Financial
Report 2020

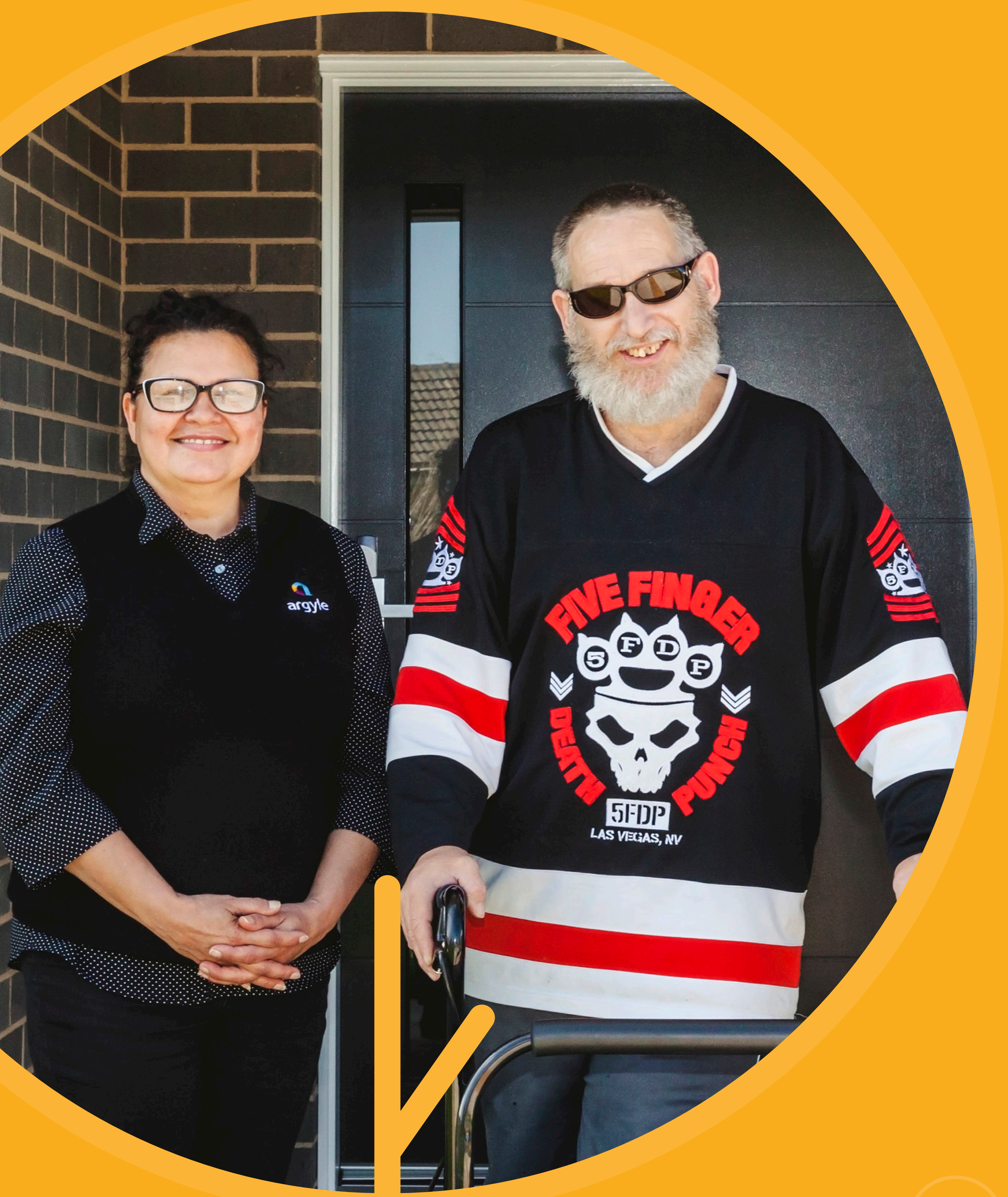
Mirjana, Argyle Housing Riverina District

Argyle Community Housing Ltd

ABN 88 002 761 855

Financial Statements

for the year ended 30 June 2020



Ray, Argyle Housing Wagga Wagga with Teresa

Contents

A better Future for Our *Communities*

Directors' Report

The Directors present their report together with the financial statements of Argyle Community Housing Ltd ("Argyle Housing "or the "Company") for the year ended 30 June 2020 ("FY2020" or the "financial year") and the Independent Auditor's report to Members.

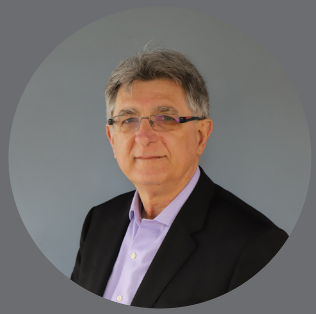
Directors

The names of the Directors in office at any time during, or since the end of the financial year 2020 are:


Donna Anthes


Susan Bailey

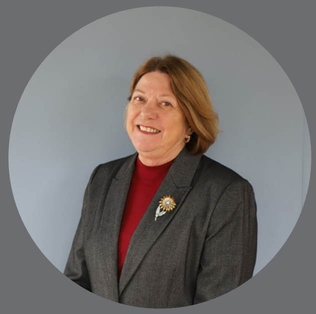

Terence Downing


Chris Martin


Yvette Pietsch


Julian Sawicki


Tracey Wadsworth


Pamela Edwards
(Retired 26/11/2019)

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

Directors' Report

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 objectives, namely:

1 **Tenant Experience**
To assist people on low to moderate income by providing access to housing solutions.

2 **Community Connections Encourage**
The involvement of people and organisations in the solution of problems affecting the community.

3 **People and Culture**
Foster an inclusive and positive workplace environment.

4 **Relationships and Collaborations**
Develop strong and effective relationships and partnerships to achieve positive outcomes for the people and communities we serve.

5 **Growth and Sustainability**
Increase housing options while sustaining our current assets.

Directors' Report

Operating and Financial Review

The total surplus for the Company for the financial year amounted to $5,164,438 (2019: $12,863,220) including a gain on the revaluation of investment properties of $3,556,241 (2019: $10,047,791). The surplus amounts have been calculated in accordance with the Australian Accounting Standards (AASBs). This is the first set of the Company's annual financial statements in which AASB 16 Leases has been applied. Under the transition method chosen, comparative information has not been restated. The 2020 results are therefore not directly comparable to prior years. Changes to the significant accounting policies and the impact of applying the new standards are described in Note 1.

Operating profit before fair value adjustments and contributions was $8,154,036. (2019: $2,815,430).

Seven additional dwellings were acquired in NSW in the financial year to the reported value of $2,078,759.

Cash assets increased by $8,821,272 for the financial year to 30 June 2020 which reflects the new finance facility established with the National Housing Finance Investment Corporation ("NHFIC").

Total operating income for the financial year increased by $1,486,526 on that reported for the prior financial year. Total operating expenditure for the financial year decreased by $4,558,522 on that reported for the prior financial 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, a business unit of Housing NSW, and the ACT Directorate on a quarterly basis as required under the current NSW and ACT Governments' respective reporting regimes. The compliance requirements under National Regulatory System for Community Housing ("NRSCH") Tier 1 registration framework are monitored monthly by the Argyle Housing Management Team and are reported to each Board meeting.

Finance Facility

At 19 June 2020, the Company established a Twelve year, interest only Facility Agreement for $12,000,000 with National Housing Finance and Investment Corporation ("NHFIC Facility") to refinance the existing facility agreement with Community Sector Banking Ltd ("CSB Facility") and to fund the acquisition of additional affordable properties across regional NSW.

At 30 June 2020 the NHFIC facility had a closing balance of $12,000,000 which is reported as non-current liability.

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 Company, the results of those operations, or the state of affairs of the Company in future years.

Insurance Premiums

During the financial year, the Company has paid premiums in respect of Directors' and Officers' liability, legal expenses and insurance contracts for the year ended 30 June 2020. Such insurance contracts insure against activities covered under such contracts, for individuals who are or have been Directors or Officers of the Company.

The value of the Management insurance premiums paid in the year was $21,291.

Directors

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

Terence Downing

Special Responsibilities: Chair of the Board

Qualifications: BComm, MMgt, 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. He brings extensive financial, risk management, corporate governance and commercial experience to the Argyle Housing Board.

Terry was appointed to the Argyle Housing Board on 4 April 2012.

Donna Anthes

Special Responsibilities: Chair Assets, Acquisitions and New Business Committee; Member Nomination, Remuneration and Governance Committee

Qualifications: BA (Communication), MBA, GAICD

Experience: Donna is an experienced company secretary and non-executive director with proven governance and 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 Housing Board on 1 January 2016.

Susan Bailey

Special Responsibilities: Member Audit and Risk Committee; Member Nomination, Remuneration and Governance Committee

Qualifications: BA/LL.M, MPAdmin, GradDipPM, MAICD

Experience: 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. Susan has executive experience as general counsel of Ausgrid and General Counsel and Company Secretary of Royal & Sun Alliance in Australia.

Susan was appointed to the Argyle Housing Board on 1 January 2016.

Chris Martin

Special Responsibilities: Member Assets, Acquisition and New Business Committee

Qualifications: 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)

Experience: Chris has 37 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). His most recent executive position was managing director at Pindari Capital, a funds management company wholly owned by Mulpha Australia, where he was also a responsible manager for the company's Australian Financial Services license and a member of the Investment and Compliance committees.

During his career, Chris has also 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 Built Environment Development and Risk & Audit committees.

Chris was appointed to the Argyle Housing Board on 1 January 2018.

Directors' Report

Yvette Pietsch

Special Responsibilities: Chair of the Audit & Risk Committee

Qualifications: BBus (Accounting); Master Tax Law; Fellow Chartered Accountant; Certified Tax Advisor; MAICD

Experience: Yvette has over 25 years' experience in public practice as a Chartered Accountant, working with private groups and not-for profit organisations.

Yvette is currently an independent member of the Governance, Audit & Risk Committee for Shellharbour City Council and was previously a Trustee and Deputy Chair of Centennial Park and Moore Park Trust and was a member of NSW Council for Women's Economic Opportunity. Yvette has extensive experience in financial and risk management, corporate governance, business operations and commercial management.

Yvette was appointed to the Argyle Housing Board on 1 January 2018.

Tracey Wadsworth

Special Responsibilities: Member of Assets, Acquisition and New Business Committee

Qualifications: Associate Diploma in Business (Valuation); Graduate of the Australian Institute of Company Directors

Experience Tracey has over 25 years in the property and finance sectors in strategic property and financial advisory, development and project management as well as asset and property management. Tracey has held senior executive positions in both the public and private sector nationally and internationally including with Landcom, Royal Bank of Scotland, CRI and Tamaki Regeneration Company.

Throughout this time, Tracey has been involved in several large scale social and urban renewal projects including most recently the Tamaki Regeneration Program in Auckland, New Zealand. This is the largest social regeneration project in New Zealand seeking to improve the social and economic well-being of a key area of Auckland.

Tracey's property and commercial background is coupled with a strong understanding of the social and community housing sector.

Tracey was appointed to the Argyle Housing Board on 1 May 2019.

Directors' Report

Julian Sawicki

Special Responsibilities: Member of the Audit & Risk Committee

Qualifications: Bachelor of Economics; Chartered Accountant; Fellow Australian Institute of Company Directors

Experience: Julian Sawicki has a 25 year career in executive management and membership of boards. This experience covers financial management, strategic planning, risk management, human resources and culture, quality and compliance with a strong understanding of board governance principles arising from completion of the Company Directors course via the Australian Institute of Company Directors.

Julian's passion for community services is reflected in his senior and Chief Executive Roles with values based organisations providing a wide range of community and personal support services throughout South Australia. His experience in community housing policy and practice arises from significant involvement with community housing companies such as Westside Housing and Unity Housing. This practical experience coupled with knowledge of government policy adds to his board experience in the superannuation, community services, community housing and disability services sectors.

Julian believes that access to safe, secure and affordable housing is essential for a fair community if its members are to participate fully in the life of their community.

Julian relocated to Sydney in 2018 and was appointed to the Argyle Housing Board on 1 May 2019.

Retired Directors

Name: Pamela Edwards

Special Responsibilities: Chair Nomination, Remuneration and Governance Committee

Qualifications: BA/LLB (UNSW), MAICD

Experience: 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 was appointed to the Argyle Housing Board on 4 April 2012 and retired on 26 November 2019.

Directors' Report

Meetings Held

During the financial year, the Company held a total of 23 meetings of which 12 were general board meetings and 11 were sub-committee meetings. The sub-committee meetings include the Assets, Acquisitions and New Business Committee, Audit and Risk Committee, and the Nominations, Remuneration and Governance Committee.

Director	Board Meetings		Assets, Acquisitions and New Business Committee Meetings		Audit and Risk Committee Meetings		Nomination, Remuneration and Governance Committee	
	a	b	a	b	a	b	a	b
T Downing	12	12	5	5	4	4	2	2
D Anthes	12	12	5	5			2	2
S Bailey	12	11			4	4	2	2
C Martin	12	12	5	5				
Y Pietsch	12	12			4	4		
J Sawicki	12	12			4	4		
T Wadsworth	12	12	5	5				
P Edwards[1]	3	3					1	1

1. Resigned 27 November 2018, patron effective 1 March 2019
   a. Number of meetings eligible to attend during the period
   b. Number of meetings attended

Directors' Report

Argyle Community Housing Ltd
ABN: 88 002 761 855
Directors' Report
year ended 30 June 2020

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 42.

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

Terence Downing
Chair of the Board

Yvette Pietsch
Chair of the Audit and Risk Committee

Dated this 29th day of September 2020

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Stacey, Argyle Housing Wagga Wagga

Statements

FY2020

Statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2020

	Note	2020 $	2019 $
Income			
Tenant and property related income	2	30,302,505	29,269,763
Other income	2	4,668,832	3,247,641
Capital Government Funding	2	516,297	1,483,703
Total income		35,487,634	34,001,108
Expenses			
Tenant and property related expenses*	3	12,137,878	18,842,371
Employee related expenses	3	6,302,101	6,109,233
Office and administration expenses *	3	8,188,701	6,235,599
Total operating expenses		26,628,680	31,187,203
Financial income	2	(115,082)	(100,063)
Financial expenses*	3	820,000	98,538
Net financing expense / (income)		704,918	(1,525)
Profit/(loss) before fair value adjustments and contributions		8,154,036	2,815,430
Other Income and Expense			
Fair value change on investment properties - owned	11	3,556,241	10,047,791
Fair value change on investment properties - leased*	11	(6,545,839)	-
Profit before income tax		5,164,438	12,863,220
Income tax expense		-	-
Profit for the year		5,164,438	12,863,220
Total comprehensive income for the year		5,164,438	12,863,220

*See Note 1 (a). The Company has initially applied AASB 16 at 1 July 2019. Under the transition method chosen, comparative information has not been restated.

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements on pages 24 to 52.

Statements

Statement of Financial Position as at 30th June 2020

	Note	2020 $	2019 $
Current Assets			
Cash and cash equivalents	4	17,499,682	8,678,410
Trade and other receivables	5	1,782,799	649,979
Other current assets	6	1,963,248	2,065,083
Total Current assets		**21,245,729**	**11,393,472**
Non-Current Assets			
Other financial assets	7	10	10
Property, plant and equipment	8	195,310	330,252
Intangible asset	9	1,822	68,310
Right-of-use assets *	10	2,636,079	-
Investment properties *	11	147,090,453	112,160,153
Total Non current assets		**149,923,674**	**112,558,725**
Total Assets		**171,169,403**	**123,952,197**
Current Liabilities			
Trade and other payables	12	3,927,890	3,503,962
Provisions	13	480,432	415,484
Borrowings	14	-	651,225
Other current liabilities	15	2,025,518	2,173,879
Lease liabilities *	16	7,677,040	-
Total Current liabilities		**14,110,880**	**6,744,550**
Non-Current Liabilities			
Provisions	13	189,447	196,161
Borrowings	14	12,000,000	2,196,001
Lease liabilities *	16	24,889,153	-
Total non-current liabilities		**37,078,600**	**2,392,162**
Total Liabilities		**51,189,480**	**9,136,712**
Net Assets		**119,979,923**	**114,815,485**
Equity			
Retained Profits		119,979,923	114,815,485
Total Equity		**119,979,923**	**114,815,485**

*See Note 1(a). The Company has initially applied AASB 16 at 1 July 2019. Under the transition method chosen, comparative information has not been restated. The Statement of Financial Position is to be read in conjunction with the notes to the financial statements on pages 24 to 52.

Statements

Statement of Changes in Equity
for the year ended 30th June 2020

	Retained Profits $	Total $
Balance at 1 July 2018	101,952,265	101,952,265
Profit attributable to the Company	12,863,220	12,863,220
Balance at 30 June 2019	114,815,485	114,815,485
Balance at 1 July 2019 as previously reported	114,815,485	114,815,485
Profit attributable to the Company	5,164,438	5,164,438
Balance at 30 June 2020	119,979,923	119,979,923

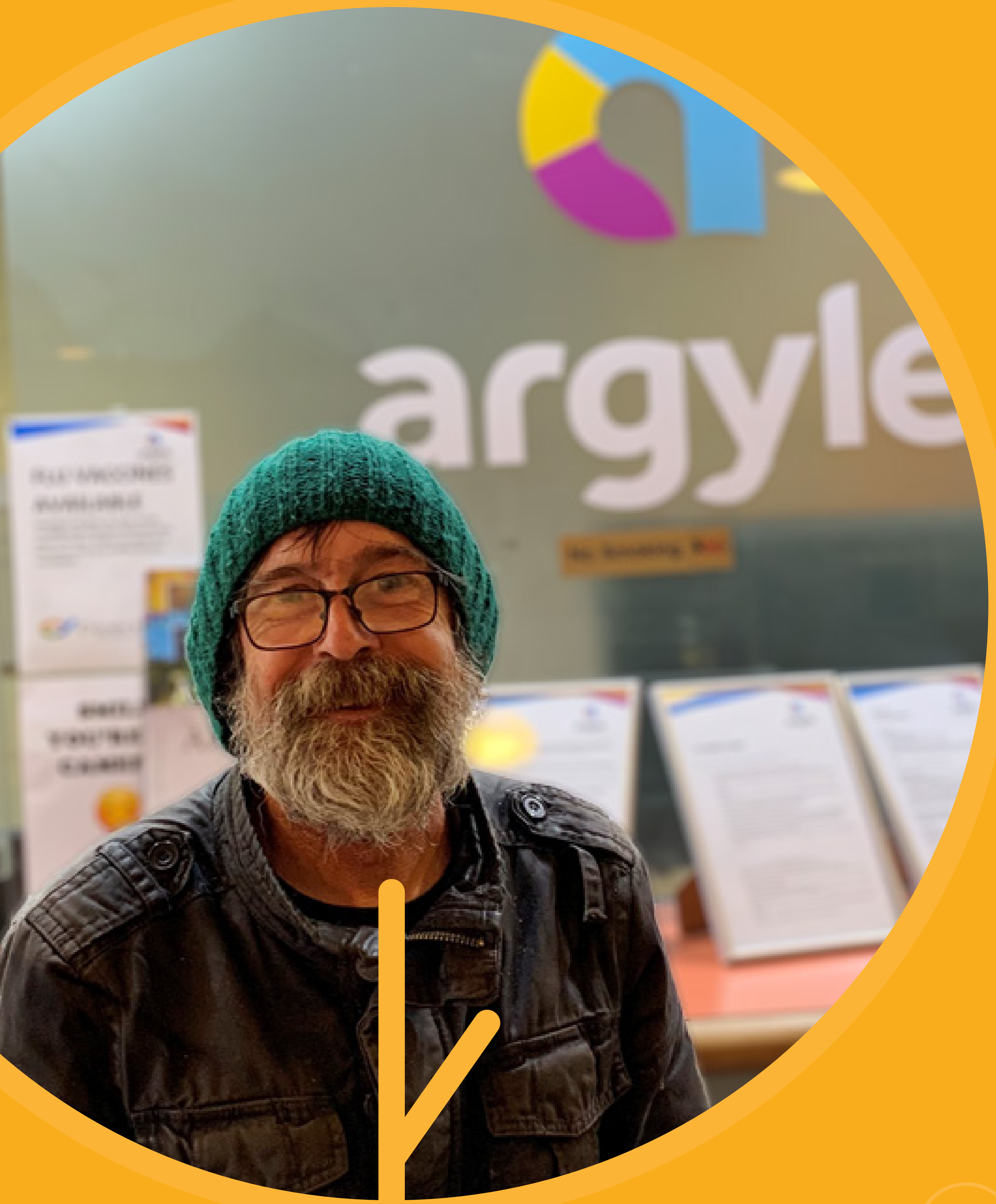
The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 24 to 52.

Statements

Statement of Cash Flows
for the year ended 30th June 2020

	Note	2020 $	2019 $
Cash Flow from Operating Activities			
Receipts from customers		29,513,317	27,886,159
Receipts from government bodies		5,191,710	6,238,721
Payments to supplier and employees		(25,762,400)	(30,304,012)
Interest Paid		(95,305)	(98,538)
Interest received		115,082	100,063
Net cash from operating activities	17	8,962,404	3,822,393
Cash flow from Investing Activities			
Purchase of property plant and equipment		(9,911)	(53,750)
Investment properties		(1,717,169)	(4,552,730)
Payments to Vendors		(42,000)	-
Settlement of loans to BlueCHP Limited		-	1,344,174
Proceeds from sale of equipment		-	20,000
Net cash used in investing activities		(1,769,080)	(3,242,561)
Cash flow from Financing Activities			
Proceeds from borrowings		12,000,000	3,287,000
Repayment of borrowings		(2,805,227)	(439,774)
Payment of lease liabilities		(7,566,825)	-
Net cash from financing activities		1,627,948	2,847,226
Net increase in cash held		8,821,272	3,427,313
Cash at the beginning of the year		8,678,410	5,251,097
Cash at the end of the year	4	17,499,682	8,678,410

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements on pages 24 to 52.



Phil, Argyle Housing ACT

Notes to the *Financial* Statements

Notes to Statements

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.

This is the first set of the Company's annual financial statements in which AASB 15 Revenue from contract with customers, AASB 1058 Income of Not-for-Profit Entities and AASB 16 Leases has been applied. Changes to significant accounting policies are described in Note 1(a)

The financial statements were authorised for issue by the Board of Directors on 29 September 2020.

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

AASB 16 Leases

The Company initially applied AASB 16 from 1 July 2019. The Company applied AASB 16 using the modified retrospective approval, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative presented for the year ended 30 June 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 Leases and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is, or contains a lease, based on the definition of a lease, as explained in Note 1 (f).

Notes to Statements

Note 1: Statement of Significant Accounting Policies

On transition to AASB 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

ii) As a lessee

As a lessee, the Company leases assets including property and motor vehicles. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under AASB 16, the Company recognises right-of-use assets and lease liabilities of most of the leases – i.e. these leases are on the balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under AASB 117

Previously, the Company classified the property leases as operating leases under AASB 117. On transition of these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, discounted using the Company's incremental borrowing rate. This was applied to 466 leases.

The Company used a number of practical expedients when applying AASB 16 to the leases previously classified as operating leases under AASB 117. In particular, the Company:

- Did not recognise right-of-use assets and liabilities for a lease where the lease term ends within 12 months of the date of initial application;
- Did not recognise right-of-use assets and liabilities for low value assets (e.g. IT equipment);
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

Leases classified as finance leases under AASB 117

The company leases a number of motor vehicles. These leases were classified as finance leases under AASB 117. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 was determined at the

Note 1: Statement of Significant Accounting Policies

carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

iii) Impact on the financial Statements

Impact on transition*

On transition to AASB 16, the Company recognised additional right-of-use assets,

	1st July 2019 $
Right-of-use assets - investment properties	30,952,368
Right-of-use assets - office premises and motor vehicles	3,205,595
Lease liabilities	34,157,963
Retained profits	-

including investment properties, and additional lease liabilities. The impact on transition is summarised below.
*For the impact of AASB 16 on profit or loss and EBITDA for the period, see Note 3.
For the details of accounting policies under AAAB 16 and AASB 117, see Note 1(f)

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate.

	1st July 2019 $
Operating lease commitments at 30 June 2019 as disclosed under AASB 117	9,484,172
Discounted using the incremental borrowing rate at 1 July 2019	(310,078)
Recognition exemption of leases with less than 12 months of lease term at transition	(927,124)
Extension options reasonably certain to be exercised	25,910,993
Lease liabilities recognised at 1 July 2019	34,157,963

The rate applied is 3.73% for leased office premises and motor vehicles and 2.06% for leased investment properties.
AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

Notes to Statements

Note 1: Statement of Significant Accounting Policies

The Company has adopted AASB 15 and AASB 1058 in the current year with a date of application effective 1 July 2019. The Company has applied AASB 15 and AASB 1058 using the modified retrospective method which means the comparative information has not been restated and continues to be reported under AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions and related interpretations. If any, all adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained profits at 1 July 2019.

Government grant funding – operating

Under AASB 1058 and AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed or recognised at the point in time that the control of the service passes to the customer. Having reviewed the grants received, there are some which fall into AASB 1058 and others which falls into AASB 15 which has resulted in deferral of revenue.

Government grant funding – capital

Under AASB 1058, where the Company has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by the Company and there is a refund liability if the terms and conditions of the grant are not met then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed. This has resulted in deferral of revenue and recognition of a contract liability for funds which have not been fully spent at transition date.

For the details of accounting policies under AASB 15 and AASB 1058, see Note 1(l).

Changes in presentation

In addition to the above changes in accounting policies, the Company has also represented in the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058;

- Refund liabilities (other liabilities) related to expected refunds to customers are now shown as a separate class of liability. See Note 15.

(b) 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.

Notes to Statements

Note 1: Statement of Significant Accounting Policies

(c) 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(h) 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 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:

Class of Asset	Depreciation Rate %
Leasehold improvements	7.0 to 20.0
Property, plant and equipment	7.5 to 50.0

The asset's 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

(d) Intangible Assets

Where computer software costs are not integral to associated hardware, the Company recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that the Company controls. They are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Notes to Statements

Note 1: Statement of Significant Accounting Policies

i. **Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful life and is recognised in profit or loss. The estimated useful life for computer software is 2.5 years (30 months).

(e) 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 an external independent 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.

(f) Leases

The Company has applied AASB 16 using the modified retrospective approach therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB interpretation 4. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in AASB 16.

The policy is applied to contracts entered into, on or after 1 July 2019.

i. **As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the

Notes to Statements

Note 1: Statement of Significant Accounting Policies

lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as property and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain re measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at an amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments due to a change in an index or rate, a change in the estimated amount payable under a residual value guarantee or if the Company changes its assessment if it will exercise a purchase, extension or termination option or if there is a revised-in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss, if the carrying amount in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to Statements

Note 1: Statement of Significant Accounting Policies

ii. **As a lessor**

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies AASB 15 Revenue from Contracts with Customers, to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in AASB 9 Financial Instruments to the new investment in the lease (see Note 1(g)). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under the operating leases as income on a straight-line basis over the lease term.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

Policy applicable before 1 July 2019

iii. **As a lessee**

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Notes to Statements

Note 1: Statement of Significant Accounting Policies

iv. **As a lessor**

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(g) Financial instruments

i. **Recognition and initial measurement**

The Company initially recognises Receivables on the date on which they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus (FVP), for an item not at fair value through statement of Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

ii. **Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or Fair Value through Other Comprehensive Income (FVOCI) as described above are measured at Fair Value through statement of Profit and Loss (FVTPL). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets

the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost of Fair Value through statement of Profit and Loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, if it is a derivative or it is designated as such on initial recognition. Financial Liabilities at FVTPL are measured at Fair Value and net gains and losses, including any interest expense, are recognised on profit or loss. Other financial liabilities are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

iii. **De-recognition**

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(h) Impairment of Assets

Non-Financial Assets

At each reporting date, the Company reviews the carrying values of its non-financial 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.

Notes to Statements

Note 1: Statement of Significant Accounting Policies

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.

i. **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 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.

(j) 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.

(k) 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.

Notes to Statements

Note 1: Statement of Significant Accounting Policies

(l) Revenue

Policy applicable from 1 July 2019

ii. **Government grant funding**

The Company received three (3) types of government grants and funding during the year ended 30 June 2020;

- Community Housing Lease Program ("CHLP") annual funding received from the Department of Communities and Justice NSW.
- National Rental Affordability Scheme Funding ("NRAS") annual funding received from the Federal Department of Social Services and NSW and ACT Governments for supply of affordable rental dwellings through an annual financial incentive.
- Winter Lodge funding from the ACT Government to deliver accommodation for men experiencing homelessness commencing May 2020 for five months.

Grant income arising from these agreements which contains enforceable and sufficiently specific performance obligations is recognised when control of each performance obligation is satisfied. Within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, generally the revenue is recognition based on either cost or time incurred which best reflects the transfer of control.

iii. **Capital grants**

Capital grants received under an enforceable agreement to enable the Company to acquire or construct an item of property, plant and equipment to identified specifications which will be controlled by the Company (once complete) are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the company.

iv. **Donations**

Donations collected, including cash and goods for resale, are recognised as revenue when the Company gains control of the asset.

Policy applicable before 1 July 2019

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.

Notes to Statements

Note 1: Statement of Significant Accounting Policies

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.

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.

(m) 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.

(n) 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.

Notes to Statements

Note 1: Statement of Significant Accounting Policies

(o) 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.

(p) 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 2020. No other impairment has been recognised as at 30 June 2020. 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

Notes to Statements

Note 1: Statement of Significant Accounting Policies

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 11 - Investment Property.

Lease Term

The Company has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of the lease liability and right of use assets recognised.

For leasehold properties the term was assessed by looking at the Company's total leasehold history of both current and former agreements by local government area. The Company then set two groups. Group one which accounted for 40% of the portfolio, a combination of Wingecarribee and Campbelltown local government authorities, with an average lease life of seven years and group two, being the rest of the Company's portfolio with an average lease life of 3.3 years.

(q) 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.

Notes to Statements

Note 2: Income

	2020 $	2019 $
Tenant and property related income		
Rental income	23,509,000	22,983,882
Revenue from contracts with customers		
Government grants income	4,793,208	4,402,455
Management fee for service	459,326	479,609
Water usage reimbursement	567,256	558,157
Tenant repairs and maintenance reimbursement	801,729	698,949
Utilities reimbursement	171,986	146,711
	30,302,505	**29,269,763**
Other income		
HSP Income	4,498,662	3,191,147
Other Income	170,170	56,494
	4,668,832	**3,247,641**
Capital Government Funding		
Revenue Recognised under AASB 1058		
Contribution for Older Women In Housing	516,297	1,483,703
	516,297	**1,483,703**
Financial Income		
Interest - bank deposits	115,082	100,063
	115,082	**100,063**

Notes to Statements

Note 3: Expenses

	2020 $	2019 $
Tenant and property related expenses		
Rent Paid	-	7,502,160
Expenses relating to short-term leases	809,219	-
Impairment loss on trade and other receivables	844,953	656,311
Insurance	1,043,503	1,087,558
Rates - water	1,472,240	1,439,846
Rates - council	2,250,548	2,255,989
Other utilities expense	346,377	350,737
Repairs and maintenance cyclical	1,614,854	1,899,322
Repairs and maintenance responsive	2,179,436	2,287,341
Repairs and maintenance tenant damage	1,060,252	811,544
Other property management expenses	148,880	197,253
Other tenancy management expenses	367,616	354,310
	12,137,878	**18,842,371**
Employee related expenses		
Salaries, wages and contract labour	5,668,473	5,432,508
Superannuation	523,550	506,601
Employee Entitlement	34,468	30,728
Other employee related expenses	75,610	139,397
	6,302,101	**6,109,233**
Office and Administration expenses		
Office rent & Make Good	110,014	608,165
Depreciation and amortisation	211,343	212,351
Depreciation - right-of-use assets office and motor vehicle	569,516	-
Loss on disposal of assets	-	9,138
IT related expenses	136,520	119,444
Telephone and internet	162,492	145,658
Audit & Valuation	135,943	147,485
Consultants	145,050	161,321
Motor vehicle expenses	113,940	285,688
HSP Expenses	4,786,267	3,189,886
Recruitment costs	170,486	109,443
Printing, postage and stationery	245,392	229,121
Other staff related costs	183,527	151,423
Board expenses	373,720	320,338
Other office and administration expenses	844,491	546,136
	8,188,701	**6,235,599**
Financial Expense		
CSB Loan Interest	93,950	98,538
NHFIC Loan Interest	1,355	-
Interest on Lease Liabilities	724,695	-
	820,000	**98,538**

Notes to Statements

Note 4: Cash and Cash Equivalents

	2020 $	2019 $
Cash at bank (iii)	14,710,990	5,916,855
Cash on hand	-	5,200
	14,710,990	5,922,055
Term deposits	2,788,692	2,756,355
Cash and Cash Equivalents	**17,499,682**	**8,678,410**

Note 5: Trade and Other Receivables

	2020 $	2019 $
Current		
Trade receivables (i)	3,333,578	1,836,770
Provision for expected credit losses (ii)	(1,550,779)	(1,186,791)
	1,782,799	**649,979**

i. No interest is charged on trade receivables. The entity has provided fully for all receivables due from former 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 concerning 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 expected credit losses.

iii. Cash at bank includes funding sourced under the NHFIC loan to the value of $9,761,196 established for the purpose of increasing affordable housing through the building and acquisition of housing across the Company portfolio.

Notes to Statements

Note 6: Other Assets

	2020 $	2019 $
Bank guarantees	23,910	23,654
Prepayments	832,670	490,610
Income receivable	341,095	692,738
Bonds held by Rental Bond Board	689,465	761,405
Other current assets	76,108	96,676
	1,963,248	**2,065,083**

Note 7: Other Financial Assets

	2020 $	2019 $
Non Current		
Membership shares - BDCU	10	10
	10	10

Notes to Statements

Note 8: Property, Plant and Equipment

	2020 $	2019 $
Leasehold improvements		
At cost	797,607	797,607
Less: Accumulated depreciation	(641,030)	(567,509)
	156,577	230,098
Plant and equipment		
At cost	748,220	738,309
Less: Accumulated depreciation	(709,487)	(638,154)
	38,733	100,154
	195,310	330,252

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

Leasehold improvements		
Carrying amount at the beginning of the financial year	230,098	305,822
Depreciation	(73,521)	(75,724)
Carrying amount at the end of the financial year	**156,577**	**230,098**
Plant and equipment		
Carrying amount at the beginning of the financial year	100,154	119,544
Additions	9,913	53,750
Depreciation	(71,333)	(73,140)
Carrying amount at the end of the financial year	**38,733**	**100,154**
	195,310	**330,252**

Notes to Statements

Note 9: Intangible Asset

	2020 $	2019 $
Software Development		
At cost	333,298	333,298
Less: Accumulated amortisation	(331,476)	(264,988)
	1,822	**68,310**

Note 9a Intangible Asset

	2020 $	2019 $
Software Development		
Carrying amount at the beginning of the financial year	68,310	130,228
Amortisation	(66,488)	(61,918)
Carrying amount at the end of the financial year	**1,822**	**68,310**

Notes to Statements

Note 10: Right-of-use Asset - office and motor vehicles

	2020 $	2019 $
Balance at the beginning of the year	-	-
Balance at the beginning of the year - change in accounting policy	3,205,595	-
Depreciation of right-of-use assets	(569,516)	-
	2,636,079	-

Note 11: Investment Properties

	2020 $	2019 $
Investment property - owned		
Balance at the beginning of the year	112,160,153	97,559,632
Additions at Cost	2,078,759	4,302,478
WIP and Deposit with Vendors	(361,589)	250,252
Net gain/(loss) from fair value adjustments	3,556,241	10,047,791
Balance at the end of the year	**117,433,564**	**112,160,153**
Investment property - leased		
Balance at the beginning of the year	-	-
Balance at the beginning of the year - change in accounting policy	30,952,368	-
Additions of new properties to right of use assets	5,250,360	-
Net gain/(loss) from fair value adjustments	(6,545,839)	-
Carrying amount at the end of the financial year	**29,656,889**	**-**
Total	**147,090,453**	**112,160,153**

Notes to Statements

Investment property comprises residential properties that are leased to third parties.

The fair value of investment properties as at 30 June 2020 has been arrived at based on a valuation carried out in May 2020 by Craig Ashford (Certified Practising Valuer) of Jones Lang LaSalle Pty Ltd.

The revaluation has been conducted in accordance with the Australian Accounting Standards including AASB 13 Fair Value Measurement and AASB 116 Property Plant and Equipment.

At 30 June 2020, properties with a carrying amount of $31,578,947 were held as security for the loan from the National Housing Finance and Investment Corporation ("NHFIC"). Under the terms of the loan twenty percent (20%) of the properties must be valued every year with each mortgaged property to be valued at least once every three years.

Note 12: Trade and other Payables

	2020 $	2019 $
Trade creditors (i)	247,884	303,738
GST Liabilities	99,719	80,947
Insurance Claims Payable	257,677	691,628
Common Ground Clearing	1,268,677	938,985
Other current payables and accruals	2,053,933	1,488,664
	3,927,890	**3,503,962**

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

Notes to Statements

Note 13: Provisions

	2020 $	2019 $
Employee Benefits		
Opening balance	528,521	501,397
Movement during the year	34,486	27,124
Closing balance	**563,007**	**528,521**
Represented By;		
Current		
Provision for Annual Leave and Time in Lieu*	359,095	332,971
Provision for Long Service Leave*	121,337	82,513
	480,432	**415,484**
Non Current		
Provision for Long Service Leave*	82,575	113,037
	82,575	**113,037**
Office Make Good Provision	**106,872**	**83,124**
Total Non Current Provisions	**189,447**	**196,161**
* Aggregate employee entitlements liability	563,007	528,521

Notes to Statements

Note 14: Borrowings

	2020 $	2019 $
Current[1]	-	651,225
Non Current[2]	12,000,000	2,196,001
	12,000,000	**2,847,226**

1. A loan to the value of $3,300,000 over sixty months from the initial draw down date was signed on 27 June, 2018 with Community Sector Bank ("CSB") by the Company to support the vested acquisition program from which nine properties were acquired, five in Wagga and four in Griffith. This loan was fully repaid in June 2020.
2. An interest only loan to the value of $12,000,000 over one-hundred and forty-four months was signed on 19 June 2020 by the Company with National Housing Finance and Investment Corporation ("NHFIC"). These funds were received on 29 June 2020.

   Applicable interest rate for the term of the loan is 2.06% p.a. with security taken on eighty-three properties. The loan to value ratio ("LVR") has a threshold set at 50%. At time of settlement the actual LVR was 38% and an establishment fee of $42,000 was paid to NHFIC.

   The first application of the funds occurred in July 2020 for settlement of two properties in Wagga Wagga NSW with NHFIC holding security totalling eighty-five properties.

Note 15: Other Liabilities

	2020 $	2019 $
Current		
Rent received in advance	1,191,559	1,148,217
Funding received in advance	778,716	895,427
Amounts withheld from salaries and wages	55,243	130,235
	2,025,518	**2,173,879**

Note 16: Lease Liabilities

	2020 $	2019 $
Current - Office, Motor Vehicle and Property	7,677,040	-
Non-current - Office, Motor Vehicle and Property	24,889,153	-
	32,566,193	**-**

Notes to Statements

Note 17: Reconciliation of Net Cash Provided by / (Used in) Operating Activities to Profit before tax

	2020 $	2019 $
Profit before income tax	5,164,438	12,863,220
Provision for impairment	363,988	214,292
Make Good Provision	23,748	83,124
Change in fair value of investment properties	2,989,598	(10,047,791)
Depreciation of property, plant and equipment	211,343	212,352
Depreciation of right-of-use assets	569,516	-
Interest expense on lease liabilities	724,695	-
Loss on disposal of non current assets	-	9,138
Operating profit before changes in working capital and provisions	10,047,326	3,334,335
Change in trade receivables	(1,333,669)	239,781
Change in other assets	188,485	(119,370)
Change in trade and other payables	337,278	30,748
Change in other liabilities	(311,502)	309,775
Change in employee entitlements	34,486	27,124
Net cash provided by operating activities	**8,962,404**	**3,822,393**

Note 18: 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.

Key Management Personnel compensation was $1,095,074 for the year ended 30 June 2020 (2019: $1,001,067).

Key management personnel represent the directors and senior executives of the Company. In addition to their salaries, the Company also provides non-cash benefits such as expense payment fringe benefits. The aggregate key management personnel compensation comprises (i) short-term employee benefits including salaries, exempt and reportable fringe benefits and the movement in annual leave provisions, (ii) other long term benefits comprising movements in long service leave provisions over the year (iii) post-employment benefits representing contributions made to a superannuation fund on the key management personnel's behalf, and (iv) any termination benefits paid. This also includes Directors' Remuneration.

Transactions with related parties

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

Notes to Statements

Note 19: Contingent Liabilities

Business undertakings

	2020 $	2019 $
Bank Guarantees have been provided to cover rental bonds for various offices	23,910	23,654

No other material contingent liabilities have been identified.

Note 20: Leases

Leases as lessee:

Leases between the Company and NSW Department of Communities and Justice are typically for a period of five years. Housing NSW charge rent of $1 per property per year for these properties.

Leases as lessor:

The Company leases out its investment properties consisting of both owned properties as well as leased properties. All leases are classified as operating leases from a lessor perspective.

Note 21: Capital commitments:

As at 30 June 2020, an obligation exists totalling $666,000 to settle two properties in Wagga Wagga where settlement occurred in July 2020.

Note 22: 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 23: Members' Guarantee

The Company 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 of $10 each towards meeting any outstanding and obligations of the entity. At 30 June 2020, there were seven members.

Frank, Argyle Housing Wagga Wagga

Directors' Declaration

Argyle Community Housing Ltd
ABN: 88 002 761 855
Directors Declaration
the year ended 30 June 2020

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 10 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 2020 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 Chair of the Board	Yvette Pietsch Chair, Audit and Risk Committee

Dated this 29th day of September 2020

Bowral

KPMG

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 2020 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

KPMG

Richard Drinnan

Partner

Wollongong

29 September 2020

KPMG

Independent Auditor's Report

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 2020, 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 2020.

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 (including Independence Standards)* (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.

Auditor's Report

KPMG

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.

Auditor's Report

KPMG

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

KPMG

Richard Drinnan

Partner

Wollongong

29 September 2020

Tammy, Argyle Housing Southern Highlands

A better future for our

Communities

argyle housing

A better future for our

Communities

1300 274 953
argylehousing.com.au