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Argyle Community Housing Ltd

ABN 88 002 761 855

Financial Statements

For the year ended 30 June 2018

Argyle Community Housing Ltd  
ABN: 88 002 761 855  
Financial Statements  
for the year ended 30 June 2018

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Argyle Community Housing Ltd  
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Directors' Report  
for the year ended 30 June 2018

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The Directors present their report together with the financial statements of Argyle Community Housing Ltd ("Argyle" or the "Company") for the year ended 30 June 2018 ("FY2018" or the "financial year") and the Independent Auditor's report to Members.

### Directors

The names of the Directors in office at any time during, or since the end of FY2018 are:

Donna Anthes	Susan Bailey
Terence Downing	Pamela Edwards
Trevor Fair	Chris Martin (appointed 1 January 2018)
John Peters (resigned 24 April 2018)	Yvette Pietsch (appointed 1 January 2018)
Terry Spencer (resigned 28 November 2017)	

The Directors have been in office since the start of the financial year to the date of this Directors' 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

The Company focused on five key strategic imperatives, namely:

1. **Tenant and Community** - To improve the social outcomes for those Australians in housing stress.
2. **People, Performance and Culture** - To be a preferred employer with a constructive and outcomes focused culture.
3. **Partnerships and Capability** - To achieve and maintain sector leading systems and processes that facilitates efficient and effective expansion across multiple regional areas and jurisdictions.
4. **Sustainable Growth** - To develop and maintain a sustainable business model with reducing reliance on government funding to provide dwellings that enhance our tenants' financial sustainability.
5. **Advocacy and Identity** - 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 for the Company for the financial year amounted to \$16,971,804 (2017:\$6,555,345) including a gain of \$13,000,000 from the property transfer of Conder (ACT Government) and a gain on the revaluation of investment properties of \$4,102,450 was recognised in FY2018 (2017:\$4,548,140).

Operating loss before fair value adjustments and contributions is \$130,646 (2017 profit: \$2,007,205).

Nine additional dwellings were acquired in NSW during the financial year totalling \$3,704,946. Further 53 units were transferred in Conder by the ACT Government during the financial year valuing \$13,000,000.

Cash assets decreased by \$3,293,925 to 30 June 2018.

Operating income for the financial year increased by \$ 1,225,498 on that reported for the prior year. Expenditure for the financial year increased by \$ 3,363,349 on that reported for the prior year.

### **Performance Management**

The Board monitors the financial performance of the business regularly. This is achieved via the preparation of monthly management reports and variance analysis ("Finance Reports"), considered by the Board at regular meetings. In between scheduled Board meetings, the Audit and Risk Committee consider the Finance Reports.

Information is provided to the Community and Private Market Housing Directorate and the ACT Directorate on a quarterly basis as required under the current government reporting regimes. The compliance requirements under the Tier 1 registration framework are monitored monthly by the Argyle Management Team and are reported to each Board meeting.

### **Events Subsequent to Reporting Date**

At 30 June 2018, the Company was in the process of concluding the establishment of a Finance Facility for \$3.3m with Community Sector Banking Ltd to fund the acquisition of nine properties to meet Argyle's Leveraged property targets. During May and June 2018, contracts were prepared for five properties in Wagga Wagga, four in Griffith, deposits were paid on the nine properties, and three properties were settled in June 2018, funded from existing cash balances.

The facility was established on 31 July 2018.

In August 2018, \$1.125m of the facility was drawn down to reimburse Argyle for the deposits on five unsettled properties and settlement of the three properties in June 2018.

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.

### **Insurance Premiums**

During the financial year, the Company has paid premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts for the year ended 30 June 2018. Such insurance contracts insure against activities covered under such contracts, for individuals who are or have been Directors or considered to be Officers of the Company.

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**Directors**

The biographical details, skills and experience of each Director is set out below. Each Director was in office during the financial year unless otherwise stated:

Name	<b>Terence Downing</b>
Special Responsibilities	Chairperson of the Board. Ex-officio Member, Assets, Acquisitions and New Business Committee, Audit and Risk Committee and Nomination, Remuneration and Governance Committee.
Qualifications	B Comm, M Mgmt, CPA, FAICD, ANZIIF Fellow
Experience	Terry is an experienced non-executive director with current and prior positions in the public, private and not-for-profit sectors. His prior experience includes senior executive positions in the financial services sector 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 Argyle Board.  Terry was appointed to the Argyle Board on 4 April 2012.
Name	<b>Donna Anthes</b>
Special Responsibilities	Chair, Assets, Acquisitions and New Business Committee with effect from 24 April 2018. Prior to that, Member, Assets, Acquisitions and New Business Committee. Member, Nomination, Remuneration and Governance Committee.
Qualifications	BA (Communication), Grad Cert Bus Admin, GAICD
Experience	Donna is an experienced Company Secretary and Non-Executive Director with proven governance & risk management expertise. She has significant board level experience and leverages her strong record of accomplishment in leading change and resolving complex business issues. Donna's rich experience, ranging from start-up businesses to large-scale organisations, enables her to engage effectively and credibly with a broad range of stakeholders and provide sound business leadership in changing environments. Donna has executive experience across the public, private and not-for-profit sectors including Qantas, Macquarie Bank and the University of Newcastle, where she has been responsible for achieving operational efficiencies; implementing significant change programs; establishing corporate service functions and governance frameworks. A record of accomplishment of business development accompanies Donna's strong leadership.  Donna was appointed to the Argyle Board on 1 January 2016.

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**Directors (continued)**

Name	<b>Susan Bailey</b>
Special Responsibilities	Member, Audit and Risk Committee Member, Nomination, Remuneration and Governance Committee
Qualifications	BA/LL.M, MPAdmin, GradDipPM, MAICD
Experience	<p>Susan is a non-executive director in the not-for-profit sector and previously in the public sector. She has over 30 years' experience as a commercial lawyer in the private and public sectors including insurance and electricity. Following a career as a banking and finance lawyer in two Sydney law firms, Susan has executive experience as General Counsel of Ausgrid and General Counsel and Company Secretary of Royal &amp; Sun Alliance. Susan is a Director and Member of The Westhaven Association.</p> <p>Susan was appointed to the Argyle Board on 1 January 2016.</p>
Name	<b>Pamela Edwards</b>
Special Responsibilities	Chair, Nomination, Remuneration and Governance Committee
Qualifications	BA/LLB (UNSW), MAICD
Experience	<p>Pamela has extensive experience in the investment management business in Australia, the UK and Europe. Prior to that, Pamela was a partner in a prominent Australian law firm. She has also served the community on the boards of Australian arts organisations. Pamela is a former Vice President of the Corporate Counsel Association, Europe and is a member of the Australian Institute of Company Directors ("AICD").</p> <p>Pamela was appointed to the Argyle Board on 4 April 2012.</p>

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**Directors (continued)**

<p>Name</p> <p>Special Responsibilities</p> <p>Qualifications</p> <p>Experience</p>	<p><b>Trevor Fair</b></p> <p>Chairperson, Audit and Risk Committee.</p> <p>CPA, B Bus (Accounting/HRM), GAICD</p> <p>Trevor commenced his working career with East West Airlines as an apprentice avionics engineer. He has been employed at Qantas in avionics.</p> <p>While working for numerous years with the NSW Department of Education, Trevor commenced his studies in Accounting &amp; HRM through Charles Sturt University. Trevor also has experience in Management Accounting 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 2005. He is the registered SMSF Auditor for the practice.</p> <p>Trevor graduated from the AICDs' Company Directors course in 2014 and he is currently studying Dip Financial Planning. Trevor is a past president of his Rotary Club, the current District Secretary and has served on numerous NFP entities within the community.</p> <p>Trevor was appointed to the Argyle Board on 26 May 2009.</p>
<p>Name</p> <p>Special Responsibilities</p> <p>Qualifications</p> <p>Experience</p>	<p><b>Chris Martin</b></p> <p>Member, Assets, Acquisition and New Business Committee.</p> <p>Master of Commerce (Valuation), with Distinction; Graduate Diploma in Property Investment; Advanced Certificate in Real Estate; Graduate of the Australian Institute of Company Directors; Licensed Real Estate Agent (NSW)</p> <p>Chris has 35 years of broad-ranging experience in the property industry, covering property funds management (both listed and unlisted); property and asset management; property investment (including acquisition and divestment); property development; project management; financial management; marketing; sustainability; and corporate governance and compliance. He has experience both on-shore (Australia) and offshore (as Regional Head of Asset Management for Asia-Pacific, based in Singapore, with LaSalle Investment Management).</p> <p>During his career, Chris also has held senior roles with GPT Group, Lendlease, BT Funds Management / Principal Financial Group, Colliers International, Jones Lang Wootton (now JLL) and, early in his career, in the Commonwealth and New South Wales governments. Chris is a non-executive director of Harbison Memorial Retirement Village and is a member of Harbison's Redevelopment and Risk &amp; Audit committees. He is currently managing director of Pindari Capital, the funds management company in the Ausin Group of companies.</p> <p>Chris was appointed to the Argyle Board on 1 January 2018.</p>

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Directors' Report  
for the year ended 30 June 2018

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**Directors (continued)**

Name	<b>Yvette Pietsch</b>
Special Responsibilities	Member of the Audit & Risk Committee.
Qualifications	BBus (Accounting); Master Tax Law; Fellow Chartered Accountant; Certified Tax Advisor; MAICD.
Experience	<p>Yvette has over 25 years' experience in public practice as a Chartered Accountant, working with private groups and not-for profit organisations.</p> <p>Yvette is currently a member of NSW Council for Women's Economic Opportunity and independent member of the Governance, Audit &amp; Risk Committee for Shellharbour City Council, and was previously a Trustee and Deputy Chair of Centennial Park &amp; Moore Park Trust. Yvette has extensive experience in financial and risk management, corporate governance, business operations and commercial management.</p> <p>Yvette was appointed to the Argyle Board on 1 January 2018.</p>



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 Directors' Report  
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**Retired Directors**

Name	<b>Dr. Terry Spencer</b>
Special Responsibilities	Chairman of the Board to 1 July 2017 Member, Audit and Risk Committee and Assets, Acquisitions and New Business Committee. Ex-officio Member, Corporate Governance Committee and Nominations, Remuneration and HR Committee.
Qualifications	BSc (hons 1), PhD, MAICD
Experience	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 has served the community in both Queanbeyan and Benalla (Victoria) through executive involvement in a number of community organisations. This includes two terms as a councillor of the City of Benalla and life membership of Apex. Terry is currently a part-time lecturer at the Canberra Institute of Technology in the building & construction area, specialising in construction contracts, construction risk and quality management and the specialised legal requirements associated with building.  Terry was appointed to the Argyle Board on 16 October 2006 and retired as a director on 28 November 2017.
Name	<b>John Peters</b>
Special Responsibilities	Chairperson, Assets, Acquisitions and New Business Committee to 24 April 2018.
Qualifications	B. Arch. Adv. Dip. BCM, ARAIA , FAICD
Experience	Based on the foundation skills as an architect, John has worked in various facets of property in the UK, New Zealand and throughout Australia, for over 35 years. Much of this experience was with Lend Lease as a Project Manager, Asset Manager, and Qld Manager and Director, Lend Lease Commercial. John set up his own property development company in 1995, and his primary activities during this time were within the residential, retail and office sectors in SE Queensland. John has also consulted to investors and financial stakeholders during this time, including Merrill Lynch, GPT, Thiess, St George Bank and Multiplex. John is a Fellow of the Australian Institute of Company Directors, a non-executive director of Mirvac Group and an executive director of a number of unlisted companies.  John was appointed to the Argyle Board on 25 June 2013 and retired as a director on 24 April 2018.

Unless noted above, there have been no changes to the Directors since 30 June 2018.

Argyle Community Housing Ltd  
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 Directors' Report  
 for the year ended 30 June 2018

## Meetings Held

During the financial year, the Company held a total of 8 meetings of Directors and 15 meetings of Committees. This includes the Assets, Acquisitions and New Business Committee, the Audit and Risk Committee, the Nominations, Remuneration and Governance Committee (previously the Nominations, Remuneration and HR Committee) and the Governance Committee, now merged with the Nominations, Remuneration and Governance Committee.

Director	Board Meetings								Nominations, Remuneration and Governance Committee Meetings	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)		(a)
<b>T Spencer</b> <sup>1</sup>	4	3			-	1				
<b>T Downing</b>	8	8	4	4	5	5	2	2		4
<b>D Anthes</b>	8	8	4	4			1	1		4
<b>S Bailey</b>	8	8			5	5	2	2		3
<b>P Edwards</b>	8	7					2	2		4
<b>T Fair</b>	8	7			5	5	1	1		1
<b>C Martin</b>	4	4	2	2						
<b>J Peters</b> <sup>2</sup>	7	7	3	3	1	1				
<b>Y Pietsch</b>	4	3			3	3				

1. Resigned 28 November 2017

2. Resigned 24 April 2018

(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* (Cth) 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 2018, there were seven members and the total amount that members of the Company are liable to contribute if the Company is wound up is \$70 (2017:\$70).

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under the *Australian Charities and Not-for-profits Commission Act 2012* has been included at page 41.

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



Terence Downing  
Chairman



Trevor Fair  
Chairman, Audit and Risk Committee

Dated this 25<sup>th</sup> day of September 2018

Bowral

Argyle Community Housing Ltd  
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 Statement of Profit or Loss and Other Comprehensive Income  
 for the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>Income</b>			
Tenant and property related income	2	27,700,613	27,096,808
Other income	2	<u>840,284</u>	<u>160,035</u>
Total income		<u>28,540,897</u>	<u>27,256,843</u>
<b>Expenses</b>			
Tenant and property related expenses	3	(17,946,108)	(16,404,402)
Employee related expenses	3	( 6,703,064)	( 5,700,484)
Office and administration expenses	3	<u>( 4,130,611)</u>	<u>( 3,311,548)</u>
Total operating expenses		<u>(28,779,783)</u>	<u>(25,416,434)</u>
Financial income	2	108,240	166,796
Financial expenses		<u>-</u>	<u>-</u>
Net financial income		<u>108,240</u>	<u>166,796</u>
<b>Loss before fair value adjustments and contributions</b>		<u>(130,646)</u>	<u>2,007,205</u>
Contribution of investment properties at fair value		13,000,000	-
Gain on revaluation of investment properties		<u>4,102,450</u>	<u>4,548,140</u>
<b>Profit before income tax</b>		<u>16,971,804</u>	<u>6,555,345</u>
Income tax expense	1(a)	<u>-</u>	<u>-</u>
<b>Profit for the year</b>		<u>16,971,804</u>	<u>6,555,345</u>
Other comprehensive income for the year		-	-
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>16,971,804</u>	<u>6,555,345</u>

Argyle Community Housing Ltd  
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 Statement of Financial Position  
 as at 30 June 2018

	Note	2018 \$	2017 \$
<b>Current Assets</b>			
Cash and cash equivalents	4	4,247,435	7,541,360
Trade and other receivables	5	1,104,052	1,018,197
Other current assets	6	<u>2,949,375</u>	<u>2,882,919</u>
Total current assets		<u>8,300,862</u>	<u>11,442,476</u>
<b>Non-Current Assets</b>			
Trade and other receivables	5	1,344,174	1,344,174
Other financial assets	7	10	10
Property, plant and equipment	8	586,302	668,788
Investment properties	9	<u>97,559,632</u>	<u>76,561,797</u>
Total non-current assets		<u>99,490,118</u>	<u>78,574,769</u>
<b>Total Assets</b>		<u>107,790,980</u>	<u>90,017,245</u>
<b>Current Liabilities</b>			
Trade and other payables	10	3,473,214	2,894,057
Provisions	11	418,707	325,838
Other current liabilities	12	<u>1,864,104</u>	<u>1,732,172</u>
Total current liabilities		<u>5,756,025</u>	<u>4,952,067</u>
<b>Non-Current Liabilities</b>			
Provisions	11	<u>82,690</u>	<u>84,716</u>
Total noncurrent liabilities		<u>82,690</u>	<u>84,716</u>
<b>Total Liabilities</b>		<u>5,838,715</u>	<u>5,036,783</u>
<b>Net Assets</b>		<u>101,952,265</u>	<u>84,980,462</u>
<b>Equity</b>			
Retained profits		<u>101,952,265</u>	<u>84,980,462</u>
<b>Total Equity</b>		<u>101,952,265</u>	<u>84,980,462</u>

Argyle Community Housing Ltd  
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 Statement of Changes in Equity  
 for the year ended 30 June 2018

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	Retained Profits	Total \$
<b>Balance at 1 July 2016</b>	78,425,117	78,425,117
Profit attributable to the Company	6,555,345	6,555,345
Other comprehensive income for the year	-	-
	84,980,462	84,980,462
<b>Balance at 30 June 2017</b>		
<b>Balance at 1 July 2017</b>	84,980,462	84,980,462
Profit attributable to the Company	16,971,804	16,971,804
Other comprehensive income for the year	-	-
	101,952,266	101,952,266
<b>Balance at 30 June 2018</b>		

Argyle Community Housing Ltd  
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 Statement of Cash Flows  
 for the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>Cash Flow from Operating Activities</b>			
Receipts from customers		23,816,597	23,269,582
Receipts from government bodies		4,039,620	4,194,216
Payments to suppliers and employees		(27,567,399)	(25,190,196)
Interest received		108,240	166,796
Interest paid		-	-
Net cash from operating activities	13	<u>397,058</u>	<u>2,440,398</u>
<b>Cash Flow from Investing Activities</b>			
Proceeds/(purchase) of term deposits and bank guarantees		332,574	(30,908)
Purchase of property plant and equipment		(130,272)	(419,626)
Investment properties		(3,895,385)	(1,104,184)
Proceeds from sale of equipment		<u>2,100</u>	-
Net cash used in investing activities		<u>(3,690,983)</u>	<u>(1,554,718)</u>
<b>Cash Flow from Financing Activities</b>			
Repayment of borrowings		<u>-</u>	<u>-</u>
Net cash used in financing activities		<u>-</u>	<u>-</u>
<b>Net (decrease)/increase in cash held</b>		(3,293,925)	885,680
Cash at the beginning of the year		<u>7,541,360</u>	<u>6,655,680</u>
Cash at the end of the year	4	<u>4,247,435</u>	<u>7,541,360</u>

## **Note 1: Statement of Significant Accounting Policies**

### **Basis of Preparation**

The financial statements cover the Company as an individual entity. The Company, a not-for-profit entity, is limited by guarantee, and is incorporated and domiciled in Australia.

In the opinion of the Directors, the Company is not publicly accountable. The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - *Reduced Disclosure Requirements* adopted by the Australian Accounting Standards Board ("AASB") and the *Australian Charities and Not-for-Profits Commission Act 2012*. These financial statements comply with Australian Accounting Standards - *Reduced Disclosure Requirements*.

The financial statements were authorised for issue by the Board of Directors on 25 September 2018.

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 investment properties.

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. Please refer to Note 1(f) for impairment of assets.

Subsequent costs are included in the asset's 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 Profit or Loss and Other Comprehensive Income.

## ii) Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Company, commencing from the time the asset 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:

<b>Class of Asset</b>	<b>Depreciation Rate %</b>
Leasehold improvements	7.0 to 20.0
Property, plant and equipment	7.5 to 50.0
Motor vehicles	12.5
Software	20.0

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

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

## (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 the fair value of investment property are recorded in the Statement of Profit or Loss and Other Comprehensive Income 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 the Statement of Profit or Loss and Other Comprehensive Income 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 or amortised cost, using the effective interest rate method. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable and 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,
- 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) over 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 asset 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 the Statement of Profit or Loss and Other Comprehensive Income.

#### **(f) Impairment of Assets**

##### ***Non-Financial 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 asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Where the future economic benefits of the asset are not primarily dependent 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 Company estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

##### ***Financial Assets***

The Company considers evidence of impairment for financial assets (receivables) measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

#### **(g) Employee Benefits**

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

The Company's net obligation in respect of long-term employee benefits is the amount of any future benefit that employees have earned in return for their service in the current and prior pay periods. That benefit is discounted to determine its present value. Re-measurements are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

#### **(h) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, because 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 include cash on hand, deposits held at call with banks or financial institutions, other short-term liquid investments with original maturities of three 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.

#### **(k) Government Grants and Funding**

Government grants are recognised in the Statement of Profit or Loss and Other 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 the Company 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 Company 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.

The Company 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 Profit or Loss and Other Comprehensive Income.

The Company received two main types of government grants and funding during the year ended 30 June 2018:

- Community Housing Leasing Program (“CHLP”) - annual funding received from the Department of Family and Community Services (“FACS”) - Housing NSW.
- National Rental Affordability Scheme Funding - annual funding received from the Federal Department of Social Services and the NSW and ACT Government for provision of new dwellings for affordable housing.

#### **(k) 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.

#### **(l) 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, including the GST of cash flows arising from investing and financing activities and some cash flows from operating activities. The GST recoverable from or payable to, the ATO is classified as a part of operating cash flows.

#### **Comparative Figures**

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

When the Company 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.

#### **(m) 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**

#### ***Non-Financial Assets***

The Directors assess impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

#### ***Financial Assets***

Impairment of trade receivables has been considered as at 30 June 2018. No other impairment has been recognised as at 30 June 2018. Further details are provided at Note 5.

#### ***Measurement of Fair Values***

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted process (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted process included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 9 - Investment Property.

### **(n) 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 Directors have no reason to believe the contracts and funding will cease to continue.

**(o) New Standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

**AASB 9 *Financial Instruments* (2014)**

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 9.

**AASB 15 *Revenue from Contracts with Customers***

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*, AASB 111 *Construction Contracts* and AASB Interpretation 13 *Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2019, when AASB 1058 *Income for Not-for-Profit Entities* is adopted at the same time with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 15.

**AASB 16 *Leases***

AASB 16 removes the lease classification test for lessees and requires all the leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 *Revenue from Contracts with Customers* is adopted at the same time. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 16. Assets and liabilities are expected to increase on adopting the standard.

**AASB 1058 *Income for Not-for-Profit entities***

AASB 1058 establishes principles for not-for-profit entities that apply specifically to transactions where the not-for-profit entity acquires assets principally to enable it to further its objectives and the consideration is significantly less than fair value; and to volunteer services received.

AASB 1058 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 *Revenue from Contracts with Customers* is adopted at the same time. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 1058.



## Directors' Declaration

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

- (a) the Company is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 12 to 39 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards - *Reduced Disclosure Regime* and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Terence Downing  
Chairman



Trevor Fair  
Chairman, Audit and Risk Committee

Dated this 25<sup>th</sup> day of September 2018

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Argyle Community Housing Ltd  
ABN: 88 002 761 855  
Lead Auditor's Independence Declaration  
for the year ended 30 June 2018

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Auditor's Independence Declaration under subdivision 60-C  
section 60-40 of Australian Charities and Not-for-profits  
Commission Act 2012

To: the directors of Argyle Community Housing Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Richard Drinnan

Partner

Wollongong

25 September 2018

Argyle Community Housing Ltd  
ABN: 88 002 761 855  
Independent Auditor's Report to Members  
For the year ended 30 June 2018

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## Independent Auditor's Report

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To the members of Argyle Community Housing Ltd

### Opinion

We have audited the **Financial Report**, of Argyle Community Housing Ltd (the Company).

In our opinion, the accompanying **Financial Report** of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 June 2018.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Argyle Community Housing Ltd  
ABN: 88 002 761 855  
Independent Auditor's Report to Members  
for the year ended 30 June 2018

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#### Other information

Other Information is financial and non-financial information in Argyle Community Housing Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

#### Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.
- ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

Argyle Community Housing Ltd  
ABN: 88 002 761 855  
Independent Auditor's Report to Members  
for the year ended 30 June 2018

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We also:

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

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

  
KPMG

  
Richard Drinnan  
Partner  
Wollongong  
25 September 2018