

# FINANCIAL STATEMENTS

YEAR ENDED

30 June 2019

COMMON EQUITY NSW LTD  
ABN 39 861 993 468



**COMMON  
EQUITY**  
CO-OPERATIVE  
HOUSING



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# Directors' Report

## 30 June 2019



The directors present their report on Common Equity NSW Ltd for the financial year ended 30 June 2019.

### 1. General information

#### Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Name: Carmen Osborne  
Title: Technical Director - Chairperson  
Qualifications: Graduate Member of Australian Institute of Company Directors, Master of Planning, Bachelor of Town Planning (Hons) and PGD Land Economy  
Experience and expertise: Carmen has over 30 years experience in planning and property development. She brings financial management, governance and management expertise and experience to the Board.  
Special responsibilities: Chair of the Development and Growth Committee

Name: Melanie Carmeci  
Title: Technical Director  
Qualifications: GAID Master of Law and Legal Practice (Majoring in Dispute Resolution) and Bachelor of Arts/Psychology  
Experience and expertise: Melanie is an in-house solicitor specialising in commercial and corporate law. She also provides general advice in IT, intellectual property and employment law. With a background in psychology and property, she brings a range of skills to the Board including corporate governance expertise, risk management and engaging with stakeholders.  
Special responsibilities: Member of Compliance, Audit, Risk and Governance 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 travelling in Asia. Peter has a background in economics and education.  
Special responsibilities: Member of the Development and Growth Committee

Name: Dennis Vaccher  
Title: Technical Director - Secretary/Treasurer  
Qualifications: BCom (Accounting, Finance and Systems) (UNSW), Chartered Accountant, Graduate Member of Australian Institute of Company Directors  
Experience and expertise: Dennis has 30 years experience as a chartered accountant in internal and external audit, financial management, corporate governance and risk management.  
Special responsibilities: Chair of Compliance, Audit, Risk and Governance Committee



## Directors' Report

### 30 June 2019

#### 1. General information

##### Information on directors

Name:	Billie Jo Barbara
Title:	Technical Director – Resigned 31 October 2018
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 the 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 Services' 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 organisations, 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 the Development and Growth Committee



## Directors' Report

### 30 June 2019

#### 1. General information

##### Information on directors

**Name:** Rose West  
**Title:** Member Director from 1 July 2018 to 30 April 2019 and Technical Director from 1 May 2019 to 30 June 2019  
**Qualifications:** Combined Bachelor of Arts (Human Geography) and Education (UNE)  
**Experience and expertise:** Rose has served on the board of Common Equity for the last three years. She grew-up in a radical housing co-op in inner-city Brisbane during the 1980's, which helped shape her view that housing is a right not a privilege. She has previously served as the secretary of BRANCH Co-operative and as a member tenant of Planet X Housing Co-operative. She currently works as a Community Development Worker, a board member of the Bellingen Neighbourhood Centre & project manages the Bellingen Nambucca Affordable Housing Action Group. Rose believes in community-led housing activism and justice. She has lived-in a range of alternative housing models, including squatting, rental co-ops and intentional communities. Rose currently lives with her husband, their children, the chooks and pademelons in a community in the bush  
**Special responsibilities:** Member of the Development and Growth Committee

**Name:** Paul Wilson-Brown  
**Title:** Member Director - Board Deputy Chair  
**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 since 1986 when he successfully bid for funding from the Gough Whitlam/Tom Uren created Local Government and Community Housing Project for his first Co-op. He spent 5 years as Chair of the Association to Resource Co-operative Housing (ARCH) and was integral to its transformation to Common Equity NSW. He has returned to the Board and is a member of the CARGO Sub-Committee and wants to assure all Co-ops and Government stakeholders that along with a group of committed and talented technical directors, the Company and the sector is complying to the highest standards in governance and ethics

**Special responsibilities:** Member of Compliance, Audit, Risk and Governance Committee

**Name:** Lisa Danker  
**Title:** Associate Director from 1 July 2018 to 18 June 2019 and Technical Director from 19 June 2019 to 30 June 2019  
**Qualifications:** Bachelor of Science (Architecture) and Master of Urban and Regional Planning  
**Experience and expertise:** Lisa has over 15 years experience in planning and property development. She has a passion for place-making, while driving broader social outcomes. Lisa has particular expertise in master-planning large communities and building governance frameworks to manage complex projects. She is currently a Development Director at Landcom.

**Special responsibilities:** Member of the Development and Growth Committee

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

# COMMON EQUITY NSW LTD

ABN: 39 861 993 468



## Directors' Report 30 June 2019

### 1. General information

#### Principal activities

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

No significant changes in the nature of the Company's activity occurred during the financial year.

#### Short term and long term objectives

The Company's short term 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 513 properties. The company owns 34 properties and leases from NSW Land & Housing Corporation 479 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 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.

#### How 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

#### 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.

#### Members' guarantee

Common Equity NSW Ltd is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$32 for 32 current ordinary members.

**COMMON EQUITY NSW LTD**

ABN: 39 861 993 468



**Directors' Report**  
**30 June 2019**

**Meetings of directors**

During the financial year, 20 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Full Board		Compliance, Audit, Risk and Governance Committee		Development and Growth Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Carmen Osborne	5	4	2	2	10	10
Melanie Carmeci	5	5	5	3	-	-
Peter Page	5	5	2	2	10	10
Dennis Vaccher	5	5	5	5	-	-
Billie Jo Barbara	2	-	2	1	4	1
Phyllis Sequeira	5	5	5	5	-	-
Wayne Stamp	5	4	2	1	10	9
Rose West	5	4	2	2	10	10
Paul Wilson-Brown	5	5	5	3	-	-
Lisa Danker	-	-	-	-	-	-

**Auditor's independence declaration**

The lead auditor's independence declaration in accordance with Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012*, for the year ended 30 June 2019 has been received and is set out immediately after this directors' report.

Signed in accordance with a resolution of the Board of Directors:

Director: C. Osborne .....

Director: [Signature] .....

Dated this 16<sup>th</sup> day of October 2019

## COMMON EQUITY NSW LTD

ABN: 39 861 993 468

### Auditor's Independence Declaration under Division 60 of the Australian Charities and Not-for-Profits Commission 2012, to the Directors of Common Equity NSW Ltd

**Crowe Central West**  
ABN 73 139 862 923  
Audit and Assurance Services

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Dubbo NSW 2830 Australia  
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[www.crowe.com.au](http://www.crowe.com.au)

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in section 60-40 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.



**CROWE CENTRAL WEST**



**John Thompson**  
**Audit Partner**  
**Registered Company Auditor: 302046**

Dated at Bathurst on the 16<sup>th</sup> day of October 2019

*The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

*Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Central West, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for acts or omissions of financial services licensees.*  
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## COMMON EQUITY NSW LTD

ABN: 39 861 993 468



### Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2019

		2019	2018
	Note	\$	\$
<b>Revenue</b>			
	4	<b>3,937,593</b>	4,227,650
Other Income	4	<b>15,308</b>	4,858,846
<b>Expenses</b>			
Property and tenant expenses	5	<b>(1,155,569)</b>	(1,134,514)
Employee benefits expense		<b>(1,514,649)</b>	(1,352,281)
Depreciation and amortisation expense		<b>(415,639)</b>	(235,553)
Administrative expense		<b>(1,034,738)</b>	(734,734)
<b>Surplus/(Deficit) for the year</b>		<b>(167,694)</b>	5,629,414
<b>Other comprehensive income for the year</b>			
<b>Total comprehensive income for the year</b>		<b>(167,694)</b>	5,629,414

The accompanying notes form part of these financial statements.

## COMMON EQUITY NSW LTD

ABN: 39 861 993 468



### Statement of Financial Position As At 30 June 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	7	2,641,220	3,220,357
Trade and other receivables	8	531,390	679,177
Financial assets		694,083	596,426
Other Assets	11	142,711	78,291
Non-current assets held for sale	9	1,812,004	-
<b>TOTAL CURRENT ASSETS</b>		<b>5,821,408</b>	4,574,251
NON-CURRENT ASSETS			
Property, plant and equipment	12	19,332,481	18,931,289
Intangible assets	13	187,683	225,021
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19,520,164</b>	19,156,310
<b>TOTAL ASSETS</b>		<b>25,341,572</b>	23,730,561
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	14	376,542	280,924
Employee benefits		116,749	105,644
<b>TOTAL CURRENT LIABILITIES</b>		<b>493,291</b>	386,568
NON-CURRENT LIABILITIES			
Borrowings	15	3,721,141	2,080,900
Employee benefits		58,916	27,175
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,780,057</b>	2,108,075
<b>TOTAL LIABILITIES</b>		<b>4,273,348</b>	2,494,643
<b>NET ASSETS</b>		<b>21,068,224</b>	21,235,918
<b>EQUITY</b>			
Reserves	16	10,170,832	10,170,832
Retained earnings		10,897,392	11,065,086
<b>TOTAL EQUITY</b>		<b>21,068,224</b>	21,235,918

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

## COMMON EQUITY NSW LTD

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### Statement of Changes in Equity For the Year Ended 30 June 2019

#### 2019

	Reserves	Retained Earnings	Total
Note	\$	\$	\$
Balance at 1 July 2018	10,170,832	11,065,086	21,235,918
Total comprehensive income for the year	-	(167,694)	(167,694)
Balance at 30 June 2019	10,170,832	10,897,392	21,068,224

#### 2018

	Ordinary Shares	Retained Earnings	Total
Note	\$	\$	\$
Balance at 1 July 2017	10,170,832	5,435,672	15,606,504
Surplus for the year	-	5,629,414	5,629,414
Other comprehensive income for the year	-	-	-
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 accompanying notes form part of these financial statements.

## COMMON EQUITY NSW LTD

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### Statement of Cash Flows For the Year Ended 30 June 2019

	2019	2018
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	3,935,522	4,001,451
Payments to suppliers and employees	(3,158,169)	(2,907,580)
Interest received	26,165	37,654
Interest paid	(21,010)	-
Net cash provided by/(used in) operating activities	<u>782,508</u>	<u>1,131,525</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for property, plant and equipment	(2,972,846)	(4,357,380)
Payments for intangibles	(11,726)	(110,069)
Co-ops funding for purchase of properties	-	800,000
Proceeds from disposal of property, plant and equipment	80,342	-
Proceeds from borrowings	1,640,241	-
(Additions to)/proceeds of property, plant and equipment	(97,656)	(15,882)
Net cash provided by/(used in) investing activities	<u>(1,361,645)</u>	<u>(3,683,331)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase/(decrease) in cash and cash equivalents held	(579,137)	(2,551,806)
Cash and cash equivalents at beginning of year	3,220,357	5,772,163
Cash and cash equivalents at end of financial year	<u>7</u> <u>2,641,220</u>	<u>3,220,357</u>

The accompanying notes form part of these financial statements.

# COMMON EQUITY NSW LTD

ABN: 39 861 993 468



## Notes to the Financial Statements For the Year Ended 30 June 2019

The financial report covers Common Equity NSW Ltd as an individual entity. Common Equity NSW Ltd is a not-for-profit unlisted Company limited by guarantee and is registered and domiciled in Australia.

The functional and presentation currency of Common Equity NSW Ltd is Australian dollars.

The financial report was authorised for issue by the Directors on 16 October 2019.

Comparatives are consistent with prior years, unless otherwise stated.

### 1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*, as appropriate for not-for profit oriented entities.

### 2 Summary of Significant Accounting Policies

#### (a) Income Tax

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

#### (b) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term, net of any incentives received from the lessor.

#### (c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

##### 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.

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.



## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2019**

#### **2 Summary of Significant Accounting Policies**

##### **(c) Revenue and other income**

###### **Grant revenue**

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. Other income is recognised on an accruals basis when the Company is entitled to it.

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.

##### **(d) Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

##### **(e) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Items of property, plant and equipment acquired for nil or nominal consideration have been recorded at the acquisition date fair value.



## Notes to the Financial Statements For the Year Ended 30 June 2019

### 2 Summary of Significant Accounting Policies

#### (e) Property, plant and equipment

##### Land and buildings

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.

##### Plant and equipment

Plant and equipment are measured using the cost model.

##### Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful life
Land and Buildings	40 years
Furniture, Fixtures and Fittings	3 to 7 years
Motor Vehicles	3 years
Computer Equipment	3 years
Leasehold improvements	5 to 7 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. At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.



## Notes to the Financial Statements For the Year Ended 30 June 2019

### 2 Summary of Significant Accounting Policies

#### (f) Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### (g) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

#### (h) Adoption of new and revised accounting standards

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following Accounting Standards are for future requirements, and their impact on the Company where the standard is relevant:

##### *Impact of adoption of AASB 15 Revenue from contract with customers*

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contract and several revenue related Interpretations. The new Standard will be effective for reporting period beginning on or after 1 January 2018 but for not for profits the effective date is 1 January 2019. The Standard includes a new comprehensive framework for revenue recognition and measurement using a five step model. The steps are as follows; Identify the contract with the customer, Identify the performance obligations in the contract, Determine the transaction price, Allocate the transaction price to each performance obligation and Recognise revenue when (or as) performance obligations are satisfied. Common Equity NSW Ltd has reviewed the Standard and assessed the impact of the Standard on adoption. The Company takes the view that there will be negligible impact to the financial statements under this new standard.

##### *Impact of adoption of AASB 16 Leases*

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guide including AASB 117 Leases and the related interpretations when it becomes effective. AASB 16 will be effective for reporting periods beginning on or after 1 January 2019. The new standard will result in the recognition of almost all the current operating leases or rental agreements which are currently off the Statement of Financial Position, by recognising a lease liability reflecting the future lease payments and a 'right of use asset and lease liability.

Upon initial adoption of AASB 16, the Company estimates that there will be a material impact upon the gross value of assets and liabilities. However as these amounts will largely offset each other, there will be minimal change to the value of net assets and equity.

Initial impact on the Profit & Loss statement is likely to be a slight, but not material increase in net expenses in the first years. Common Equity NSW Ltd leases bear changes in material judgement areas such as discount rates and estimated lease term for leases with renewal options.





## Notes to the Financial Statements

### For the Year Ended 30 June 2019

#### 3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described 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.

#### 4 Revenue and Other Income

##### Revenue

	2019	2018
	\$	\$
<b>Rental revenue</b>		
- Co-operative rental income	2,619,528	3,111,314
- Direct Managed Rental Income	957,571	765,099
- Other Properties	30,755	28,579
	<u>3,607,854</u>	<u>3,904,992</u>
<b>Other revenue</b>		
- Interest received	26,165	27,279
- Government NRAS Grant	193,064	191,722
- Other grants	10,299	53,791
- Other revenue	100,211	49,866
	<u>329,739</u>	<u>322,658</u>
<b>Total Revenue</b>	<u>3,937,593</u>	<u>4,227,650</u>

## COMMON EQUITY NSW LTD

ABN: 39 861 993 468



### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 4 Revenue and Other Income

##### Other Income

	2019	2018
	\$	\$
<b>Other Income</b>		
- Capital Grant - NSW Family and Community Service	-	4,000,000
- Capital Contribution - Co-ops	-	800,000
- Reimbursement from LAHC Guildford Project	13,425	58,846
- Net gain on disposal of property, plant and equipment	1,883	-
	<u>15,308</u>	<u>4,858,846</u>

#### 5 Property and tenant expenses

	2019	2018
	\$	\$
Depreciation	312,731	458,329
Insurance	241,114	173,091
Rates, Water and Electricity	203,332	177,291
Maintenance	392,232	316,150
Pest Control	6,160	9,653
	<u>1,155,569</u>	<u>1,134,514</u>

#### 6 Expenses

##### Expenses

	2019	2018
	\$	\$
Surplus includes the following specific expenses:		
<i>Rental expense relating to operating leases</i>		
Total rental expense relating to operating leases	175,866	76,473
<i>Superannuation expense</i>		
Superannuation contributions	120,493	107,639

## COMMON EQUITY NSW LTD

ABN: 39 861 993 468



### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 7 Cash and Cash Equivalents

	2019	2018
	\$	\$
Cash at bank and in hand	2,641,220	3,220,357
	<u>2,641,220</u>	<u>3,220,357</u>

#### 8 Trade and other receivables

	2019	2018
	\$	\$
NON-CURRENT		
Trade receivables	246,331	402,915
Less: Provision for impairment of receivables	(3,431)	(3,431)
	<u>242,900</u>	<u>399,484</u>
Other Receivables	54,574	23,584
Government NRAS incentives receivable	193,064	191,722
Accrued interest	5,680	2,695
GST receivable	35,172	61,692
	<u>531,390</u>	<u>679,177</u>

#### 9 Assets and liabilities held for sale

	2019	2018
	\$	\$
Non-current assets held for sale		
Property, plant and equipment	1,812,004	-
	<u>1,812,004</u>	<u>-</u>

#### 10 Financial assets

	2019	2018
	\$	\$
Term Deposits	694,082	596,426
	<u>694,082</u>	<u>596,426</u>

Term deposits include an amount of \$165,111 (2018: \$74,451) held by the bank as security deposits for the performance on the lease of office premises.

## COMMON EQUITY NSW LTD

ABN: 39 861 993 468



### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 11 Other assets

	2019	2018
	\$	\$
Prepayments	139,661	55,489
Security deposits	3,050	22,802
	<u>142,711</u>	<u>78,291</u>

#### 12 Property, plant and equipment

##### Buildings

At cost	13,267,500	13,267,500
Accumulated depreciation	(589,356)	(326,505)
Total buildings	<u>12,678,144</u>	<u>12,940,995</u>

##### Capital works in progress

At cost	5,382,671	5,353,972
Accumulated depreciation	(178,708)	(131,824)
Total capital works in progress	<u>5,203,963</u>	<u>5,222,148</u>

##### Furniture, fixtures and fittings

At cost	37,427	109,574
Accumulated depreciation	(34,536)	(101,797)
Total furniture, fixtures and fittings	<u>2,891</u>	<u>7,777</u>

##### Motor vehicles

At cost	-	40,142
Accumulated depreciation	-	(20,661)
Total motor vehicles	<u>-</u>	<u>19,481</u>

##### Office equipment

At cost	8,004	52,185
Accumulated depreciation	(2,942)	(46,508)
Total office equipment	<u>5,062</u>	<u>5,677</u>

##### Leasehold Improvements

At Cost	479,096	252,752
	(246,088)	(226,784)
Total leasehold improvements	<u>233,008</u>	<u>25,968</u>

##### Improvements - Co-ops

At cost	1,696,539	915,403
Accumulated depreciation	(487,126)	(206,160)
Total improvements - Co-ops	<u>1,209,413</u>	<u>709,243</u>

<b>Total property, plant and equipment</b>	<u><b>19,332,481</b></u>	<u><b>18,931,289</b></u>
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**COMMON EQUITY NSW LTD**

ABN: 39 861 993 468

**COMMON  
EQUITY**

**Notes to the Financial Statements  
For the Year Ended 30 June 2019**

**12 Property, plant and equipment**

**(a) Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Buildings	Leasehold Improvements	Furniture, Fixtures and Fittings	Motor Vehicles	Computer Equipment	Capital Works in Progress	Improvements Co-ops	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2019</b>								
Balance at the beginning of year	12,940,995	25,969	7,777	19,480	5,677	5,222,148	709,243	18,931,289
Additions	1,815,000	266,713	2,877	50,028	3,492	53,599	781,136	2,972,845
Disposals	-	-	-	(55,443)	-	(24,900)	-	(80,343)
Depreciation expense	(265,847)	(59,674)	(7,763)	(14,065)	(4,107)	(46,884)	(280,966)	(679,306)
Less: Assets held for re-sale	(1,812,004)	-	-	-	-	-	-	(1,812,004)
<b>Balance at the end of the year</b>	<b>12,678,144</b>	<b>233,008</b>	<b>2,891</b>	<b>-</b>	<b>5,062</b>	<b>5,203,963</b>	<b>1,209,413</b>	<b>19,332,481</b>



## COMMON EQUITY NSW LTD

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### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 13 Intangible assets

##### Computer Software

Cost	252,867	241,141
Accumulated amortisation and impairment	(65,184)	(16,120)
<b>Net carrying value</b>	<b>187,683</b>	<b>225,021</b>
<b>Total Intangibles</b>	<b>187,683</b>	<b>225,021</b>

##### (a) Movements in carrying amounts of intangible assets

	Computer software \$	Total \$
<b>Year ended 30 June 2019</b>		
Balance at the beginning of the year	225,021	225,021
Additions	11,726	11,726
Amortisation	(49,064)	(49,064)
<b>Closing value at 30 June 2019</b>	<b>187,683</b>	<b>187,683</b>

#### 14 Trade and other payables

	Note	2019 \$	2018 \$
Current			
Trade payables		49,409	50,279
Sundry payables and accrued expenses		135,393	189,537
Other payables		191,740	41,108
		<b>376,542</b>	<b>280,924</b>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

## COMMON EQUITY NSW LTD

ABN: 39 861 993 468



### Notes to the Financial Statements

For the Year Ended 30 June 2019

#### 15 Borrowings

	2019	2018
	\$	\$
NON-CURRENT		
NRAS fund	2,080,900	2,080,900
Commercial loan	1,640,241	-
<b>Total non-current borrowings</b>	<b>3,721,141</b>	<b>2,080,900</b>

NSW Land and Housing Corporation has registered interest on the freehold properties in respect of the interest free loan facility provided pursuant to an 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.

#### 16 Reserves

	2019	2018
	\$	\$
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
<b>Total</b>	<b>10,170,832</b>	<b>10,170,832</b>

##### Revaluation surplus reserve

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

##### (a) 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 maintenance reserve	Total
	\$	\$	\$	\$
Balance at 1 July 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
<b>Balance at 30 June 2019</b>	<b>3,283,335</b>	<b>5,887,497</b>	<b>1,000,000</b>	<b>10,170,832</b>

## COMMON EQUITY NSW LTD

ABN: 39 861 993 468



### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 21 Related Parties

#### 17 Contingencies

The company had no contingent liabilities as at 30 June 2019 and 30 June 2018.

#### 18 Leasing Commitments

##### Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable:

- not later than one year	162,431	-
- between one year and five years	567,550	-
Minimum lease payments	<u>729,981</u>	-

##### Capital commitments

	2019	2018
	\$	\$
Committed but not contracted for: Properties and building work	6,500,000	6,000,000

#### 19 Members' Guarantee

Common Equity NSW Ltd is a company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$1 each towards meeting any outstanding obligations of the Company. At 30 June 2019 the number of members was 32 (2018: 32).

#### 20 Key Management Personnel Remuneration

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

	2019	2018
	\$	\$
Aggregate compensation	229,486	193,992

#### 21 Related Parties

##### (a) Key management personnel

Disclosures relating to key management personnel are set out in Note 20.

##### (b) Transactions with related parties

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

##### (c) Loans to/from related parties

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



## COMMON EQUITY NSW LTD

ABN: 39 861 993 468



## Notes to the Financial Statements For the Year Ended 30 June 2019

### 21 Related Parties

#### (d) 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.

### 22 Events after the end of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

**COMMON EQUITY NSW LTD**

ABN: 39 861 993 468



**Directors' Declaration**

The responsible persons declare that in the responsible persons' opinion:

- there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
- the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Responsible person ..... *Allstone* ..... Responsible person ..... *A* .....

Dated *16/10/19*

## **Independent Auditor's 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 Entity), which comprises the statement of financial position as at 30 June 2019, the statement of 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 responsible persons declaration.

In our opinion, the accompanying financial report of the Entity is in accordance with the Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 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 Entity in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report for the respective programs for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Report**

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting standards and the ACNC Act, for such internal control as management determines 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, management is responsible for assessing the Entity'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 management either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### **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 the 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 this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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

*Crowe Central West*

**CROWE CENTRAL WEST**

A handwritten signature in black ink, appearing to read "John Thompson".

**John Thompson**  
**Audit Partner**  
**Registered Company Auditor: 302046**

Dated at Bathurst on the 16<sup>th</sup> day of October 2019

*The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

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