

FINANCIAL STATEMENTS

YEAR ENDED

30 June 2020

COMMON EQUITY NSW LTD

ABN 39 861 993 468



**COMMON
EQUITY**
CO-OPERATIVE
HOUSING



CONTENTS

FOR THE YEAR ENDED 30 June 2020

- 1** DIRECTORS' REPORT
- 7** AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 60-40 OF THE CHARITIES AND
NOT FOR PROFITS COMMISSION ACT 2012
- 8** STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
- 9** STATEMENT OF FINANCIAL POSITION
- 10** STATEMENT OF CHANGES IN EQUITY
- 11** STATEMENT OF CASH FLOWS
- 12** NOTES TO THE FINANCIAL STATEMENTS
- 26** DIRECTORS' DECLARATION
- 27** INDEPENDENT AUDIT REPORT

Directors' Report

30 June 2020

The directors present their report on Common Equity NSW Ltd for the financial year ended 30 June 2020.

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 (1 July 2019 - 13 May 2020)
- Member of Development and Growth Committee (14 May 2020 - 30 June 2020)

Name: Melanie Carmeci
Title: Technical Director – resigned post balance date – 31 July 2020
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 (1 July 2019 - 17 February 2020)
- Chair of Compliance, Audit, Risk and Governance Committee (18 February 2020 - 30 June 2020)

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 Development and Growth Committee

Directors' Report

30 June 2020

1. General information

Information on directors

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 (1 July 2019 - 17 February 2020) - Member of Compliance, Audit, Risk and Governance Committee (18 February 2020 - 30 June 2020)
Name:	Phyllis Sequeira
Title:	Technical Director - Resigned 23 November 2019
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:	Chair of Compliance, Audit, Risk and Governance Committee
Name:	Wayne Stamp
Title:	Member Director - Resigned 23 November 2019
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 Development and Growth Committee

Directors' Report

30 June 2020

1. General information

Information on directors

Name: Rose West
Title: Technical Director
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 on a community in the bush
Special responsibilities: Member of Development and Growth Committee

Name: Paul Wilson-Brown
Title: Member Director - Board Deputy Chair - Resigned 27 April 2020
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: Chair of Compliance, Audit, Risk and Governance Committee

Name: Lisa Danker
Title: Technical Director
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 Development and Growth Committee (1 July 2019 - 13 May 2020)
- Chair of Development and Growth Committee (14 May 2020 - 30 June 2020)

Directors' Report

30 June 2020

1. General information

Information on directors

Name: Amalina Wallace
title: Member Director - Appointed 23 November 2019
Experience and expertise: Amalina was a board member of Newtown Neighbourhood Centre for 9 years, and Secretary of the Neighbourhood Centre for six years. Amalina was an early activist in the housing co-op sector. She wrote successful funding submissions for three co-ops approved under the Local Government and Community Housing Scheme. She wrote the initial submission to the NSW Ombudsman that triggered the Mant Report and the creation of the Office of Community Housing. When state bureaucrats threatened to close down the housing co-op program because co-ops had no incorporation model, Amalina went to the then Registry of Co-operatives and worked with the lawyer there to create a model incorporation template for housing Co-ops in NSW. Amalina has been working with Leetona Dungay, mother of David Dungay who was killed in custody, since 2018 to support her campaign for justice for her son.
Special responsibilities: Member of Compliance, Audit, Risk and Governance Committee

Name: Christopher Ryan
Title: Member Director - Appointed 23 November 2019
Experience and expertise: Christopher's experience of the cooperative model is as a tenant and board member of Planet X Housing Cooperative since 2000. He was the Director of the cooperative Pact Theatre (Centre for Emerging Artists), Erskineville, where he was active in setting up performance trainings for emerging artists. Christopher has a degree in Communications and produced, directed and taught performance and acting at the University of Wollongong, he has also worked with at risk youth through the Queensland AIDS Council (QuAC).
Special responsibilities: Member of 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.

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 512 properties. The company owns 33 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

Directors' Report

30 June 2020

1. General information

Short term and long term objectives

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.

Directors' Report

30 June 2020

Meetings of directors

During the financial year, 19 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	5	2	1	8	8
Melanie Carmeci	5	4	6	5	-	-
Peter Page	5	5	-	-	8	6
Dennis Vaccher	5	4	6	6	-	-
Rose West	5	4	-	-	8	4
Lisa Danker	5	5	-	-	8	8
Paul Wilson-Brown	4	3	5	5	-	-
Phyllis Sequeira	2	2	3	3	-	-
Wayne Stamp	2	2	-	-	4	3
Amalina Wallace	3	2	2	2	-	-
Christopher Ryan	3	2	-	-	3	3

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 2020 has been received and is set out immediately after this directors' report.

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


 Director:


 Director:

Dated this 21 day of October 2020

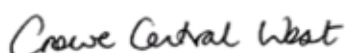
COMMON EQUITY NSW LTD

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, 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

Bathurst, NSW

Dated at Bathurst on this 21st day of October 2020

Liability limited by a scheme approved under Professional Standards Legislation.

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.

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue and Other Income			
Revenue	4	4,584,557	3,937,593
Other Income	4	169,610	15,308
Expenses			
Property and tenant expenses	5	(1,385,216)	(1,155,569)
Employee benefits expense		(1,512,637)	(1,514,649)
Depreciation and amortisation expense		(692,517)	(415,639)
Administrative expense		(660,672)	(1,034,738)
Surplus/(Deficit) for the year		<u>503,125</u>	<u>(167,694)</u>
Other comprehensive income for the year			
Total comprehensive income for the year		<u>503,125</u>	<u>(167,694)</u>

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 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,790,592	2,641,220
Trade and other receivables	7	378,208	531,390
Financial assets	9	1,678,970	694,082
Other Assets	10	170,930	142,711
Non-current assets held for sale	8	-	1,812,004
TOTAL CURRENT ASSETS		5,018,700	5,821,408
NON-CURRENT ASSETS			
Property, plant and equipment	11	20,094,472	19,332,481
Intangible assets	12	137,110	187,683
TOTAL NON-CURRENT ASSETS		20,231,582	19,520,164
TOTAL ASSETS		25,250,282	25,341,572
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	356,741	376,542
Employee benefits		145,525	116,749
Grant in Advance		350,150	-
Lease Liabilities		74,518	-
TOTAL CURRENT LIABILITIES		926,934	493,291
NON-CURRENT LIABILITIES			
Borrowings	14	2,080,900	3,721,141
Employee benefits		53,762	58,916
Other Provisions		55,000	-
Lease liabilities		562,335	-
TOTAL NON-CURRENT LIABILITIES		2,751,997	3,780,057
TOTAL LIABILITIES		3,678,931	4,273,348
NET ASSETS		21,571,351	21,068,224
EQUITY			
Reserves	15	10,170,832	10,170,832
Retained earnings		11,400,519	10,897,392
TOTAL EQUITY		21,571,351	21,068,224

The accompanying notes form part of these financial statements.

COMMON EQUITY NSW Ltd

ABN: 39 861 993 468

Statement of Changes in Equity For the Year Ended 30 June 2020

2020

	Reserves	Retained Earnings	Total
Note	\$	\$	\$
Balance at 1 July 2019	10,170,832	10,897,392	21,068,224
Total comprehensive income for the year	-	503,125	503,125
Prior year adjustment	-	2	2
Balance at 30 June 2020	10,170,832	11,400,519	21,571,351

2019

	Ordinary Shares	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

The accompanying notes form part of these financial statements.

COMMON EQUITY NSW Ltd

ABN: 39 861 993 468

Statement of Cash Flows For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		5,072,926	3,935,522
Payments to suppliers and employees		(3,165,276)	(3,158,169)
Interest received		28,705	26,165
Interest paid		(50,489)	(21,010)
Net cash provided by/(used in) operating activities		<u>1,885,866</u>	<u>782,508</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(915,065)	(2,972,846)
Payments for intangibles		-	(11,726)
Net funding for purchase of properties		-	1,640,241
Proceeds from disposal of property, plant and equipment		1,976,510	80,342
Net cash provided by/(used in) investing activities		<u>1,061,445</u>	<u>(1,263,989)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of Borrowings		(1,621,442)	-
Right of Use Asset Payments		(191,607)	-
Movement in Term Deposits		(984,889)	(97,656)
Net cash provided by/(used in) financing activities		<u>(2,797,938)</u>	<u>(97,656)</u>
Net increase/(decrease) in cash and cash equivalents held		149,373	(579,137)
Cash and cash equivalents at beginning of year		<u>2,641,220</u>	<u>3,220,357</u>
Cash and cash equivalents at end of financial year		<u>2,790,593</u>	<u>2,641,220</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2020

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 19 October 2020.

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

Refer Note (h) for adoption of new Accounting Standard AASB 16

(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.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies

(c) Revenue and other income

Grant revenue

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 2020

2 Summary of Significant Accounting Policies

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.

Right of Use Assets

Under the adoption of Accounting Standard AASB 16, relevant lease commitments are capitalised. This is generally an amount equivalent to the present value of future payments.

The resultant right of Use Asset is then amortised over the remaining period of the lease. This is generally a "straight line" method of amortisation.

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
Office Equipment	3 years
Leasehold improvements	5 to 7 years
Computer Software	5 to 7 years
Right of Use Asset	3 to 4 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

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies

each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(f) Cash and cash equivalents

Cash and cash equivalents comprises 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 that are now in place and active.

AASB 15 replaced AASB 118 Revenue, AASB 111 Construction Contract and several revenue related Interpretations. The Company takes the view that there is negligible impact to the financial statements under this new standard.

AASB 16 superseded the lease guide including AASB 117 Leases and the related interpretations when it became effective. The new standard resulted in the recognition of almost all the current operating leases or rental agreements by recognising a long term Lease Liability reflecting the future lease payments and an offsetting "Right of Use Asset (ROUA)" which represents the "control" of that asset by the entity.

There is be a material impact upon the gross value of assets and liabilities. However the ROUA and Lease Liabilities largely offset each other, resulting in minimal change to the value of net assets and equity.

The impact on the Profit & Loss statement is slight, Lease payments that were previously expensed are now replaced with depreciation of the ROUA and interest expense, resulting in no material change in net expenses.

Notes to the Financial Statements

For the Year Ended 30 June 2020

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.

Key estimates - fair value of financial instruments

The Company has certain financial assets and liabilities which are measured at fair value. Where fair value has not able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

Key estimates - provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

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.

Key Judgement - Coronavirus (COVID 19) Pandemic

Judgement has been exercised in considering the impact that Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either, any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may affect the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Notes to the Financial Statements

For the Year Ended 30 June 2020

4 Revenue and Other Income

Revenue

Rental revenue

- Co-operative rental income
- Direct Managed Rental Income
- Other Properties

2020
\$

3,244,793
1,013,333
20,670

2019
\$

2,619,528
957,571
30,755

4,278,796 **3,607,854**

Other revenue

- Interest received
- Government NRAS Grant
- Other Government grants
- Other revenue

28,705
194,030
49,216
33,810

26,165
193,064
10,299
100,211

305,761 **329,739**

Total Revenue

4,584,557 **3,937,593**

2020
\$

-
169,610

2019
\$

13,425
1,883

169,610 **15,308**

Other Income

- Reimbursement from LAHC Guildford Project
- Net gain on disposal of property, plant and equipment

Notes to the Financial Statements

For the Year Ended 30 June 2020

5 Property and tenant expenses

	2020	2019
	\$	\$
Depreciation	325,896	312,731
Insurance	386,474	241,114
Rates, Water and Electricity	204,120	203,332
Maintenance	458,089	392,232
Pest Control	10,637	6,160
	1,385,216	1,155,569

6 Expenses

	2020	2019
	\$	\$
Surplus includes the following specific expenses:		
<i>Rental expense relating to operating leases</i>		
Total rental expense relating to operating leases (See note 2h)	21,862	175,866
<i>Superannuation expense</i>		
Superannuation contributions	116,714	120,493

Notes to the Financial Statements

For the Year Ended 30 June 2020

7 Trade and other receivables

	2020 \$	2019 \$
NON-CURRENT		
Trade receivables	98,292	246,331
Less: Provision for impairment of receivables	(3,431)	(3,431)
	<u>94,861</u>	<u>242,900</u>
Other Receivables	44,495	54,574
Government NRAS incentives receivable	194,030	193,064
Accrued interest	8,867	5,680
GST receivable	<u>35,955</u>	<u>35,172</u>
Total non-current trade and other receivables	<u>378,208</u>	<u>531,390</u>

8 Assets and liabilities held for sale

	2020 \$	2019 \$
Non-current assets held for sale		
Property, plant and equipment	-	1,812,004
Total non-current assets held for sale	<u>-</u>	<u>1,812,004</u>

9 Financial assets

	2020 \$	2019 \$
Term Deposits	<u>1,678,970</u>	<u>694,082</u>
Total	<u>1,678,970</u>	<u>694,082</u>

Term deposits include an amount of \$130,773 (2019:\$165,111) held by the bank as security deposits for the performance on the lease of office premises.

Notes to the Financial Statements

For the Year Ended 30 June 2020

10 Other assets

	2020	2019
	\$	\$
Prepayments	168,475	139,661
Security deposits	2,455	3,050
	<u>170,930</u>	<u>142,711</u>

11 Property, plant and equipment

Land and Buildings

At cost	13,267,500	13,267,500
Accumulated depreciation	(856,240)	(589,356)
Total buildings	<u>12,411,260</u>	<u>12,678,144</u>

Capital works in progress

At cost	5,971,519	5,382,671
Accumulated depreciation	(232,616)	(178,708)
Total capital works in progress	<u>5,738,903</u>	<u>5,203,963</u>

Furniture, fixtures and fittings

At cost	4,418	37,427
Accumulated depreciation	(2,795)	(34,536)
Total furniture, fixtures and fittings	<u>1,623</u>	<u>2,891</u>

Motor vehicles

At cost	28,558	-
Accumulated depreciation	(8,011)	-
Total motor vehicles	<u>20,547</u>	<u>-</u>

Office equipment

At cost	9,457	8,004
Accumulated depreciation	(6,055)	(2,942)
Total office equipment	<u>3,402</u>	<u>5,062</u>

Leasehold Improvements

At cost	299,660	479,096
Accumulated depreciation	(126,584)	(246,088)
Total leasehold improvements	<u>173,076</u>	<u>233,008</u>

Improvements – Co-ops

At cost	1,992,746	1,696,539
Accumulated depreciation	(862,427)	(487,126)
Total improvements – co-ops	<u>1,130,319</u>	<u>1,209,413</u>

Right of Use Assets

At cost	809,661	-
Accumulated depreciation	(194,319)	-
Total right of use asset	<u>615,342</u>	<u>-</u>

Total property, plant and equipment

	<u>20,094,472</u>	<u>19,332,481</u>
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COMMON EQUITY NSW Ltd

ABN: 39 861 993 468

Notes to the Financial Statements
For the Year Ended 30 June 2020

11 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	Capital Works in Progress	Furniture, Fixtures and Fittings	Motor Vehicles	Office Equipment	Leasehold Improvements	Improvements Co-ops	Right of use asset	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2020									
Balance at the beginning of year	12,678,144	5,203,963	2,891	-	5,062	233,008	1,209,413	-	19,332,481
Additions	-	588,848	-	28,558	1,453	-	296,208	809,661	1,724,728
Disposals - written down value	5,104	-	-	-	-	-	-	-	5,104
Depreciation expense	(271,988)	(53,908)	(1,268)	(8,011)	(3,113)	(59,932)	(375,302)	(194,319)	(967,841)
Balance at the end of the year	12,411,260	5,738,903	1,623	20,547	3,402	173,076	1,130,319	615,342	20,094,472

Notes to the Financial Statements

For the Year Ended 30 June 2020

12 Intangible assets

Computer Software

Cost	252,867	252,867
Accumulated amortisation and impairment	(115,757)	(65,184)
Net carrying value	137,110	187,683
Total Intangibles	137,110	187,683

(a) Movements in carrying amounts of intangible assets

	Computer software \$	Total \$
Year ended 30 June 2020		
Balance at the beginning of the year	187,683	187,683
Amortisation	(50,573)	(50,573)
Closing value at 30 June 2020	137,110	137,110

13 Trade and other payables

	Note	2020 \$	2019 \$
Current			
Trade payables		21,712	49,409
Accrued Expenses		90,645	105,647
Accrued Expenses – Croydon construction progress payment		136,820	-
Sundry payables		35,416	29,746
Other payables		72,148	191,740
		356,741	376,542

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. Other payables in 2019 include rent paid in advance by Co-operatives.

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Borrowings

	2020	2019
	\$	\$
NON-CURRENT		
NRAS fund	2,080,900	2,080,900
Commercial loan	-	1,640,241
Total non-current borrowings	2,080,900	3,721,141

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 converting the loan facility extends to July 2051

15 Reserves

	2020	2019
	\$	\$
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
Total	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.

(a) Movements in reserves

Movements in the 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 2018	3,283,335	5,887,497	1,000,000	10,170,832
Balance at 30 June 2019	3,283,335	5,887,497	1,000,000	10,170,832
Balance at 30 June 2020	3,283,335	5,887,497	1,000,000	10,170,832

Notes to the Financial Statements

For the Year Ended 30 June 2020

16 Contingencies

The company had no contingent liabilities as at 30 June 2020 and 30 June 2019.

17 Leasing Commitments

Lease commitments

Minimum lease payments under non-cancellable operating leases:

- not later than one year	74,518	162,431
- between one year and five years	562,335	567,550
Minimum lease payments	636,853	729,981

Capital commitments

	2020	2019
	\$	\$
Commitments in place for:		
Croydon project	566,000	1,200,000
Cabramatta project	5,000,000	5,000,000
Schedule 3 works	533,230	300,000
	6,099,230	6,500,000

18 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 and obligations of the Company. At 30 June 2020 the number of members was 32 (2019: 32).

19 Key Management Personnel Remuneration

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

	2020	2019
	\$	\$
Aggregate compensation	179,976	229,486

20 Related Parties

(a) Key management personnel

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

(b) Transactions with related parties

Common Equity NSW Ltd complies with AASB124 Related party Transactions; with its policies, processes and procedures to identify any related parties.

Notes to the Financial Statements

For the Year Ended 30 June 2020

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

There were no reportable 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.

(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.

21 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 

Responsible person 

Dated

21 October 2020

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 2020, 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 2020 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 2020 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.

Liability limited by a scheme approved under Professional Standards Legislation.

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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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



John Thompson
Audit Partner
Registered Company Auditor: 302046

Dated at Bathurst on the 21st day of October 2020



**COMMON
EQUITY**
CO-OPERATIVE
HOUSING

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