Housing for management. This funding was received at specific intervals determined by the proportion of properties transferred. The properties must be upgraded to asset standard within three years of the date of transfer.
- Funding for property maintenance and upgrading – funding received for maintenance or upgrade or disability modification of specific properties. The maintenance or upgrade work has been completed at 30 June 2012.

(l) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the entity during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, and the GST of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as a part of operating cash flows. Accordingly, investing and financing cash flows are presented in the statement of cash flows net of the GST that is recoverable from, or payable to, the ATO.

(n) Comparative Figures

Where required by accounting standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

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

(o) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events are based on current trends and economic data, obtained both externally and within the Company. Actual results may differ from these estimates.

Key estimates – Impairment

The directors assess impairment at each reporting date by evaluation conditions specific to the group that may lead to impairment of asset, Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a key number of estimates.

Impairment of trade receivables has been recognised at 30 June 2012. Further details are provided at Note 5. No other impairment has been recognised at 30 June 2012.

(p) Economic dependency

The financial statements have been prepared on a going concern basis. In the event that current government contracts and funding were to cease, the company would have to significantly restructure its operations to meet its commitments. At the date of this report the board of Directors have no reason to believe the contracts and funding will cease to continue.

Note 2: Revenue

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Tenant and Property related income | | |
| Rental income | 17,210,056 | 14,364,954 |
| Government grants income | 2,824,420 | 2,612,191 |
| Funding stock transfer | 834,000 | 1,379,300 |
| Management fee for service | 285,636 | 159,536 |
| Management fee – project management | 87,235 | 35,979 |
| Water usage reimbursement | 418,747 | 322,018 |
| Tenant repairs and maintenance reimbursement | 243,527 | 223,789 |
| | 21,903,621 | 19,097,767 |

Other Income

| | | |
|--------------|---------------|---------------|
| Donations | 20,516 | 51,011 |
| Other income | 73,165 | 21,995 |
| | 93,681 | 73,006 |

Financial Income

| | | |
|--------------------------|----------------|----------------|
| Interest – bank deposits | 402,729 | 290,007 |
| Interest – Blue CHP loan | 11,980 | 55,500 |
| | 414,709 | 345,507 |

Note 3: Items included in profit/loss

Tenant and property related expenses

| | | |
|--|-------------------|-------------------|
| Rent paid | 5,488,626 | 5,073,700 |
| Provision for impairment of receivables | 156,543 | (637,740) |
| Bad debts | - | 192,279 |
| Insurance | 646,062 | 372,786 |
| Rates – water | 1,021,258 | 1,035,432 |
| Rates – council | 1,589,808 | 1,114,703 |
| Other utilities expense | 143,390 | 23,084 |
| Repairs and maintenance cyclical | 1,263,499 | 1,528,032 |
| Repairs and maintenance responsive | 1,179,016 | 1,081,492 |
| Repairs and maintenance tenant damage | 333,723 | 191,770 |
| Other tenancy property management expenses | 284,396 | 182,867 |
| Stock transfer upgrade expenses | 1,152,911 | 2,043,982 |
| | 13,259,232 | 12,202,387 |

Argyle Community Housing Limited
 ABN: 88 002 761 855
 Notes to the Financial Statements
 For the year ended 30 June 2012

| | 2012 | 2011 |
|----------------------------------|------------------|------------------|
| | \$ | \$ |
| Employee related expenses | | |
| Salaries and wages | 4,193,147 | 2,757,235 |
| Superannuation | 323,492 | 222,836 |
| Decrease in employee provisions | (73,446) | (74,558) |
| Other employee related expenses | 44,168 | 30,320 |
| | 4,487,361 | 2,935,833 |

Office and Administration expenses

| | | |
|--|------------------|------------------|
| Office rent | 356,133 | 321,627 |
| Depreciation | 207,838 | 202,434 |
| Loss on disposal of assets | 9,954 | 77,217 |
| IT related expenses | 54,220 | 53,380 |
| Telephone | 123,281 | 102,187 |
| Audit | 62,990 | 44,000 |
| Consultants | 254,330 | 148,117 |
| Motor Vehicles expenses | 196,775 | 78,601 |
| Recruitment costs | 68,110 | 146,354 |
| Other office and administration expenses | 666,755 | 538,033 |
| | 2,000,386 | 1,711,950 |

Note 4: Cash Assets

| | | |
|---------------|------------------|-------------------|
| Cash at bank | 1,957,888 | 5,592,397 |
| Term deposits | 5,961,102 | 4,806,679 |
| Cash on hand | 3,900 | 2,700 |
| | 7,922,890 | 10,401,776 |

Reconciliation of Cash:

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

| | | |
|------|------------------|-------------------|
| Cash | 7,922,890 | 10,401,776 |
| | 7,922,890 | 10,401,776 |

Note 4: Cash Assets (continued)

Cash at bank and on hand

Cash on hand is non-interest bearing. Cash at bank is interest bearing with the weighted average interest rate at 30 June 2012 of 3.81% (2011: 2.97%)

Term Deposits

Term deposits are interest bearing with the weighted average interest rate at 30 June 2012 of 4.60% (2011: 5.41%)

Note 5: Trade and Other Receivables

| | 2012 | 2011 |
|-----------------------------------|------------------|------------------|
| | \$ | \$ |
| Current | | |
| Trade receivables (i) | 1,574,584 | 928,816 |
| Provision for doubtful debts (ii) | (354,993) | (185,081) |
| | 1,219,591 | 743,735 |
| Amounts receivable from : | | |
| Blue CHP Limited (iii) | - | 805,500 |
| | 1,219,591 | 1,549,235 |
| Non Current | | |
| Amount receivable from: | | |
| Blue CHP Limited (iv) | 1,344,124 | 1,015,000 |
| | 1,344,124 | 1,015,000 |

(i) No interest is charged on trade receivables. The entity has provided fully for all receivables due from ex-tenants, as experience shows that these amounts are generally not recoverable. The remainder of the balance is provided for based on estimated irrecoverable amounts, determined by analysis of amounts and reference to past default experience.

(ii) The concentration of credit risk with regards to trade receivables is limited due to the customer base being large and unrelated. Accordingly the directors believe there is no further credit provision required in excess of the provision for doubtful debts.

Note 5: Trade and Other Receivables (continued)

- (iii) Interest bearing loan provided to Blue CHP Limited with no fixed term. Blue CHP used the proceeds of the loan to purchase land, in which Argyle Community Housing Limited had caveatable interest. The loan, principal and interest were repaid in full on 27 September 2011.

- (iv) Unsecured non-interest bearing loan to Blue CHP Limited with no fixed term. This loan has been provided to Blue CHP in accordance with the terms of the Member's Agreement referred to in Note 16. Upon termination or resignation of a Member's membership that member will be entitled to receive repayment of any loan made by it to Blue CHP. The board have assessed this loan and have determined that it requires no impairment at 30 June 2012.

Note 6: Other Assets

| | 2012 | 2011 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| Short term deposits | 31,087 | 30,010 |
| Prepayments | 1,375,705 | 804,397 |
| Interest receivable | 65,819 | 59,931 |
| Bonds held by Rental Bond Board | 313,594 | 260,144 |
| GST Receivable | 107,735 | - |
| Other current assets | 219,552 | 141,170 |
| | 2,113,492 | 1,295,652 |

Short term deposits

Short term deposits are interest bearing with the weighted average interest rate at 30 June 2012, of 5.77% (2011: 6.04%). The term to maturity of all short term deposits is between 6 and 12 months.

Please refer to note 17.

Note 7: Other Financial Assets

| | | |
|--------------------------|-----------|-----------|
| Non Current | | |
| Membership shares – BDCU | 10 | 10 |
| | 10 | 10 |

Note 8: Property, Plant and Equipment

| | 2012 | 2011 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| Leasehold improvements | | |
| At cost | 534,831 | 484,170 |
| Less: Accumulated depreciation | (264,928) | (160,385) |
| | 269,903 | 323,785 |
| | | |
| Plant and equipment | | |
| At cost | 440,844 | 387,594 |
| Less: Accumulated depreciation | (260,163) | (197,948) |
| | 180,681 | 189,646 |
| | | |
| Motor Vehicle | | |
| At cost | 301,951 | 335,793 |
| Less: Accumulated depreciation | (102,414) | (69,766) |
| | 199,537 | 266,027 |
| | 650,121 | 779,458 |

Note 8a: Reconciliation of movements in property, plant and equipment

| | | |
|--|----------------|----------------|
| Leasehold improvements | | |
| Carrying amount at the beginning of the financial year | 323,785 | 165,665 |
| Additions | 50,661 | 252,007 |
| Disposals | - | (9,105) |
| Depreciation | (104,543) | (84,782) |
| Carrying amount at the end of the financial year | 269,903 | 323,785 |
| | | |
| Plant and equipment | | |
| Carrying amount at the beginning of the financial year | 189,646 | 131,279 |
| Additions | 53,250 | 122,489 |
| Disposals | - | (6,763) |
| Depreciation | (62,215) | (57,359) |
| Carrying amount at the end of the financial year | 180,681 | 189,646 |
| | | |
| Motor Vehicles | | |
| Carrying amount at the beginning of the financial year | 266,027 | 284,616 |
| Additions | | 239,175 |
| Disposals | (25,410) | (197,470) |
| Depreciation | (41,080) | (60,294) |
| Carrying amount at the end of the financial year | 199,537 | 266,027 |
| | 650,121 | 779,458 |

Note 9: Investment Properties

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Carrying amount at the beginning of the financial year | 37,585,000 | 3,180,295 |
| Additions | 2,877,260 | 48,248 |
| Development WIP | 34,843 | - |
| Contributions of investment properties (i) | - | 34,020,075 |
| Net (loss)/gain from fair value adjustments | (951,024) | 336,382 |
| | 39,546,079 | 37,585,000 |

- (i) A total of 65 property sites containing 159 dwellings were vested to Argyle Community Housing Limited on 16 June 2011. NSW Land and Housing Corporation (the Corporation) has an interest in each Vested property recorded against the title to each Vested property. The Corporation will have an interest in all land purchased in whole or in part using the proceeds of Vested property or proceeds of land to which an interest attaches.

The fair value model is applied to all investment properties. The fair value of investment properties at 30 June 2012 has been arrived at on the basis of a valuation carried out at 30 June 2012 by the Directors of Argyle Community Housing Limited. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Value of property in the name of Argyle Community Housing Inc. at 30 June 2012 is \$3,181,700. Title to the land on which the investment property is built is still in the name of Argyle Community Housing Inc. The director's of both Argyle Community Housing Inc. and Argyle Community Housing Limited have signed declarations that the land has been transferred to Argyle Community Housing Limited. Title to the land will be transferred when Argyle Community Housing Inc. is wound up, which is expected to occur prior to 30 June 2013.

| | | |
|--|----------------|----------------|
| Amount recognised in profit or loss during the year: | | |
| Rental income from investment property | 992,905 | 147,608 |
| Other income from investment property | 20,613 | 2,427 |
| Direct operating expenses arising from investment property | (439,366) | (32,293) |
| | 574,152 | 117,742 |

Note 10: Trade and other Payables

| | 2012 | 2011 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| Unsecured | | |
| Trade creditors (i) | 586,042 | 925,593 |
| Insurance premium funding (ii) | 1,181,328 | - |
| Other current payables and accruals | 704,376 | 686,963 |
| | 2,471,746 | 1,612,556 |

(i) Credit periods vary between creditors and most do not specify interest rates for overdue amounts. The entity has financial risk management policies in place to ensure that all payables are paid with the current timeframes.

(ii) Represents liability for funding of 2012-13 insurance premium. The term of the loan is 10 months and will result in interest payments of \$55,718.

Note 11: Provisions

Employee Benefits

| | | |
|--------------------------|----------------|----------------|
| Opening Balance | 462,668 | 537,226 |
| Movement during the year | (78,693) | (74,558) |
| Closing balance | 383,975 | 462,668 |

Current

| | | |
|------------------------------------|----------------|----------------|
| Provision for Annual Leave * | 213,532 | 256,950 |
| Provision for Long Service Leave * | 104,738 | 187,236 |
| | 318,270 | 444,186 |

Non Current

| | | |
|------------------------------------|---------------|---------------|
| Provision for Long Service Leave * | 65,705 | 18,482 |
| | 65,705 | 18,482 |

* Aggregate employee entitlements liability

| | | |
|--|----------------|----------------|
| | 383,975 | 462,668 |
|--|----------------|----------------|

Note 11: Provisions (continued)

There were 62 employees at the end of the year (50 employees at 30 June 2011)

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value and future cash flows in respect of long service leave, the probability of long service leave being taken. The measurement and recognition criteria for employee benefits have been included in Note 1 (g) Employee Benefits.

Note 12: Other Liabilities

| | 2012 | 2011 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| Current | | |
| Rent received in advance | 548,049 | 529,133 |
| Funding received in advance (i) | 2,535,253 | 4,872,194 |
| Office rental incentive | 5,820 | 5,575 |
| | 3,089,122 | 5,406,902 |

- (i) Funding in advance comprises the following:
- \$108,845 overpaid funding received under the Community Housing Leasing Program, that will be offset against funding received during the year ended 30 June 2013.
 - \$2,421,966 funding received under the Property Transfer Program that has not yet been expended. The entity must satisfy the conditions attached to the funding within 3 years of the date of transfer of the properties.
 - \$0, (2011 \$1,493,441) funding received for maintenance or upgrade or disability modification of specific properties. The funding was received in June 2011 and was fully utilised in 2012.
 - \$4,500 funding received for seniors projects.

Non Current

| | | |
|-------------------------|---------------|---------------|
| Office rental incentive | 14,359 | 20,908 |
| | 14,359 | 20,908 |

Note 13: Reconciliation of Net Cash Provided by/(Used in) Operating Activities to Net Profit

| | 2012 | 2011 |
|---|---------------------------|------------------------------|
| | \$ | \$ |
| Operating profit after tax | 1,714,008 | 37,022,567 |
| Contribution of investment properties for no consideration | - | (34,020,075) |
| Provision for impairment of receivables | 156,543 | (637,740) |
| Revalue investment property to fair value | 951,024 | (336,382) |
| Depreciation | 207,838 | 202,435 |
| Loss on disposal of non current assets | 9,954 | 77,217 |
| | <hr/> | <hr/> |
| Operating profit before changes in working capital and provisions | 3,039,367 | 2,308,022 |
| (Increase) decrease in trade and term debtors | (632,399) | 221,299 |
| (Increase) decrease in other debtors and prepayments | (816,763) | (767,478) |
| (Increase) decrease in trade creditors | 859,190 | 649,647 |
| (Increase) decrease in other creditors and accruals | (2,324,329) | 4,251,167 |
| Decrease in employee entitlements | (78,693) | (74,558) |
| Net cash provided by operating activities | <hr/> 46,373 <hr/> | <hr/> 6,588,099 <hr/> |

Note 14: Remuneration and Retirement Benefits

| | | |
|------------------------|---------------------------|---|
| Directors Remuneration | <hr/> 78,753 | - |
| | <hr/> 78,753 <hr/> | - |

Director's remuneration is paid in recognition of the change in nature of operations of the business. During the March 2012 Board Meeting, there was an agreement to call a meeting of the Members' of Argyle Community Housing Limited to allow the payment of Directors Remuneration subject to Members approval of changes to the constitution. This was subsequently approved by the Members.

Note 15: Auditors' Remunerations

| | 2012 | 2011 |
|--|---------------|---------------|
| | \$ | \$ |
| Remuneration of the auditor of the company for: | | |
| Auditing or reviewing the financial report | 42,000 | 38,000 |
| Other services – debt consulting services | 20,990 | - |
| Other services – preparation of the financial report | - | 6,000 |
| | 62,990 | 44,000 |

Note 16: Related Parties

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) is considered Key Management Personnel.

| | | |
|------------------------------|------------------|------------------|
| Short term employee benefits | 1,322,671 | 935,325 |
| Post employment benefits: | | |
| Superannuation contributions | 74,910 | 80,269 |
| Other long term benefits | 4,676 | 12,233 |
| | 1,402,257 | 1,027,827 |

Remuneration known as 'Short term employee benefits' in the above table is defined as cash salaries, paid annual leave, movements in annual leave provision, bonuses and the value of fringe benefits received. This also includes Directors Remuneration.

During 2012 there has been a restructure within the Company and this has caused a change in the roles and responsibilities of the Key Management Personnel.

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions are no more favourable than those available to other parties unless otherwise stated.

Blue CHP Limited

In August 2008, Argyle Community Housing Limited joined four other large Community Housing Providers – Hume Community Housing., Southern Cross Community Housing, Wentworth Community Housing and Womens Housing Company (collectively 'members') – and entered into a Members' Agreement to establish Blue CHP Limited, for the purpose of assisting in the growth of community housing by providing affordable and subsidised housing solutions to low and moderate income households. Blue CHP achieves this aim by the securitisation of finance and government grants to purchase and/or construct dwellings that are then leased to Members to manage as social or affordable housing.

Note 16: Related Parties (continued)

| | 2012 | 2011 |
|--|-----------|-----------|
| | \$ | \$ |
| Revenue received from Blue CHP | | |
| Management fee for service – stimulus properties | 212,434 | 86,933 |
| Rent received – office | 9,454 | 9,454 |
| | | |
| Expenses paid to Blue CHP | | |
| Rent paid to Blue CHP Limited for properties leased to Argyle Community Housing Limited for sub-lease to tenants | 186,095 | 152,550 |
| Blue CHP profit share re Growth and Stimulus properties managed by Argyle | - | 31,826 |
| Other property related and administration expenses | 39,735 | 8,485 |
| | | |
| Other transactions with Blue CHP | | |
| Proceeds received on sale of motor vehicle | - | 26,364 |
| Additional loan contribution in line with funding agreement | 75,000 | 75,000 |
| Additional loan contribution for the St Mary's project | 254,124 | - |
| | | |
| Outstanding balances with Blue CHP | | |
| Trade and other receivables | 5,038 | 9,733 |
| Trade and other payables | 144,107 | 210,867 |
| Loan receivable | 1,344,124 | 1,015,000 |

Note 17: Contingent Liabilities

Business undertakings

| | | |
|--|--------|--------|
| Bank Guarantees have been provided to cover the rental bonds for various offices | 31,087 | 30,010 |
|--|--------|--------|

No other material contingent liabilities have been identified.

Note 18: Capital and Leasing Commitments

Operating lease expenditure contracted for at balance date that is not cancellable and is not provided for in the accounts:

| | 2012 | 2011 |
|--|------------------|------------------|
| | \$ | \$ |
| Payable for office and vehicle leases: | | |
| Not later than one year | 527,569 | 337,810 |
| Later than one year but not later than two years | 528,563 | 241,920 |
| Later than two years but not later than five years | 723,876 | 490,753 |
| | 1,780,008 | 1,070,483 |

Leases as lessee:

Leases between Argyle Community Housing Limited and Housing NSW are operating leases and are typically for a period of five years. Housing NSW charge rent of \$1 per property per year for these properties.

Leases between Argyle Community Housing Limited and independent landlords are operating leases and are typically for a period of six months. Forecast leasehold rent expenditure for the year ended 30 June 2013 is \$5,933,335.

Leases as lessor:

Leases between Argyle Community Housing Limited and tenants are operating leases and are typically for an initial period of two weeks, then continuation.

It is not possible to determine the lease income contracted for at balance date as the income varies with the income of the tenants.

Note 19: Registered Office/Principal Place of Business

The address of the Company's registered office and principal place of business is Level 1, 32-36 Wingecarribee Street, Bowral, NSW 2576.

Note 20: Members' Guarantee

Argyle Community Housing Limited is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstandings and obligations of the entity. At 30 June 2012, there were 7 members.

Note 21: Events Subsequent to Reporting Date

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the entity in future years.

Argyle Community Housing Limited
ABN: 88 002 761 855
Director's Declaration
For the year ended 30 June 2012

In the opinion of the Directors of Argyle Community Housing Limited (the Company):

1. the financial statements and notes that are set out on pages 12 to 36 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position at 30 June 2012 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulation 2001; and

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

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



Chris Benton
Chairman



Ian Cropper
Director

Dated this 25th day of September 2012

Bowral



Independent auditor's report to the members of Argyle Community Housing Limited

Report on the financial report

We have audited the accompanying financial report of Argyle Community Housing Limited (the Company), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Argyle Community Housing Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Warwick Shanks', written over the printed name.

Warwick Shanks
Partner

Signed in Dubbo on this 25th day of September 2012

Notes:

A series of horizontal dotted lines for writing notes, spanning the width of the page below the title.



Contact

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