



*A better future for
our communities.*

ANNUAL REPORT 2017
FINANCIAL REPORT



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Argyle Community Housing Ltd

Financial Statements

for the year ended 30 June 2017

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Argyle Community Housing Ltd
ABN: 88 002 761 855
Directors' Report
for the year ended 30 June 2017

The Directors present their report together with the financial statements of Argyle Community Housing Ltd (the "Company") for the year ended 30 June 2017 ("FY2017" 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 FY2017 are:

Donna Anthes	Susan Bailey
Ian Cropper (resigned 31 January 2017)	Terence Downing
Pamela Edwards	Trevor Fair
Nicolette McAdoo (resigned 22 November 2016)	John Peters
Terry Spencer	

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

Principal Activities

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

Strategy and Objectives

The Company focused on five key strategic imperatives, namely:

1. **Tenant and Community** - To improve the social outcomes for those Australians in housing stress.
2. **People, Performance and Culture** - To be a preferred employer with a constructive and outcomes focused culture.
3. **Partnerships and Capability** - To achieve and maintain sector leading systems and processes that facilitates efficient and effective expansion across multiple regional areas and jurisdictions.
4. **Sustainable Growth** - To develop and maintain a sustainable business model with reducing reliance on government funding to provide dwellings that enhance our tenants' financial sustainability.
5. **Advocacy and Identity** - To establish Argyle's identity and reputation for delivery of quality products and services and better individual and community outcomes.

Operating and Financial Review

The total surplus for the Company for the financial year amounted to \$6,555,345 (2016: \$7,999,936). A gain on the revaluation of investment properties of \$4,548,140 was recognised in FY2017.

Operating profit for the financial year totalled \$2,007,205 (2016: \$2,082,134). This is prior to any adjustment for the revaluation of investment properties noted above.

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Operating income for the financial year increased by \$ 639,174 on that reported for the prior year. Expenditure for the financial year increased by \$672,428 on that reported for the prior.

Three additional dwellings were acquired during the financial year totalling \$788,684. Cash assets increased by \$885,680 to 30 June 2017.

Performance Management

The financial performance of the business is monitored regularly by the Board. 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 Finance Reports are considered by the Audit and Risk Committee.

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

Events Subsequent to Reporting Date

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

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 2017. Such insurance contracts insure against activities covered under such contracts, for individuals who are or have been Directors or considered to be Officers of the Company.

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 Directors' Report
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Directors

Each Director was in office during the financial year unless otherwise stated:

Name	Dr. Terry Spencer
Special Responsibilities	Chairman of the Board, Member of the Audit and Risk Committee and the Assets, Acquisitions and New Business Committee. Ex-officio Member of the Corporate Governance Committee and the Nominations, Remuneration and HR Committee. Dr. Spencer stepped down as Chairman of the Board with effect from 1 July 2017
Qualifications	BSc (hons 1), PhD, MAICD
Experience	Terry has had a long and varied career in science management, project/program management, business analysis and business process re-engineering, predominantly in the public sector. He has also served as an expert consultant to national and international bodies in areas as diverse as technical advice, regulation and process auditing. Terry has served the community in both Queanbeyan (his home town) and Benalla (Victoria) through executive involvement in a number of community organisations. This includes two terms as a councillor of the City of Benalla and life membership of Apex. Terry is currently a part-time lecturer at the Canberra Institute of Technology in the building & construction area, specialising in construction contracts, construction risk and quality management and the specialised legal requirements associated with building. He holds a Class B building licence in the ACT. Terry was appointed to the Argyle Community Housing Ltd Board in October 2006.
Name	Terence Downing
Special Responsibilities	Appointed Chairman of the Board with effect from 1 July 2017. Chairman of the Audit and Risk Committee from 22 November 2016 to 30 June 2017.
Qualifications	B Comm, M Mgmt, CPA, FAICD, ANZIIF Fellow
Experience	Terry is an experienced non-executive director with current and prior positions in the public, private and not-for-profit sectors. His prior experience includes senior executive positions in the financial services sector and consulting to service industries including insurance, banking, funds management, superannuation and aged care. Terry brings extensive financial, risk management, corporate governance and commercial experience to the Argyle board. Terry was appointed to the Argyle Community Housing Ltd Board in April 2012.

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Directors (continued)

Name	Donna Anthes
Special Responsibilities	Member of the Assets, Acquisition and New Business Committee. Appointed Member of the Nominations, Remuneration and HR Committee with effect from 22 November 2016
Qualifications	BA (Communication), Grad Cert Bus Admin, ,GAICD
Experience	Donna is an experienced Company Secretary and Non-Executive Director with proven governance & risk management expertise. She has over five years' board level experience and leverages her strong track record 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 stakeholders at all levels 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. Donna's strong leadership skills are accompanied by a track record of growing revenue and business development. Donna was appointed to the Argyle Community Housing Ltd Board in January 2016.
Name	Susan Bailey
Special Responsibilities	Member of the Audit and Risk Committee. Appointed Member of the Corporate Governance Committee with effect from 22 November 2016
Qualifications	BA/LL.M, MPAdmin ,MAICD
Experience	Susan has over 30 years' experience as a commercial lawyer with expertise in strategy, planning, governance, project management and change management. Susan has worked in the public and private sector including insurance, utilities, building and social services. Following a career as a banking and finance lawyer in two Sydney law firms, she served at executive level as General Counsel of Ausgrid and as General Counsel and Company Secretary of Royal & Sun Alliance. Susan is a Director and Member of both Minimbah Challenge Inc. and the Westhaven Board. Susan was appointed to the Argyle Community Housing Ltd Board in January 2016

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Directors (continued)

Name	Pamela Edwards
Special Responsibilities	Chair of the Corporate Governance Committee. Appointed Member of the Nominations, Remuneration and HR Committee with effect from 22 November 2016
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 is a former Vice President of the Corporate Counsel Association, Europe and is a member of the Australian Institute of Company Directors. Pamela was appointed to the Argyle Community Housing Ltd Board in April 2012.
Name	Trevor Fair
Special Responsibilities	Chairman of the Nominations, Remuneration and HR Committee, Member of the Audit and Risk Committee. Appointed Chairman of the Audit and Risk Committee with effect from 1 July 2017.
Qualifications	CPA, B Bus (Accounting/HRM), GAICD
Experience	Trevor commenced his working career with East West Airlines as an apprentice avionics engineer. He also 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. Trevor graduated from AICD 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. Trevor was appointed to the Argyle Community Housing Ltd Board in May 2009

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Directors (continued)

Name	John Peters
Special Responsibilities	Chairman of the Assets Acquisitions and New Business Committee
Qualifications	B. Arch. Adv. Dip. BCM, ARAIA , FAICD
Experience	Based on the foundation skills as an architect, John has worked in various facets of property in the UK, New Zealand and throughout Australia, for over 35 years. Much of this experience was with Lend Lease as a Project Manager, Asset Manager, and Qld Manager and Director, Lend Lease Commercial. John set up his own property development company in 1995, and his primary activities during this time were within the residential, retail and office sectors in SE Queensland. John has also consulted to investors and financial stakeholders during this time, including Merrill Lynch, GPT, Thiess, St George Bank and Multiplex. John is a Fellow of the Australian Institute of Company Directors, a non-executive director of Mirvac Group and an executive director of a number of unlisted companies. John was appointed to the Argyle Community Housing Ltd Board in June 2013.
Name	Ian Cropper (resigned 31 January 2017)
Special Responsibilities	Chairman of the Audit and Risk Committee until 22 November 2016. Member of the Audit and Risk Committee and Member of Asset, Acquisitions and New Business Committee until 31 January 2017.
Qualifications	BA. Dip Ed. JP, MAICD
Experience	Following a number of years in industry, Ian taught Business Studies in TAFE before moving into educational administration. He held a number of Deputy and Principal positions and had regional area responsibilities as well as being a Member of the Board of the Illawarra Institute of Technology. Prior to and during his retirement, Ian has worked on a series of short term volunteer projects both in South East Asia and the Pacific Islands. Ian has successfully completed various governance courses run by the NSW Federation of Housing Associations and the Australian Institute of Company Directors. Ian has occupied various Board/Committee positions within his local community. Ian was appointed to the Argyle Community Housing Ltd Board in July 2007 and resigned on 31 January 2017.

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Directors (continued)

Name	Nicolette McAdoo (resigned 22 November 2016)
Special Responsibilities	Member of Nominations, Remuneration and HR Committee until 22 November 2016.
Qualifications	MAICD
Experience	For thirty one years, Nikki worked as a Makeup Artist in film and television both in Australia and the United Kingdom. Moving to the Southern Highlands, she decided on a change of direction, studying welfare management and thereafter taking on the role of Manager of Highlands Community Centres ("HCC"). The organisation offered a range of services to the Southern Highlands local community, including Emergency Relief, Youth Services, Community Development, No Interest Loans and Domestic Violence Court Support. During her 17 years at HCC, Nikki successfully lobbied to obtain additional funding for many new services in the area. Following her retirement in 2009, she joined Southern Highlands University of the Third Age ("U3ASH"), which achieved a membership of more than 1,000 by June 2014. She had joined the U3ASH Committee as course Co-ordinator and last year was elected President. Nikki brought to the Argyle Board, valuable insights into the community due to her previous experiences in human rights and social interaction. She believes strongly in social justice, thus making her a strong advocate for Argyle tenants. Nikki was appointed to the Argyle Community Housing Ltd Board in July 2007 and resigned on 22 November 2016.

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 Directors' Report
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Directors (continued)

Unless noted above, there have been no changes to the Directors since 30 June 2017.

Meetings Held

During the financial year, the Company held a total of 10 meetings of Directors and 16 meetings of Committees. This includes the Assets, Acquisitions and New Business Committee, the Audit and Risk Committee, the Nominations, Remuneration and HR Committee and the Corporate Governance Committee.

Director	Board Meetings		Asset and New Business Committee Meetings		Audit and Risk Committee Meetings		Nominations, Remuneration and HR Committee Meetings		Corporate Governance Committee Meetings	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
T Spencer	10	10	5	5	4	4	4	4	3	3
T Downing	10	10	3	3	4	4	1	1		
D Anthes	10	10	5	5			3	3		
S Bailey	10	10			4	4			1	1
P Edwards	10	8					3	2	3	3
T Fair	10	10			4	4	4	4		
J Peters	10	10	5	5						
I Cropper ¹	5	4	3	3	2	2				
N McAdoo ²	3	3					1	1	2	2

1. Resigned 31 January 2017

2. Resigned 22 November 2016

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

(b) Number of meetings attended

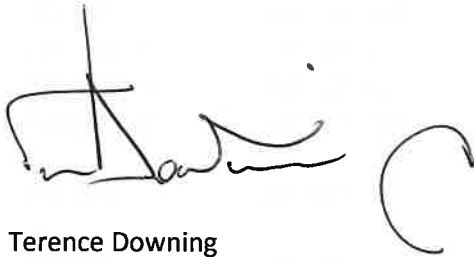
Details of Membership

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 2017, the total amount that members of the Company are liable to contribute if the Company is wound up is \$70 (2016: \$90).

Auditor's Independence Declaration

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

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



Terence Downing

Chairman



Trevor Fair

Audit and Risk Committee Chairman

Dated this 26th day of September 2017

Bowral

Argyle Community Housing Ltd
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 Statement of Profit or Loss and Other Comprehensive Income
 for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Income			
Tenant and property related income	2	27,096,808	26,248,829
Other income	2	160,035	368,840
Total income		<u>27,256,843</u>	<u>26,617,669</u>
Expenses			
Tenant and property related expenses	3	(16,404,402)	(16,230,668)
Employee related expenses	3	(5,700,484)	(5,494,985)
Office and administration expenses	3	(3,311,548)	(3,018,354)
Total operating expenses		<u>(25,416,434)</u>	<u>(24,744,007)</u>
Financial income	2	166,796	208,472
Financial expenses		-	-
Net financial income		<u>166,796</u>	<u>208,472</u>
Profit before fair value adjustments and contributions		<u>2,007,205</u>	<u>2,082,134</u>
Contribution of investment properties at fair value		-	-
Gain on revaluation of investment properties		4,548,140	5,917,802
Profit before income tax		<u>6,555,345</u>	<u>7,999,936</u>
Income tax expense	1(a)	-	-
Profit for the year		<u>6,555,345</u>	<u>7,999,936</u>
Other comprehensive income for the year		-	-
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive income for the year		<u>6,555,345</u>	<u>7,999,936</u>

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 16 to 39.

Argyle Community Housing Ltd
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 Statement of Financial Position
 as at 30 June 2017

	Note	2017 \$	2016 \$
Current Assets			
Cash and cash equivalents	4	7,541,360	6,655,680
Trade and other receivables	5	1,018,197	845,127
Other current assets	6	2,882,919	2,648,371
Total current assets		<u>11,442,476</u>	<u>10,149,178</u>
Non-Current Assets			
Trade and other receivables	5	1,344,174	1,344,174
Other financial assets	7	10	10
Property, plant and equipment	8	668,788	402,614
Investment properties	9	76,561,797	70,909,473
Total non-current assets		<u>78,574,769</u>	<u>72,656,271</u>
Total Assets		<u>90,017,245</u>	<u>82,805,449</u>
Current Liabilities			
Trade and other payables	10	2,894,057	2,374,079
Provisions	11	325,838	333,981
Other current liabilities	12	1,732,172	1,557,370
Total current liabilities		<u>4,952,067</u>	<u>4,265,430</u>
Non-Current Liabilities			
Provisions	11	84,716	114,902
Total noncurrent liabilities		<u>84,716</u>	<u>114,902</u>
Total Liabilities		<u>5,036,783</u>	<u>4,380,332</u>
Net Assets		<u>84,980,462</u>	<u>78,425,117</u>
Equity			
Retained profits		84,980,462	78,425,117
Total Equity		<u>84,980,462</u>	<u>78,425,117</u>

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements on pages 16 to 39.

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 Statement of Changes in Equity
 for the year ended 30 June 2017

	Note	Retained Profits	Total \$
Balance at 1 July 2015		70,425,181	70,425,181
Profit attributable to the Company		7,999,936	7,999,936
Other comprehensive income for the year		-	-
Balance at 30 June 2016		78,425,117	78,425,117
Balance at 1 July 2016		78,425,117	78,425,117
Profit attributable to the Company		6,555,345	6,555,345
Other comprehensive income for the year		-	-
Balance at 30 June 2017		84,980,462	84,980,462

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 16 to 39.

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 Statement of Cash Flows
 for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash Flow from Operating Activities			
Receipts from customers		23,269,582	22,443,732
Receipts from government bodies		4,194,216	4,373,111
Payments to suppliers and employees		(25,190,196)	(23,884,721)
Interest received		166,796	208,472
Interest paid		-	-
Net cash from operating activities	13	2,440,398	3,140,594
Cash Flow from Investing Activities			
Proceeds/(purchase) of term deposits		(30,908)	1,994,981
Purchase of property plant and equipment		(419,626)	(75,104)
Investment properties		(1,104,184)	(5,073,674)
Proceeds from sale of equipment		-	4,038
Net cash used in investing activities		(1,554,718)	(3,149,759)
Cash Flow from Financing Activities			
Repayment of borrowings		-	-
Net cash used in financing activities		-	-
Net increase/(decrease) in cash held		885,680	(9,165)
Cash at the beginning of the year		6,655,680	6,664,845
Cash at the end of the year	4	7,541,360	6,655,680

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements on pages 16 to 39.

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 a company limited by guarantee which 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 No-for-Profit 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 26 September 2017.

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

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

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

Accounting Policies

(a) Income tax

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

(b) Property, Plant and Equipment

i) Recognition and measurement

Items of plant and equipment are measured at cost less depreciation and impairment losses. Please refer to Note 1(f) for impairment of assets.

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of 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 assets is held ready for use. Leasehold improvements are depreciated over the shorter of the lease term and the estimated useful lives of the improvements.

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

Class of Asset	Depreciation Rate %
Leasehold improvements	7.0 to 64.0
Property, plant and equipment	7.5 to 50.0
Motor vehicles	12.5
Software	20.0

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

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

(c) Investment Property

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

(d) Leases

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

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

(e) Financial Instruments

(i) Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the

date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified at fair value through profit or loss in which case transaction costs are expenses to profit or loss immediately.

(ii) Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

(iii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party, whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(f) Impairment of Assets

Non-Financial Assets

At each reporting date, the Company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the assets 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 profit or loss.

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 entity 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 yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

(g) Employee Benefits

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

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

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

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events for which it is probable that the outflow of economic benefit will result and that the

outflow can be measured reliably. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(i) Cash and Cash Equivalents

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

(j) Revenue

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

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

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

Donations and bequests are recognised as revenue when received.

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

(k) Government Grants and Funding

Government grants are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the entity obtains control of the grant and it is probable the economic benefits gained from the grant will flow to the Company and the amount of the grant can be measured reliably.

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

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

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

The Company received two main types of government grants and funding during the year ended 30 June 2017:

- Community Housing Leasing Program - annual funding received from the Community Housing Division of Housing NSW.
- National Rental Affordability Scheme Funding - annual funding received from the Department of Social Services and the State Government for provision of new dwellings for affordable housing.

(k) Trade and Other Payables

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

(l) Goods and Services Tax (GST)

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

Cash flows are included in the Statement of Cash Flows on a gross basis, including the GST of cash flows arising from investing and financing activities and some cash flows from operating activities. The GST recoverable from, or payable to, the ATO is classified as a part of operating cash flows.

(m) Comparative Figures

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

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

(n) 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 Director's 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 recognised as at 30 June 2017. Further details are provided at Note 5. No other impairment has been recognised as at 30 June 2017.

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).

Measurement of Fair Values (continued)

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 the following notes:

Note 9 – Investment Property.

(o) 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.

(p) New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

AASB 9 Financial Instruments (2014)

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

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

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and AASB Interpretation 13 *Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements

New Standards and interpretations not yet adopted (continued)

resulting from the application of AASB 15.

AASB 16 Leases

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

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

AASB 1058 Income for Not-for-Profit entities

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

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

Argyle Community Housing Ltd
 ABN: 88 002 761 855
 Notes to the Financial Statements
 for the year ended 30 June 2017

Note 2: Revenue

	2017	2016
Tenant and Property related income	\$	\$
Rental income	21,456,703	21,111,445
Government grants income	3,282,172	3,323,950
Government capital grants income ¹	532,018	512,708
Management fee for service	415,488	376,896
Management fee – project management	32,769	13,338
Water usage reimbursement	617,924	534,777
Tenant repairs and maintenance reimbursement	656,496	277,987
Utilities reimbursement	103,238	97,728
	27,096,808	26,248,829

¹ Surplus funding from the Community Housing Leasing Program (CHLP) 2015-16. These funds were used to purchase three properties, two in Griffith and one in Thirlmere NSW for additional social housing.

Other Income

Insurance recoveries	104,386	342,784
Other income	55,649	26,056
	160,035	368,840

Financial Income

Interest – bank deposits ²	166,796	208,472
	166,796	208,472

² Includes interest income on bank deposits that contained funding received from NSW Family and Community Services (FaCS) of \$3,310.

Argyle Community Housing Ltd
 ABN: 88 002 761 855
 Notes to the Financial Statements
 for the year ended 30 June 2017

Note 3: Expenses

Tenant and property related expenses	2017	2016
	\$	\$
Rent paid	6,674,169	6,551,504
Bad debts	529,404	465,459
Insurance	572,256	531,376
Rates – water	1,517,003	1,341,963
Rates – council	2,037,115	1,921,091
Other utilities expense	265,982	251,600
Repairs and maintenance lifecycle	1,787,001	2,079,731
Repairs and maintenance responsive	1,902,078	2,265,914
Repairs and maintenance tenant damage	743,767	536,179
Other tenancy property management expenses	375,627	285,851
	16,404,402	16,230,668

Employee related expenses

Salaries and wages	5,217,862	5,002,350
Superannuation	463,446	440,828
Increase/(decrease) in employee provisions	(38,329)	29,653
Other employee related expenses	57,505	22,154
	5,700,484	5,494,985

Office and Administration expenses

Office rent	473,936	430,232
Depreciation	153,453	177,894
(Gain)/loss on disposal of assets	-	(4,038)
IT related expenses	98,497	145,581
Telephone	153,467	142,379
Audit	75,127	89,255
Consultants	407,707	321,792
Motor Vehicles expenses	289,190	313,517
Recruitment costs	64,411	77,220
Other office and administration expenses	1,595,760	1,324,522
	3,311,548	3,018,354

Note 4: Cash and Cash Equivalents

	2017	2016
	\$	\$
Cash at bank	4,087,305	3,270,766
Term deposits	3,447,604	3,378,763
Cash on hand	6,451	6,151
	7,541,360	6,655,680

Included in the cash balance, across several term deposits and cash at bank, is an amount of \$4,500,000 (2016 \$4,500,000) which has been committed by Management for the future maintenance sinking fund. The future maintenance sinking fund was established by Argyle Community Housing Ltd to meet future expected lifecycle maintenance expense on all Capital and Freehold dwellings under management.

Cash at bank and on hand

Cash on hand is non-interest bearing. Cash at bank is interest bearing with the weighted average interest rate as at 30 June 2017 of 0.67% (2016: 1.25%)

Term Deposits

Term deposits are interest bearing with the weighted average interest rate as at 30 June 2017 of 1.93% (2016: 3.03%)

Note 5: Trade and Other Receivables

	2017	2016
	\$	\$
Current		
Trade receivables (i)	1,707,492	1,549,775
Provision for doubtful debts (ii)	(689,295)	(704,648)
	1,018,197	845,127
 Non-Current		
Amount receivable from:		
BlueCHP Limited (iii)	1,020,050	1,020,000
BlueCHP Limited – St Mary’s Contribution (iv)	324,124	324,124
	1,344,174	1,344,124

- (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 with regards to trade receivables is limited due to the customer base being large and unrelated. Accordingly, the Directors believe there is no further credit provision required in excess of the provision for doubtful debts.

- (iii) An unsecured interest bearing loan of \$1,020,050 to BlueCHP Limited (“BlueCHP”) payable in full, in cash on 30 June 2020. This loan has been provided to BlueCHP in accordance with the terms of the BlueCHP Future Directions Implementation Agreement. This loan is referred to in Note 15. The Directors have assessed this loan and have determined that it requires no impairment as at 30 June 2017.

- (iv) Interest bearing loan of \$324,124 to BlueCHP with a fixed term and interest paid at the current Australian Bank Bill Swap Rate. The Directors have assessed this loan and have determined that it requires no impairment of as at 30 June 2017.

Note 6: Other Assets

	2017	2016
	\$	\$
Bank guarantees	33,374	33,095
Term deposits	1,326,261	1,295,632
Prepayments	574,612	581,581
Income receivable	307,364	279,720
Bonds held by Rental Bond Board	431,924	398,384
GST receivable	-	-
Other current assets	209,384	59,959
	2,882,919	2,648,371

Bank guarantees

Short term deposits are interest bearing with the weighted average interest rate as at 30 June 2017, of 2.41% (2016: 2.77%). The term to maturity of all short term deposits is between 6 and 12 months.

Please refer to Note 16.

Term deposits

Term deposits that have an original maturity of three months or more and are interest bearing with the weighted average interest rate at 30 June 2017, of 2.18% (2016: 2.54%).

Note 7: Other Financial Assets

	2017	2016
	\$	\$
Non-Current		
Membership shares - BDCU	10	10
	10	10

Argyle Community Housing Ltd
 ABN: 88 002 761 855
 Notes to the Financial Statements
 for the year ended 30 June 2017

Note 8: Property, Plant and Equipment

	2017	2016
	\$	\$
Leasehold improvements		
At cost	733,240	435,669
Less: Accumulated depreciation	(428,366)	(418,500)
	304,874	17,169
Plant and equipment		
At cost	631,511	546,725
Less: Accumulated depreciation	(500,805)	(427,672)
	130,706	119,053
Motor Vehicle		
At cost	37,269	-
Less: Accumulated depreciation	(1,902)	-
	35,367	-
Software Development		
At cost	333,298	333,298
Less: Accumulated depreciation	(135,457)	(66,906)
	197,841	266,392
	668,788	402,614

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

	2017 \$	2016 \$
Leasehold improvements		
Carrying amount at the beginning of the financial year	17,169	52,332
Additions	297,571	1,851
Disposals	-	-
Depreciation	(9,866)	(37,014)
Carrying amount at the end of the financial year	304,874	17,169
Plant and equipment		
Carrying amount at the beginning of the financial year	119,053	148,622
Additions	84,786	42,081
Disposals	-	-
Depreciation	(73,133)	(71,650)
Carrying amount at the end of the financial year	130,706	119,053
Motor Vehicles		
Carrying amount at the beginning of the financial year	-	26,044
Additions	37,269	-
Disposals	-	(23,720)
Depreciation	(1,902)	(2,324)
Carrying amount at the end of the financial year	35,367	-
Software Development		
Carrying amount at the beginning of the financial year	266,392	278,406
Additions	-	54,892
Disposals	-	-
Depreciation	(68,551)	(66,906)
Carrying amount at the end of the financial year	197,841	266,392
	668,788	402,614

Note 9: Investment Properties

	2017	2016
	\$	\$
Carrying amount at the beginning of the financial year	70,909,473	59,917,997
Additions	788,684	4,758,174
Deposits with Vendors	315,500	315,500
Contributions of investment properties (i)	-	-
Net gain/(loss) from fair value adjustments	4,548,140	5,917,802
	76,561,797	70,909,473

- (i) A total of 65 property sites containing 159 dwellings were vested to the Company on 16 June 2011. On 16 August 2013, a total of six property sites containing 89 unit dwellings were vested to the Company. NSW Land and Housing Corporation (the "Corporation") has an interest in each vested property recorded against the title to each vested property. The Corporation will have an interest in all land purchased in whole or in part using the proceeds of Vested property or proceeds of land to which an interest attaches.

The fair value model is applied to all investment properties. The fair value of investment properties as at 30 June 2017 has been arrived at on the basis of a valuation carried out at 1 April 2017 by Geoff Payne, an independent, registered valuer. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Measurement of Fair Value

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio every 12 months.

The fair value measurement for investment property of \$76,561,797 (2016 \$70,909,473) has been categorised as a Level 2 fair value based on the inputs to the valuation technique used (see Note 1(n)).

Note 9: Investment Properties (continued)

	2017	2016
	\$	\$
Amount recognised in profit or loss during the year:		
Rental income from investment property	1,610,059	1,518,350
Other income from investment property	312,253	347,900
Direct operating expenses arising from investment property	(965,640)	(1,032,829)
	956,672	833,421

Note 10: Trade and other Payables

Unsecured		
Trade creditors (i)	1,093,217	701,580
GST liabilities	7,569	59,288
Other current payables and accruals	1,793,271	1,613,211
	2,894,057	2,374,079

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

Note 11: Provisions

	2017	2016
	\$	\$
Employee Benefits		
Opening Balance	448,883	419,230
Movement during the year	(38,329)	29,653
Closing balance	410,554	448,883
Current		
Provision for Annual Leave *	263,290	261,714
Provision for Long Service Leave *	62,548	72,267
	325,838	333,981
Non-Current		
Provision for Long Service Leave *	84,716	114,902
	84,716	114,902
	410,554	448,883

* Aggregate employee entitlements liability

Note 12: Other Liabilities

	2017	2016
	\$	\$
Current		
Rent received in advance	1,010,481	840,420
Funding received in advance ¹	603,511	602,118
Amounts withheld from salaries and wages	118,180	114,832
	<u>1,732,172</u>	<u>1,557,370</u>

¹ Funding in Advance includes \$574,276 (2016 \$532,018) of surplus Community Housing Leasing Program (CHLP) funding for the year ended 30 June 2017. Approval will be sought from Community Homes and Places to purchase property (for use as social housing) with these funds.

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

	2017	2016
	\$	\$
Operating profit after tax	6,555,345	7,999,936
Contribution of investment properties for no consideration	-	-
Provision for impairment of receivables	-	285,808
Revalue investment property to fair value	(4,548,140)	(5,917,802)
Depreciation	153,453	177,894
Gain on disposal of non-current assets	-	(4,038)
	2,160,658	2,541,798
Change in trade and term debtors	(173,071)	(337,280)
Change in other debtors and prepayments	174,788	144,618
Change in trade and other payables	467,305	738,868
Change in other creditors and accruals	(150,953)	22,937
Change in employee entitlements	(38,329)	29,653
Net cash provided by operating activities	2,440,398	3,140,594

Note 14: Remuneration and Retirement Benefits

Directors Remuneration	281,376	199,610
	281,376	199,610

Note 15: 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.

The Key Management Personnel compensation was \$1,058,456 for the year ended 30 June 2017 (2016: \$937,535).

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

Transactions with related parties

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

Note 15: Related Parties (continued)

	2017	2016
	\$	\$
Revenue received from BlueCHP		
Management fee for service - Stimulus properties	246,701	243,257
Management fee for service - Affordable properties	41,266	40,500
Rent received - office	-	-
Rent Income - Allowance Vacancy/Bad Debt	9,888	9,217
Reimbursements - Shared Costs	-	-
Expenses paid to BlueCHP		
Rent paid to Blue CHP Limited for properties leased to Argyle Community Housing Ltd for sub-lease to tenants	329,881	307,963
Blue CHP profit share re Growth and Stimulus properties managed by Argyle Community Housing Ltd	20,859	20,193
Other property related and administration expenses	-	-
Outstanding balances with BlueCHP		
Trade and other receivables	75,785	43,417
Trade and other payables	114,508	112,176
Loan receivable	1,344,174	1,344,124
Deposit paid on property purchases	315,500	315,500
Remaining amount due on settlement for property purchases	2,839,500	2,839,500

Note 16: Contingent Liabilities

Business undertakings

Bank Guarantees have been provided to cover the rental bonds for various offices	33,374	33,095
--	--------	--------

No other material contingent liabilities have been identified.

Note 17: Capital and Leasing Commitments

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

	2017	2016
	\$	\$
Payable for office and vehicle leases:		
Not later than one year	540,244	623,373
Later than one year but not later than five years	802,759	1,317,410
Later than five years	-	-
	1,343,003	1,940,783

Leases as lessee:

Leases between the Company and Housing NSW (an agency of the NSW Department of Family and Community Services) are operating leases and are typically for a period of five years. Housing NSW charge rent of \$1 per property per year for these properties.

Leases between the Company and independent landlords are operating leases and are typically for a period of six months. Forecast leasehold rent expenditure for the year ending 30 June 2018 is \$6,864,513.

Leases as lessor:

Leases between the Company and tenants are operating leases and are typically for an initial period of two weeks, then continuation.

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

Capital commitments:

An obligation totalling \$2,839,500 exists to settle seven units at 'The Gardens', Campbelltown. The commitment is payable not later than one year.

Note 18: 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 19: Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the entity is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding and obligations of the entity. At 30 June 2017, there were seven members (nine members at 30 June 2016).

Note 20: Events Subsequent to Reporting Date

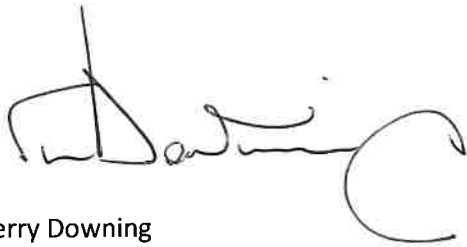
There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations,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

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 13 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 2017 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:



Terry Downing

Chair



Trevor Fair

Audit and Risk Committee Chairman

Dated this 26th day of September 2017

Bowral



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 Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 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

David Willcocks

David Willcocks
Partner

Wollongong

26 September 2017



Independent Auditor's Report

To the members of Argyle Community Housing Limited

Opinion

We have audited the Financial Report, of Argyle Community Housing Limited (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 2017, 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 2017.
- 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 Limited'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 Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or 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.

Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.



Our responsibilities include:

- i. Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- ii. Designing and performing audit procedures responsive to those risks, and obtaining 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. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- iii. Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- v. Concluding on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.
- vi. Evaluating 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.

KPMG

David Willcocks

Partner

Wollongong

26 September 2017

OUR PARTNERS

"We want to thank the Commonwealth, NSW and ACT Governments and the over 200 organisations, agencies and contractors that have worked with us and helped us deliver the outcomes for our tenants." *Wendy*



DISABILITY ACCREDITATION

Argyle is accredited by the National Disability Insurance Agency as Disability Provider for Tenancy Support and Modifications.



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P: 02 4861 2753

GRIFFITH

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Griffith NSW 2680
P: 02 6962 6830

TAHMOOR

Community Links Wollondilly
6 Harper Close
Tahmoor NSW 2573
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CAMPBELLTOWN

28 Broughton Street
P.O. Box 1121,
Campbelltown NSW 2560
P: 02 4627 0002

QUEANBEYAN

S114 Crawford Street
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Queanbeyan NSW 2620
P: 02 6297 5929

WAGGA WAGGA

8 Fitzhardinge Street
P.O. Box 550,
Wagga Wagga NSW 2650
P: 02 6921 6479

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Goulburn NSW 2580
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YOUNG

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YASS

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