



info@argylehousing.com.au | www.argylehousing.com.au

Argyle Community Housing Ltd

ABN 88 002 761 855

Financial Statements

For the year ended 30 June 2019

Argyle Community Housing Ltd
ABN: 88 002 761 855
Financial Statements
for the year ended 30 June 2019

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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 2019 (“FY2019” 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 FY2019 are:

Donna Anthes	Susan Bailey
Terence Downing	Pamela Edwards
Trevor Fair (resigned 27 November 2018)	Chris Martin
Yvette Pietsch	Julian Sawicki (appointed 1 May 2019)
Tracey Wadsworth (appointed 1 May 2019)	

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 objectives, namely:

1. **Customer 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.

Operating and Financial Review

The total surplus for the Company for the financial year amounted to \$ 12,863,220 (2018: \$16,971,804 which included a gain of \$ 13,000,000 from the property transfer from the ACT Government) including a gain on the revaluation of investment properties of \$ 10,047,791 (2018: \$4,102,450) and contribution of \$1,483,703 from the Community Housing Assistance Agreement under the Older Women in Housing Program.

Operating profit before fair value adjustments and contributions was \$ 1,331,726 (2018 loss of \$130,646).

Twelve (12) additional dwellings were acquired in NSW during the financial year to the reported value of \$ 4,345,000.

Cash assets increased by \$ 3,427,313 for the financial year to 30 June 2019.

Total operating income for the financial year increased by \$ 3,976,508 on that reported for the prior financial year. Total operating expenditure for the financial year increased by \$ 2,505,959 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 27 June 2018, the Company established a Finance Facility for \$3.3m with Community Sector Banking Ltd ("CSB Facility") to fund the acquisition of nine properties (five properties in Wagga Wagga and four in Griffith), to meet Argyle vested property target.

In January 2019, the final draw down from the CSB Facility was applied to settlement of these properties, which completed the vesting program. At 30 June 2019 the CSB facility had a closing balance of \$2,847,227, of which, \$651,225 is reported as current and the balance of \$2,196,001, as non-current.

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 and legal expenses insurance contracts for the year ended 30 June 2019. 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 \$18,788

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:

Name	Terence Downing
Special Responsibilities	Chair of the Board. Ex-officio Member, Assets, Acquisitions and New Business Committee, Audit and Risk Committee and Nomination, Remuneration and Governance Committee.
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 Board. Terry was appointed to the Argyle Board on 4 April 2012.

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Name	Donna Anthes
Special Responsibilities	Chair Assets, Acquisitions and New Business Committee Member Nomination, Remuneration and Governance Committee.
Qualifications	BA (Communication), Grad Cert Bus Admin, Executive MBA, GAICD
Experience	<p>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.</p> <p>Donna was appointed to the Argyle Board on 1 January 2016.</p>

Name	Susan Bailey
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. Susan has executive experience as General Counsel of Ausgrid and General Counsel and Company Secretary of Royal & Sun Alliance.</p> <p>Susan was appointed to the Argyle Board on 1 January 2016.</p>

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Name	Pamela Edwards
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.</p> <p>Pamela was appointed to the Argyle Board on 4 April 2012.</p>

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Name	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	<p>Chris has 36 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 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. He is currently managing director of Pindari Capital, a funds management company wholly owned by Mulpha Australias.</p> <p>Chris was appointed to the Argyle Board on 1 January 2018.</p>
Name	Yvette Pietsch
Special Responsibilities	Chair 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 Audit & Risk Committee for Shellharbour City Council, and was previously a Trustee and Deputy Chair of Centennial Park & Moore Park Trust & was a member of NSW Council for Women's Economic Opportunity and independent Governance. 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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Name	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 Director;
Experience	<p>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.</p> <p>Throughout this time, Tracey has been involved in a number of 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.</p> <p>Tracey's property and commercial background is coupled with a strong understanding of the social and community housing sector.</p> <p>Tracey was appointed to the Argyle Board on 1 May 2019.</p>

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Name	Julian Sawicki
Special Responsibilities	Member of the Audit & Risk Committee.
Qualifications	Bachelor of Economics; Chartered Accountant; Fellow Australian Institute of Company Directors.
Experience	<p>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.</p> <p>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.</p> <p>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.</p> <p>Julian was appointed to the Argyle Board on 1 May 2019.</p>

Retired Directors

Name	Trevor Fair
Special Responsibilities	Chair of the Audit & Risk Committee (resigned 27 November 2018) Patron of Argyle Board (appointed 1 March 2019)
Qualifications	CPA, BBus (Accounting/HRM), GAICD
Experience	<p>Trevor commenced his working career with East West Airlines as an apprentice avionics engineer. He has been employed at Qantas in avionics. While working for numerous years with the NSW Department of Education, Trevor commenced his studies in Accounting & 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 and retired from the Argyle Board on 27 November 2018.</p>

Meetings Held

During the financial year, the Company held a total of 19 meetings of which 8 were general board meetings and 11 were sub-committee meetings. The sub-committee meetings include the Assets, Acquisitions and New Business Committee, the 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 Meetings	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
T Downing	8	8	4	4	4	4	3	3
D Anthes	8	7	4	4			3	2
S Bailey	8	8			4	4	3	3
P Edwards	8	8					3	3
C Martin	8	8	4	4				
Y Pietsch	8	8			4	4		
J Sawicki ²	2	2			1	1		
T Wadsworth ²	2	2	1	1				
T Fair ¹	2	2			1	1		

1. Resigned 27 November 2018, patron effective 1 March 2019

2. Appointed 1 May 2019

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

(b) Number of meetings attended

Details of Membership

The entity is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the entity is wound up, the Constitution states that each member is required to contribute a maximum amount of \$10 each towards meeting the obligations of the entity.

At 30 June 2019, there were eight (8) members and the total amount that members of the Company are liable to contribute if the Company is wound up is \$80 (In 2018: \$ 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 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 24th day of September 2019

Bowral

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 Statement of Profit or Loss and Other Comprehensive Income
 for the year ended 30th June 2019

	Note	2019 \$	2018 \$
Income			
Tenant and property related income	2	29,269,763	27,700,613
Other income	2	3,247,641	840,284
Total income		32,517,404	28,540,897
Expenses			
Tenant and property related expenses	3	(18,842,371)	(17,946,108)
Employee related expenses	3	(6,109,233)	(6,703,064)
Office and administration expenses	3	(6,235,599)	(4,130,611)
Total operating expenses		(31,187,203)	(28,779,783)
Financial income	2	100,063	108,240
Financial expenses	3	(98,538)	-
Net financial income		1,525	108,240
Profit / (Loss) before fair value adjustments and contributions		1,331,726	(130,646)
Contribution of investment properties at fair value		-	13,000,000
Capital Government Funding	2	1,483,703	-
Gain on revaluation of investment properties		10,047,791	4,102,450
Profit before income tax		12,863,220	16,971,804
Income tax expense		-	-
Profit for the year		12,863,220	16,971,804
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		-	-
Total comprehensive income for the year		12,863,220	16,971,804

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 Statement of Financial Position
 As at 30th June 2019

	Note	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	4	8,678,410	5,251,097
Trade and other receivables	5	649,979	1,104,052
Other current assets	6	2,065,083	1,945,713
Total current assets		<u>11,393,472</u>	<u>8,300,862</u>
Non-Current Assets			
Trade and other receivables	5	-	1,344,174
Other financial assets	7	10	10
Property, plant and equipment	8	330,252	456,074
Intangible Assets	9	68,310	130,228
Investment properties	10	112,160,153	97,559,632
Total non-current assets		<u>112,558,725</u>	<u>99,490,118</u>
Total Assets		<u>123,952,197</u>	<u>107,790,980</u>
Current Liabilities			
Trade and other payables	11	3,503,962	3,473,214
Provisions	12	415,484	418,707
Loans and Borrowings	13	651,225	-
Other current liabilities	14	2,173,879	1,864,104
Total current liabilities		<u>6,744,550</u>	<u>5,756,025</u>
Non-Current Liabilities			
Provisions	12	196,161	82,690
Loans and Borrowings	13	2,196,001	-
Total non-current liabilities		<u>2,392,162</u>	<u>82,690</u>
Total Liabilities		<u>9,136,712</u>	<u>5,838,715</u>
Net Assets		<u>114,815,485</u>	<u>101,952,265</u>
Equity			
Retained profits		114,815,485	101,952,265
Total Equity		<u>114,815,485</u>	<u>101,952,265</u>

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 Statement of Changes in Equity
 for the year ended 30th June 2019

	Retained Profits	Total \$
Balance at 1 July 2017	84,980,461	84,980,461
Profit attributable to the Company	16,971,804	16,971,804
Other comprehensive income for the year	-	-
Balance at 30 June 2018	101,952,265	101,952,265
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

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 Statement of Cash Flows
 for the year ended 30th June 2019

	Note	2019 \$	2018 \$
Cash Flow from Operating Activities			
Receipts from customers		27,886,159	23,816,597
Receipts from government bodies		6,238,721	4,039,620
Payments to suppliers and employees		(30,304,012)	(27,567,399)
Interest received		100,063	108,240
Interest paid		(98,538)	-
Net cash from operating activities	15	3,822,393	397,058
Cash Flow from Investing Activities			
Proceeds/(purchase) of term deposits		-	2,074,681
Purchase of property plant and equipment		(53,750)	(130,272)
Investment properties		(4,552,730)	(3,895,385)
Settlement of Blue CHP Loan		1,344,174	
Proceeds from sale of equipment		20,000	2,100
Net cash used in investing activities		(3,242,306)	(1,948,876)
Cash Flow from Financing Activities			
Proceeds from Borrowings		3,287,000	-
Repayment of Borrowings		(439,774)	-
Net cash from financing activities		2,847,226	-
Net (decrease)/increase in cash held		3,427,313	(1,551,818)
Cash at the beginning of the year		5,251,097	6,802,915
Cash at the end of the year	4	8,678,410	5,251,097

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements on pages 18 to 40.

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 24 September 2019.

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) Changes in accounting policy

Except for the changes below, the Company has consistently applied accounting policies to all periods presented in these financial statements.

The Company has initially applied AASB 9 from 1 July 2019. AASB 9 contains three principal classification categories for financial assets; measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair value through statement of Profit and Loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The following table explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of financial asset and liability as at 1 July 2018. There is no effect of adopting AASB 9 on the carrying amounts of financial assets and financial liabilities at 1 July 2018.

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 Independent Auditor's Report to Members
 For the year ended 30th June 2019

	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
Financial assets				
Cash and cash equivalents (Note 4)	Loans and receivables	Amortised cost	5,251,097	5,251,097
Receivables (Note 5)	Loans and receivables	Amortised cost	2,448,227	2,448,227
Total Financial assets			7,699,324	7,699,324
Financial liabilities				
Trade and other payables (Note 11)	Other financial liabilities or Amortised cost	Other financial liabilities or Amortised cost	3,473,214	3,473,214
Total financial liabilities			3,473,214	3,473,214

AASB 9 replaces the 'incurred loss' model in AASB 139 with an "expected loss" (ECL) model. The new impairment model applies to financial assets held at amortised cost, but not to investments in equity instruments.

(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*.

(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 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

(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.

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 live 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

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.

(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, 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 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 or 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.

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.

(l) 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.

(m) 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 three (3) types of government grants and funding during the year ended 30 June 2019:

- Community Housing Leasing Program ("CHLP") - annual funding received from the Department of Family and Community Services ("FACS") - Housing NSW.
- Community Housing Assistance Agreement – one-time funding agreement for Older Women in Housing Project (Griffith and Queanbeyan)
- 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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 2019. No other impairment has been recognised as at 30 June 2019. 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 10 - Investment Property.

(r) Economic dependency

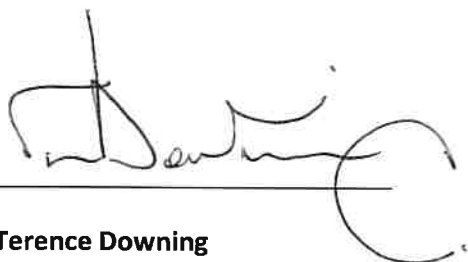
The financial statements have been prepared on a going concern basis. In the event that current government contracts and funding were to cease, the Company would have to significantly restructure its operations to meet its commitments. At the date of this report, the Directors have no reason to believe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

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 14 to 40 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 2019 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 24th day of September 2019

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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 2019 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

24 September 2019



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 2019, 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 2019.
- 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.

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.



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.



Richard Drinnan

Partner

Wollongong

24 September 2019