FINANCIAL STATEMENTS

AS AT 30 JUNE 2018

COMMON EQUITY NSW LTD
ABN 39 861 993 468

COMMON EQUITY
CO-OPERATIVE HOUSING

Common Equity NSW Ltd
Directors' report
30 June 2018

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2018.

Directors
The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Carmen Osborne
Melanie Carmeci
Peter Page
Dennis Vaccher
Billie Jo Barbara
Phyllis Sequeira
Wayne Stamp
Rose West
Paul Wilson-Brown (Appointed in November 2017)
Jimmy Lopez (Retired in November 2017)

Objectives
Short and long term objectives and strategy for achieving the objectives

The company's objectives are to develop and support a viable and sustainable Co‐ operative Housing Sector in New South Wales.

To this end, the company manages a total of 511 properties. The company owns 33 properties and leases from NSW Land & Housing Corporation 478 properties throughout NSW. Approximately twenty percent of the properties are currently directly managed and the rest are leased to 32 Co‐ operatives who have become Members of the company.

The terms of the leases with individual Co‐ operatives are that they pay to the company a rental calculated based on their accumulated funds and expected rental income and expenditure. This rental is then used by the company to carry out development works on the relevant Co‐ operatives' premises as and when necessary.

The income and property of the company must be applied solely towards the promotion of the aims and objectives of the company, as set out above, and no part therefore shall be paid or transferred to a member as dividend or bonus, other than amounts paid as remuneration for services rendered to the company by the member whilst carrying out normal activities in running the company.

Principal activities assisted in achieving the objectives

The principal activities assisted the company in achieving its objectives by:

- Providing social housing to those in need.
- Supporting and enhancing the co-operative housing sector.

Principal activities
The principal activities of Common Equity NSW Ltd during the financial year were to create, develop and support a viable and sustainable Co‐ operative Housing Sector within New South Wales.

Performance measures
The following measures are used within the company to monitor performance:

Growth ratios, viability ratios, profitability ratios and liquidity ratios. The Board monitors monthly expenditure against major maintenance and maintenance projects.

Common Equity NSW Ltd
Directors' report
30 June 2018

Information on directors

Name:	Carmen Osborne
Title:	Technical Director - Chairperson
Qualifications:	BTP (Town Planning), PGD LE (Land Economy), MP (Planning)
Experience and expertise:	Experience and qualifications in Planning and Property Economics, Financial management and review, Governance experience and expertise and Legal knowledge and experience.
Special responsibilities:	Chair of the Development and Growth Committee
Name:	Melanie Carmeci
Title:	Technical Director
Qualifications:	Master of Law and Legal Practice (Majoring in Dispute Resolution), Bachelor of Arts/Psychology
Experience and expertise:	As a solicitor Melanie specialises in commercial law, property, consumer law, intellectual property law and corporate governance. With a background in psychology, she brings to the Board a broad range of skills and experience in law, management, corporate governance and risk management.
Special responsibilities:	Member of Compliance, Audit, Risk and Governance Committee
Name:	Jimmy Lopez (Retired in November 2017)
Title:	Member Director
Qualifications:	Doctor of Philosophy in Education, Master of Arts in Teaching, master's in business administration, Bachelor of Science in Commerce.
Experience and expertise:	Current President of Sedgwick Housing Co operative and the President of several Filipino Australian non profit community organisations. Jimmy also works as an accountant.
Special responsibilities:	Member of Compliance, Audit and Risk Committee
Name:	Peter Page
Title:	Member Director
Qualifications:	BA (Economics) (UQ), Dip Ed (UNE), MPS (Adult Education) (Loyola Chicago)
Experience and expertise:	Member of Great Lakes Housing Co operative. Peter brings his experiences of small community living from time spent traveling in Asia. Peter has a background in economics and education.
Special responsibilities:	Member of Development & Growth Committee
Name:	Dennis Vaccher
Title:	Technical Director
Qualifications:	BCom (Accounting, Finance and Systems) (UNSW). Chartered Accountant, Member of Australian Institute of Company Directors.
Experience and expertise:	Dennis is a Chartered Accountant having experience in internal and external audit, financial management, risk management and corporate governance in not for profits, Corporate and Public sector entities.
Special responsibilities:	Chair of Compliance, Audit, Risk and Governance Committee
Name:	Billie Jo Barbara
Title:	Technical Director
Qualifications:	Australian Institute of Management fellow, Certified HR practitioner (Australian Human Resources Institute)
Experience and expertise:	Billie Jo is currently Director, HR Services for a large NSW government cluster and an experienced not for profit director. Billie Jo was a previous Chairperson and Company Secretary of a not for profit board.
Special responsibilities:	Member of Development and Growth Committee

Name:	Phyllis Sequeira
Title:	Technical Director
Qualifications:	Master of Business (Employment Relations) (UTS), Certificate in Foundations of Directorship (Australian Institute of Company Directors)
Experience and expertise:	Phyllis has 40 years' experience working in the public, private and community services sectors. Phyllis was President of the Food Distribution Network, and Deputy President of the Stepping Out Housing Board. Previously, Phyllis was in the Banking and Finance industry and the NSW Public Service's Education and Training sector.
Special responsibilities:	Member of Compliance, Audit, Risk and Governance Committee
Name:	Wayne Stamp
Title:	Member Director
Qualifications:	Degrees in Humanities, Diploma in Workplace Training and Assessment
Experience and expertise:	Wayne is a member of Planet X Housing Co operative and has been involved in the co operative housing sector for over 25 years. Wayne has had art exhibitions, taught art theory and media in the tertiary education sector and has worked with community based organizations, from teaching media at Pine Street Creative Arts Centre (City of Sydney Council) to working at SWOP (Sex Workers Outreach Project) producing sexual health print resources.
Special responsibilities:	Member of Development & Growth Committee
Name:	Rose West
Title:	Member Director
Qualifications:	Combined Bachelor of Arts (Human Geography) and Bachelor of Education (UNE)
Experience and expertise:	Rose is currently member and Secretary of BRANCH Co operative and has previously been a member of Planet X Housing Co operative. Rose works in the public education sector.
Special responsibilities:	Member of Development and Growth Committee
Name:	Paul Wilson-Brown
Title:	Member Director
Qualifications:	BA (Arts Management) QUT- Masters (Applied Linguistics) UTS-Diploma of Management (UNE)
Experience and expertise:	Paul has been involved with the Co-op Sector for 30 years. He was Chair of the Association to Resource Co-operative Housing for 5 years and has extensive experience in Management in Media and Arts industries including Queensland Theatre Company, Opera Australia and The Australian Broadcasting Corporation.
Special responsibilities:	Member of Compliance, Audit, Risk & Governance Committee

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Governance Committee		Compliance, Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Carmen Osborne	5	5	-	-	-	-
Melanie Carmeci	3	5	2	2	-	-
Peter Page	5	5	-	-	-	-
Dennis Vaccher	4	5	-	-	3	3
Billie Jo Barbara	2	5	-	2	-	-
Phyllis Sequeira	5	5	-	-	3	3
Wayne Stamp	5	5	-	-	-	-
Rose West	4	5	2	2	-	-
Paul Wilson-Brown	3	3	-	-	-	-

	Development and Growth Committee		Compliance, Audit, Risk and Governance Committee	
	Attended	Held	Attended	Held
Carmen Osborne	9	9	-	-
Melanie Carmeci	-	-	3	3
Peter Page	9	9	-	-
Dennis Vaccher	-	-	3	3
Billie Jo Barbara	2	9	-	-
Phyllis Sequeira	-	-	2	3
Wayne Stamp	9	9	-	-
Rose West	4	4	1	1
Paul Wilson-Brown	2	2	3	3

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The first Compliance, Audit, Risk and Governance Committee was held in February 2018 after the resolution to merge the Compliance, Audit and Risk Committee and the Governance Committee was passed by the Board.

Contributions on winding up

In the event of the company being wound up, ordinary members are required to contribute a maximum of $1 each. Honorary members are not required to contribute.

The total amount that members of the company are liable to contribute if the company is wound up is $32, based on 32 current ordinary members.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Division 60 of the Australian Charities and Not-for-Profits Commission Act 2012 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors.

On behalf of the directors

Carmen Osborne
Chairperson

Dennis Vaccher
Director

26 September 2018

LBW & Partners
Chartered Accountants & Business Advisers
ABN 80 618 803 443

Office
Level 3, 845 Pacific Hwy, Chatswood NSW 2067
Postal address
PO Box 276, Chatswood NSW 2057

W www.lbw.com.au
E mail@lbw.com.au
P (02) 9411 4866

Partners
Rupa Dharmasiri
Alan M Perrott
George P Rochios
Mark W Willock

Common Equity NSW Ltd

ABN 39 861 993 468

Auditor's Independence Declaration to the Directors of Common Equity NSW Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

(i) no contraventions of the auditor independence requirements as set out in Division 60 of 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.

Rupaninga Dharmasiri
Partner

LBW & Partners
Chartered Accountants
Level 3, 845 Pacific Highway
CHATSWOOD NSW 2067

Dated this 26th day of September 2018

COVER OF EXCELLENCE™ Liability limited by a scheme approved under Professional Standards Legislation

Analysis
Interpretation
Planning

CONTENTS

7 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

8 STATEMENT OF FINANCIAL POSITION

9 STATEMENT OF CHANGES IN EQUITY

10 STATEMENT OF CASH FLOWS

11 NOTES TO THE FINANCIAL STATEMENTS

23 DIRECTORS' DECLARATION

24 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMMON EQUITY NSW LTD

Common Equity NSW Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	4	4,227,650	3,463,226
Other income	5	4,858,846	67,728
Expenses			
Property and tenant expenses	6	(1,134,513)	(832,454)
Employee benefits expense		(1,352,281)	(1,171,852)
Depreciation and amortisation expense		(235,553)	(144,937)
Administration expense		(734,735)	(451,299)
Surplus before income tax expense		5,629,414	930,412
Income tax expense		-	-
Surplus after income tax expense for the year		5,629,414	930,412
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax		-	3,283,335
Other comprehensive income for the year, net of tax		-	3,283,335
Total comprehensive income for the year		5,629,414	4,213,747

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Common Equity NSW Ltd
Statement of financial position
As at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	8	3,220,357	5,772,163
Trade and other receivables	9	679,177	370,027
Financial assets	10	596,426	580,544
Other	11	78,291	15,350
Total current assets		4,574,251	6,738,084
Non-current assets			
Property, plant and equipment	12	18,931,289	15,249,614
Intangibles	13	225,021	131,072
Total non-current assets		19,156,310	15,380,686
Total assets		23,730,561	22,118,770
Liabilities			
Current liabilities			
Trade and other payables	14	280,924	329,877
Employee benefits		105,644	79,323
Total current liabilities		386,568	409,200
Non-current liabilities			
Borrowings	15	2,080,900	6,080,900
Employee benefits		27,175	22,166
Total non-current liabilities		2,108,075	6,103,066
Total liabilities		2,494,643	6,512,266
Net assets		21,235,918	15,606,504
Equity			
Reserves	16	10,170,832	10,170,832
Retained surpluses		11,065,086	5,435,672
Total equity		21,235,918	15,606,504

The above statement of financial position should be read in conjunction with the accompanying notes

Common Equity NSW Ltd
Statement of changes in equity
For the year ended 30 June 2018

	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2016	6,887,497	4,505,260	11,392,757
Surplus after income tax expense for the year	-	930,412	930,412
Other comprehensive income for the year, net of tax	3,283,335	-	3,283,335
Total comprehensive income for the year	3,283,335	930,412	4,213,747
Balance at 30 June 2017	10,170,832	5,435,672	15,606,504

	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2017	10,170,832	5,435,672	15,606,504
Surplus after income tax expense for the year	-	5,629,414	5,629,414
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	5,629,414	5,629,414
Balance at 30 June 2018	10,170,832	11,065,086	21,235,918

The above statement of changes in equity should be read in conjunction with the accompanying notes

Common Equity NSW Ltd
Statement of cash flows
For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from Co-ops and rental income		4,001,451	3,626,278
Payments to suppliers and employees		(2,907,580)	(2,385,334)
Interest received		37,654	90,620
Net cash from operating activities		1,131,525	1,331,564
Cash flows from investing activities			
Payments for property, plant and equipment	12	(4,357,380)	(2,511,858)
Payments for intangibles	13	(110,069)	(131,072)
Co-ops funding for purchase of properties		800,000	-
Proceeds from disposal of property, plant and equipment		-	14,627
(Additions to)/ proceeds from release of term deposits		(15,882)	1,339,378
Net cash used in investing activities		(3,683,331)	(1,288,925)
Cash flows from financing activities			
Net cash from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(2,551,806)	42,639
Cash and cash equivalents at the beginning of the financial year		5,772,163	5,729,524
Cash and cash equivalents at the end of the financial year	8	3,220,357	5,772,163

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Common Equity NSW Ltd as an individual entity. The financial statements are presented in Australian dollars, which is Common Equity NSW Ltd's functional and presentation currency.

Common Equity NSW Ltd is a not-for-profit unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 September 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), and the Australian Charities and Not-for-profits Commission Act 2012, as appropriate for not-for profit oriented entities.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, certain classes of property, plant and equipment.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rental income
Rental income arising from CENSW and Co‐ operatives Agreements (CCA) are recognised on a straight‐ line basis over the terms of ongoing agreements which are subject to annual review and adjustment on actual rent received by individual Co‐ operatives. During the year an additional charge of rent to co-ops was made based on the new CCA.

Rental income of Direct managed properties is determined in accordance with the requirements of the Governments Community Housing Rent Policy, with maximum rent being determined as the lower of Market rent or Subsidised Rent for the household. Rent is invoiced fortnightly in advance and recognised as income in the period to which the rent payment relates.

Grant revenue
Non‐ reciprocal grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

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

Common Equity NSW Ltd
Notes to the financial statements
30 June 2018

Note 2. Significant accounting policies (continued)

Common Equity NSW Ltd receives non‐ reciprocal contributions of assets from the government and other parties for zero or a 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.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

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

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment
Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Note 2. Significant accounting policies (continued)

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	5 to 7 years
Furniture, fittings and office equipment	3 to 7 years
Motor vehicle	3 years
Computer equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained surplus.

Leases
Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets
Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Secured loans are interest free and only repayable if the company defaults under the conditions of use of the properties before the expiry date of the mortgage. In the event of default under the mortgage the amount repayable would be increased by any surplus on disposal.

The company does not measure secured loan at amortised cost using the effective interest method as continuing involvement approach is applied.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Common Equity NSW Ltd
Notes to the financial statements
30 June 2018

Note 2. Significant accounting policies (continued)

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives
Comparatives in the statement of profit or loss and other comprehensive income, statement of financial position and notes to the financial statements have been realigned to the current period presentation. There has been no effect on the surplus for the year.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy
The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Note 4. Revenue

	2018 $	2017 $
Rental revenue		
Co-operative rental income - base rent	2,616,311	2,496,226
- additional charge based on new CCA	495,003	-
Direct managed properties rental income	765,099	653,784
Other properties	28,579	-
	3,904,992	3,150,010
Other revenue		
Interest received	27,279	90,620
Government NRAS grants	191,722	190,572
Other grants	53,791	-
Other revenue	49,866	32,024
	322,658	313,216
Revenue	4,227,650	3,463,226

Note 5. Other income

	2018 $	2017 $
Net gain on disposal of property, plant and equipment	-	6,673
Capital grant - NSW Family and Community Services (see Note 15)	4,000,000	-
Capital contribution - Co-ops	800,000	-
Compound liquidation final payment	-	36,990
Reimbursement from LAHC Jannali project	-	24,065
Reimbursement from LAHC Guildford project	58,846	-
Other income	4,858,846	67,728

Note 6. Property and tenant expenses

	2018 $	2017 $
Depreciation	458,329	163,839
Insurance	173,091	146,874
Rates, water and electricity	177,291	159,228
Maintenance expense	316,149	312,619
Pest control	9,653	49,894
	1,134,513	832,454

Note 7. Expenses

	2018 $	2017 $
Surplus before income tax includes the following specific expenses:		
Rental expense relating to operating leases		
Total rental expense relating to operating leases	76,473	73,887
Superannuation expense		
Defined contribution superannuation expense	107,639	90,155

Note 8. Current assets - cash and cash equivalents

	2018 $	2017 $
Cash at bank	3,220,357	5,273,667
Short-term bank deposit	-	498,496
	3,220,357	5,772,163

Note 9. Current assets - trade and other receivables

	2018 $	2017 $
Trade receivables	402,915	48,134
Less: Provision for impairment of receivables	(3,431)	(3,431)
	399,484	44,703
Other receivables	32,100	81,337
Government NRAS incentives receivable	191,722	190,572
Accrued interest	2,695	13,070
GST receivable	53,176	40,345
	679,177	370,027

Note 10. Current assets - financial assets

	2018 $	2017 $
Term deposit	596,426	580,544

Term deposits include an amount of $71,451 (2017: $67,054) held by the bank as security deposits for the performance on the lease of office premises.

Note 11. Current assets - other

	2018 $	2017 $
Prepayments	55,489	15,350
Security deposits	22,802	-
	78,291	15,350

Note 12. Non-current assets - property, plant and equipment

	2018 $	2017 $
Land and buildings - at independent valuation	13,267,500	12,487,500
Less: Accumulated depreciation	(326,505)	-
	12,940,995	12,487,500
Leasehold improvements - at cost	252,752	252,753
Less: Accumulated depreciation	(226,784)	(183,446)
	25,968	69,307
Furniture, fittings and office equipment- at cost	109,574	107,516
Less: Accumulated depreciation	(101,797)	(91,280)
	7,777	16,236
Motor vehicles - at cost	40,142	40,142
Less: Accumulated depreciation	(20,661)	(7,281)
	19,481	32,861
Computer equipment - at cost	52,185	47,673
Less: Accumulated depreciation	(46,508)	(38,310)
	5,677	9,363
Capital work-in-progress	5,353,972	2,032,954
Less: Accumulated depreciation	(131,824)	-
	5,222,148	2,032,954
Improvements - Co-ops	915,403	663,553
Less: Accumulated depreciation	(206,160)	(62,160)
	709,243	601,393
	18,931,289	15,249,614

Note 12. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land and buildings $	Leasehold improve-ments $	Furniture, fittings and office equipment $	Motor vehicle $	Computer equipment $	Capital work-in-progress $	Improve-ments Co-ops $	Total $
Balance at 1 July 2017	12,487,500	69,307	16,236	32,861	9,363	2,032,954	601,393	15,249,614
Additions	780,000	-	-	-	4,512	3,321,018	251,850	4,357,380
Depreciation expense	(326,505)	(43,338)	(8,459)	(13,381)	(8,198)	(131,824)	(144,000)	(675,705)
Balance at 30 June 2018	12,940,995	25,969	7,777	19,480	5,677	5,222,148	709,243	18,931,289

Valuations of land and buildings
The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued in June 2017 based on independent assessments by Australian Valuation & Advisory Group Pty Ltd, a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

Note 13. Non-current assets - intangibles

	2018 $	2017 $
Computer software	241,141	131,072
Less: Accumulated amortisation	(16,120)	-
	225,021	131,072

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Computer software $
Balance at 1 July 2017	131,072
Additions	110,069
Amortisation expense	(16,120)
Balance at 30 June 2018	225,021

Note 14. Current liabilities - trade and other payables

	2018 $	2017 $
Trade payables	50,279	43,855
Sundry payables and accrued expenses	189,537	251,691
Other payables	41,108	34,331
	280,924	329,877

Note 15. Non-current liabilities - borrowings

	2018 $	2017 $
Mortgage loans[1]	2,080,900	2,080,900
Other financial liabilities[2]	-	4,000,000
	2,080,900	6,080,900

[1] NSW Land and Housing Corporation has registered mortgages on the freehold properties in respect of the interest free loan facility provided pursuant to and agreement dated 5 April 2011. The company has completed the development project and undertakes to hold and manage the properties for affordable housing purposes. The loan facility would only require repayment should the company dispose of the properties or cease to use them for affordable housing purposes. The agreement covering the loan facility extends to July 2051.

[2] The interest free funding assistance was provided by NSW Department of Family and Community Services to undertake purchase of land or property, construction of housing on land or property, make improvements to existing housing on land or property and undertake other purpose as indicated in the project proposal.

The funding would only require repayment if the agreement terminated for any reason prior to the funding expiration date (30 June 2018), together with any interest earned on the funding, not expended for an approved purpose by the date the agreement is terminated. As the company has fulfilled the requirements as of the funding expiry date, this amount has been recognised as income during the year ended 30 June 2018 (see Note 5).

Note 16. Equity - reserves

	2018 $	2017 $
Revaluation surplus reserve	3,283,335	3,283,335
Property development reserve	5,887,497	5,887,497
Planned maintenance reserve	1,000,000	1,000,000
	10,170,832	10,170,832

Revaluation surplus reserve
The reserve is used to recognise increments and decrements in the fair value of land and buildings.

Note 16. Equity - reserves (continued)

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	Revaluation surplus reserve $	Property development reserve $	Planned maintence reserve $	Total $
Balance at 1 July 2016	-	5,887,497	1,000,000	6,887,497
Revaluation	3,283,335	-	-	3,283,335
Balance at 30 June 2017	3,283,335	5,887,497	1,000,000	10,170,832
Balance at 30 June 2018	3,283,335	5,887,497	1,000,000	10,170,832

Note 17. Fair value measurement

Fair value hierarchy
The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

2018	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Land and buildings	-	-	12,940,995	12,940,995
Total assets	-	-	12,940,995	12,940,995

2017	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Land and buildings	-	-	12,487,500	12,487,500
Total assets	-	-	12,487,500	12,487,500

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature.

Note 18. Contingent liabilities

The Company had no contingent liabilities as at 30 June 2018 and 30 June 2017

Note 19. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2018 $	2017 $
Aggregate compensation	193,992	176,785

Note 20. Commitments

	2018 $	2017 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	76,473
One to five years	-	13,990
	-	90,463
Capital commitments		
Committed and contracted for:		
Properties	-	3,240,000
Software	-	92,440
	-	3,332,440
Committed but not contracted for:		
Properties and building work	6,000,000	4,829,595

Leasing commitments

The company leases its premises at 3/362 Kent Street, Sydney NSW 2000 under a non- cancellable operating lease which expires 31 August 2018. Subsequent to the year end a new lease has been signed (see note 23)

Note 21. Related party transactions

Key management personnel
Disclosures relating to key management personnel are set out in note 19.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 22. Members guarantee

Common Equity NSW Ltd is a company limited by guarantee. If the company is wound up, the Constitutions states that each member is required to contribute a maximum of $1 towards meeting any outstanding obligations of the entity. At 30 June 2018 the total amount that members of the company are liable to contribute if the company is wound up is $32 (2017: $32).

Note 23. Events after the reporting period

Subsequent to the year end the company has signed a five year non-cancellable operating lease to rent premises at Level 13, 31 Market Street, Sydney commencing 1st September 2018. The annual lease expense is $151,208 and is subject to an annual increase of 4%.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Common Equity NSW Ltd
Directors' declaration
30 June 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Australian Charities and Not-for-profits Commission Act 2012, the Australian Accounting Standards - Reduced Disclosure Requirements and other mandatory professional reporting requirements
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with subs 60.15(2) of the Australian Charities and Not-for-profits Commission Regulation 2013

On behalf of the directors

Carmen Osborne
Chairperson

Dennis Vaccher
Director

26 September 2018

LBW & Partners
Chartered Accountants & Business Advisers
ABN 80 618 803 443

Office
Level 3, 845 Pacific Hwy, Chatswood NSW 2067
Postal address
PO Box 276, Chatswood NSW 2057

W www.lbw.com.au
E mail@lbw.com.au
P (02) 9411 4866

Partners
Rupa Dharmasiri
Alan M Perrott
George P Rochios
Mark W Willock

Common Equity NSW Ltd

ABN 39 861 993 468

Independent Audit Report to the Members of Common Equity NSW Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Common Equity NSW Ltd (the company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the company is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its financial performance for the year ended; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulations 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 *Australian Charities and Not-for-Profits Commission 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Australian Charities and Not-for-Profits Commission Act 2012*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Responsibilities of Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

COVER OF EXCELLENCE™ Liability limited by a scheme approved under Professional Standards Legislation

Analysis
Interpretation
Planning

LBW & Partners
Chartered Accountants & Business Advisers
ABN 80 618 803 443

Office
Level 3, 845 Pacific Hwy, Chatswood NSW 2067
Postal address
PO Box 276, Chatswood NSW 2057

W www.lbw.com.au
E mail@lbw.com.au
P (02) 9411 4866

Partners
Rupa Dharmasiri
Alan M Perrott
George P Rochios
Mark W Willock

Common Equity NSW Ltd

ABN 39 861 993 468

Independent Audit Report to the Members of Common Equity NSW Ltd

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and 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 and 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

Rupaninga Dharmasiri
Partner

LBW & Partners
Chartered Accountants
Level 3, 845 Pacific Highway
CHATSWOOD NSW 2067

Dated this 27th day of September 2018

COVER OF EXCELLENCE™ Liability limited by a scheme approved under Professional Standards Legislation

Analysis
Interpretation
Planning

OFFICE Level 13
31 Market Street
Sydney NSW 2000

POSTAL PO Box Q1323
Sydney NSW 1230

ABN 39 861 993 468
PHONE 1800 066 834

OR +61 (02) 9356 9200

TWITTER @commonequitynsw

COMMONEQUITY.COM.AU