



**COMMON
EQUITY HOUSING**
South Australia

Annual Report

2017-2018

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Jane Leicester, Acre Co-op member, Don Passmore, CEHSA Board member, Heather Hutton, Phoenix Co-op & CEHSA Board member, Robyn Herczeg, Chair Phoenix Co-op, Yvonne Waller, Phoenix Co-op member

Common Equity Housing SA Services

Common Equity is committed to deliver housing in a way that empowers tenants with a level of self-governance, within a broader supporting framework, and enables a range of benefits to be created for tenants, government and the broader community.

Member organisations continue to maintain a separate legal status, manage their tenancies' day to day activities but are not required to be registered for the National Regulatory System

(NRS) because Common Equity Housing SA is the registered body.

The illustration below highlights the services provided by Common Equity under an umbrella support model.



Chairperson's Report



Common Equity Housing SA (Common Equity) firmly believes in the benefits to individuals, families and the community of the Cooperative Housing model and the continuation of Volunteer Managed Housing Associations.

Common Equity is committed to deliver housing in a way that both empowers tenants with a level of self- governance, within a broader supporting framework, and enables a range of benefits to be created for tenants, government and the broader community.

It is appreciated that the volunteer management of a community housing body is difficult in the present climate of reducing support and economic pressure. With ageing members, for some it may be seen as easier to dissolve and allow a professional organisation to manage.

We see Common Equity as an enduring provider of a viable, effective alternative for housing cooperatives who want to stay and grow. We maintain our firm belief in the great benefits of participation for our member tenants and draw confidence from interstate and overseas knowledge about the effectiveness of the cooperative housing model.

In this climate we are pleased that our membership has grown with the addition of Paris Flat and Acre Housing Co-ops. We are impressed by the vigour of the two new joining cooperatives. We note their success and their resolve to preserve their entities and expect that their membership of Common Equity will add further mutual benefit.

In this year we have achieved several important milestones - new Property and Service Agreements with our Members, completed review and 10-year maintenance plans for all of the properties, as well as improvements in our operations and governance.

In our annual review our Members have shown an overall satisfaction rating of 89%, well above industry benchmarks. The rating of 88% satisfaction for repairs and maintenance (also exceeding benchmarks) is encouraging - a target for further improvement in the next year.

We are pleased to have the support and interest of Common Equity Housing NSW and Common Equity Housing Ltd Victoria. Both are successfully delivering service to expanding cooperative housing networks. We look forward to continuing and developing our relationship with these great organisations.

I want to thank my colleagues on the Common Equity Board who have been very generous with their expertise and time to promote and develop the organisation over the last year. Angela Carey, our CEO has been impressive in her leadership.

A handwritten signature in black ink, reading 'Elisabeth Gazard'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Elisabeth Gazard
Chairperson

Treasurer's Report



It is with pleasure I present Common Equity's Treasurer's Report for 2017/18.

For the year ended 30 June 2018, Common Equity recorded an operating surplus of \$80,669, compared to a surplus of \$68,511 in 2016-17.

This result was in excess of our forecast surplus of \$37,920.

The major reason for this variance is due to a change to the previous practice of provisioning for maintenance. In the past we were utilising an accrual based provisioning process and reporting the maintenance provision in the balance sheet.

On the advice of the auditors and as a result of the SAHA Master Agreement's new Asset Management planning process required under the NRSCH, the practice of provisioning has been removed. What we will be doing is reporting the future maintenance funds allocation as 'Restricted' cash in the annual report (see table opposite). Members need not worry that the maintenance funds have been 'absorbed' into operating funds as the Office of the Housing Regulator has a reporting requirement to ensure that all future maintenance can be funded so the controls are in fact tighter than under the old model.

This change in process has resulted in a very different measurement of cash flow performance.

Over the year there were other variants, including:

1. Total Rent was over budget by \$72,719 due to the increase in the number of properties.

2. An increase in interest revenue increasing from \$18,351 last year to \$20,663 in 2017-18 due to continued transfer of surplus funds to term deposits. The interest is for both maintenance and operating funds.

There were a number of under and unbudgeted expenses also experienced this financial year leading to Total Administrative expenses exceeding budget by \$64,753. This was primarily due to:

1. The new Asset Management practice resulted in a need for inspections of properties. This cost of \$30,690 was unbudgeted.
2. Wages and Salaries were over budget by \$11,863 due to extra hours for Asset Management Project and Award increases not factored into the budget.

There was another significant expense incurred in the Loss on Assets at Fair Value. In the 2017-18 Financial Year, the share portfolio had a net loss (on paper) of \$17,925. This is due to the share price for Telstra and Westpac falling throughout the year and would only be realised if we sold the shares.

Total equity increased to \$960,997 from \$362,057 as at 30 June 2017, despite the write down in the share portfolio. This figure is significantly increased as a result of the aforementioned change in the maintenance provision process.

Common Equity's cash position is still strong, as is reflected below:

	30 June 2018	30 June 2017	30 June 2016
Restricted Cash	\$760,000	\$653,288	\$423,573
Unrestricted Cash	\$326,977	\$258,222	\$265,082
Total Cash	\$1,086,977	\$971,373	\$688,655

After a strong financial performance in 2017-18, Common Equity is expecting continued improvement which will facilitate an increase in staffing numbers to provide the platform for growth in member organisations joining Common Equity.



John Rolfe
Treasurer

Chief Executive Officer's Report



It has been a productive year with many of Common Equity's strategic goals being achieved, including: growing the number of housing co-ops supported, developing a 10-year asset management plan, developing stronger relationship across the community housing sector, increasing the number of member benefits and services, and introducing additional employee benefits.

Strategic plan

In October 2017 the Board of Directors refocused the strategic direction of Common Equity by reviewing the foundation stones of a strategic plan - the organisation's vision, purpose and values.

Vision:

The co-op housing model continues to actively grow, evolve and empower communities in South Australia.

Purpose:

To support and enable housing co-ops to flourish in South Australia by providing members with:

- administrative, finance, asset and tenancy management services
- regulatory compliance and risk management controls, monitoring and reporting
- advocacy, education and participation strategies and skills

Values:

Co-operation – we actively promote and enact the principles of co-operation and the growth of co-op housing to improve access for lower income households, enhance social and community benefits and to create greater community resilience.

Respect – we respect and strongly advocate for a diverse and inclusive society, we act with integrity by treating people with respect, doing what we say we'll do and being honest and genuine with each other.

Empowerment – we actively empower members to maintain their identity and autonomy and we do this by collaborating with members and stakeholders to drive the best outcomes.

Common Equity's Strategic Plan is illustrated by a strategy map (on page 12), which shows the logical progression from developing our people and improving our processes, to achieving financial sustainability which will enable positive outcomes for members and the community.

Growth & partnerships

According to our strategic direction, we have continued to engage with independent housing co-ops and associations via presentations, meetings, and question and answer sessions, aimed at illustrating how joining Common Equity provides positive benefits, and supports member autonomy.

Our active promotion of the value of housing co-operatives, and focus on the benefits of the collaborative and reciprocal relationship between Common Equity and its members has been well received, and fruitful for our growth.

Two independent housing co-ops, Paris Flat Co-operative and Acre Housing Co-operative joined Common Equity during this year, and we are currently working closely with several other housing co-ops who are aiming to join Common Equity in the next 6 to 12 months.

In terms of partnerships, our link with the National Co-op Housing Network has also been a vital information channel, providing advice and feedback on our activities from similar organisations with a successful umbrella-support model for housing co-ops. This included a study, commissioned by the Network in July 2018 and undertaken by researchers from Western Sydney University and the University of Newcastle to articulate the value in co-operative housing. Initial results highlight the following:

REDUCING COST OF DELIVERY OF SOCIAL HOUSING DUE TO VOLUNTEER HOURS



Our aim is to quantify the co-op housing model cost savings and benefits to the community in the next stage of the study during 2018-19.

As an endorsed member of the Community Housing Council of SA's Board and a Tier 3 representative, I have actively contributed to this important industry body and support network for the sector, Common Equity and our members.

Also, in August 2018, the Homelessness Conference 'Sharing Solutions to End Homelessness', coordinated by the Don Dunstan Foundation, provided an opportunity for myself and Scott Sharrad, the Chair of our member organisation PERCH, to share his personal story of the benefits of co-op housing, and to promote housing co-ops as a viable and sustainable solution/strategy to tackle homelessness, in order to

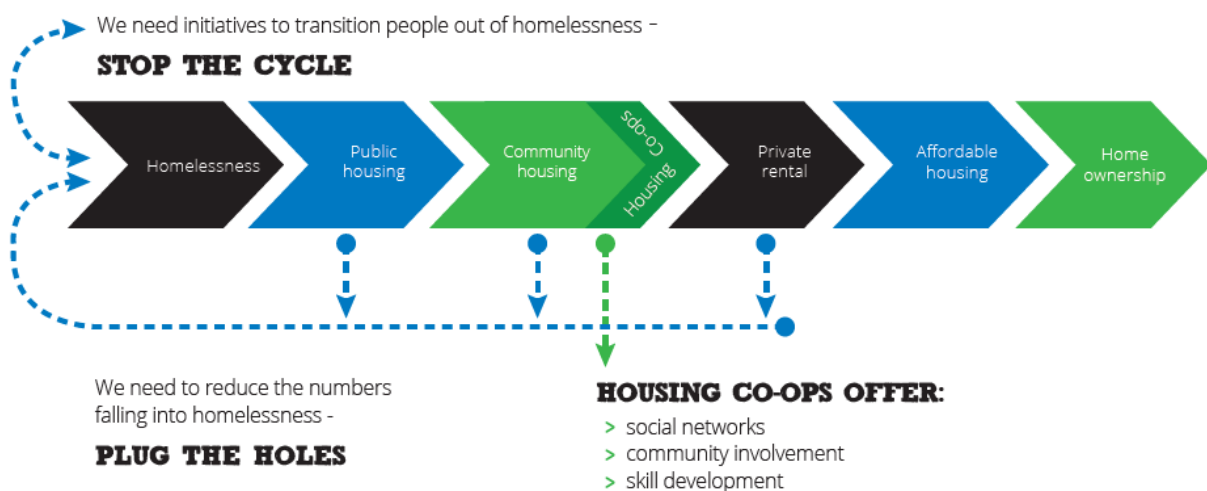
both **stop the cycle**, and **plug the holes**, as illustrated below.

Asset management plan

A significant project this year was to develop a 10-year asset management plan with the expertise of SPM Assets, a software and services company specialising in assessment, analysis and long-term asset planning. This partnership was made possible by the support of Common Equity in Victoria (CEHL), who hold a SPM Asset software licence, and the development of a tri-party agreement.

The benefit of the 10-year asset management plan means that we can more accurately forecast our ongoing maintenance.

HOUSING CONTINUUM



We can also identify ways to achieve cost savings and process improvements, and to mitigate risks. This change has also meant updating our Asset Management Policy, and classifying a proportion of our cash balances as 'restricted cash', and therefore, not available for general operations of the company. This change in classification is in line with the Master Community Housing Agreement with the South Australian Housing Authority, and is described in detail in the Treasurers' Report.

Member engagement

The Member-Tenant satisfaction survey was conducted by the Community Housing Industry Association NSW (CHIA NSW) on behalf of Common Equity in July/August 2018.

We achieved an overall satisfaction rating of 89%, which is consistent with the 2017 result.

Overall this is a very good set of results. In comparison to the National Regulatory System for Community Housing thresholds, Common Equity comfortably outperformed all three thresholds; overall satisfaction (by 14%), repairs and maintenance (by 13%) and condition of home (by 13%).

We have also committed additional resources to support our existing members by providing day to day support and training sessions based on their needs. Initial feedback sessions with office bearers have been positive with a quarterly Member Forum still seen as a positive way to network, share information and support each other.

Financial sustainability & compliance

We continue to look for more ways to streamline our systems and provide more timely and informative information to member organisations and our Board. Additional changes included integrating our social housing software system, Chintaro and our accounting package, MYOB more effectively.

Common Equity achieved an operating surplus of \$80,669 to the end of June 2018, compared to a surplus of 68,511 in 2016-17.

This is a solid performance and exceeded our forecast surplus of \$37,920. A review of our Investment and Development strategy in 2018-19 will ensure we leverage our assets and provide a sustainable return

that can be reinvested back into additional member benefits and development activities.

Acknowledgement

I would like to acknowledge the untimely death of Dr Michael Noble during the year. He was a member of the PERCH Housing Co-op for over 20 years, and served as the Secretary for PERCH for a great many years. He also made a valuable contribution to the development of Common Equity values by highlighting the importance of including 'diverse and inclusive society' as one of our significant differences.

Our future focus

- Continue to grow by supporting new member organisations
- Review and update our Investment and Development Policies and plans
- Apply for Tier 2 status at our next NRSCH return
- Strengthen the relationships with our Common Equity partners interstate
- Continue to review our model to ensure it aligns to our current and future member's needs.

The opportunity to provide diversity, and an autonomous alternative to larger community housing providers, is at the heart of all things we do.

However, we could not do it without our wonderful volunteer Board, so I would like to thank them for their wisdom, guidance, encouragement and support during the year.

To close, every day I am fortunate to work with a great team who all share a common purpose to support and enable housing co-ops to flourish in South Australia. Whilst we all reflect with pride on another year of successful outcomes and achievements, we also look forward to being able to implement our strategic plan, and ensure we continue to make housing co-ops a viable and successful housing model in South Australia.



Angela Carey
Chief Executive Officer



Common Equity Housing SA Ltd

ACN: 146 523 453

Financial Report

for the Financial Year ended 30 June 2018

Directors' Report for the Financial Year ended 30 June 2018

Your directors present this report on the company for the financial year ended 30 June 2018. In order to comply with the provisions of the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act), the directors report as follows:

Directors

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

Mr Ray Jackson
Ms Claire MacKenzie
Mr John Rolfe
Ms Elisabeth Gazard
Mr Don Passmore
Ms Heather Hutton
Ms Angela Carey
Mr Ray Smith
Mr Chris Branford

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

Principal Activities

Common Equity Housing SA Ltd (Common Equity) was registered as a company on 12/10/2010. The principal activities of the company are the leasing of debenture properties from South Australian Housing Trust (SAHT) under the Community Housing Providers (National Law) (South Australia) Act 2013 and the Master Community Housing Agreement between SAHT and Common Equity. Under a Property and Services Agreement, Common Equity leases these properties to member Community Housing Providers (CHP's) who then sublease to tenants under this Act. The company is registered under the National Regulatory System for Community Housing and must comply with specific performance standards. The company also provides administration, finance, property management, compliance and support services to those member organisations.

Review of Operations

During the year, the company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

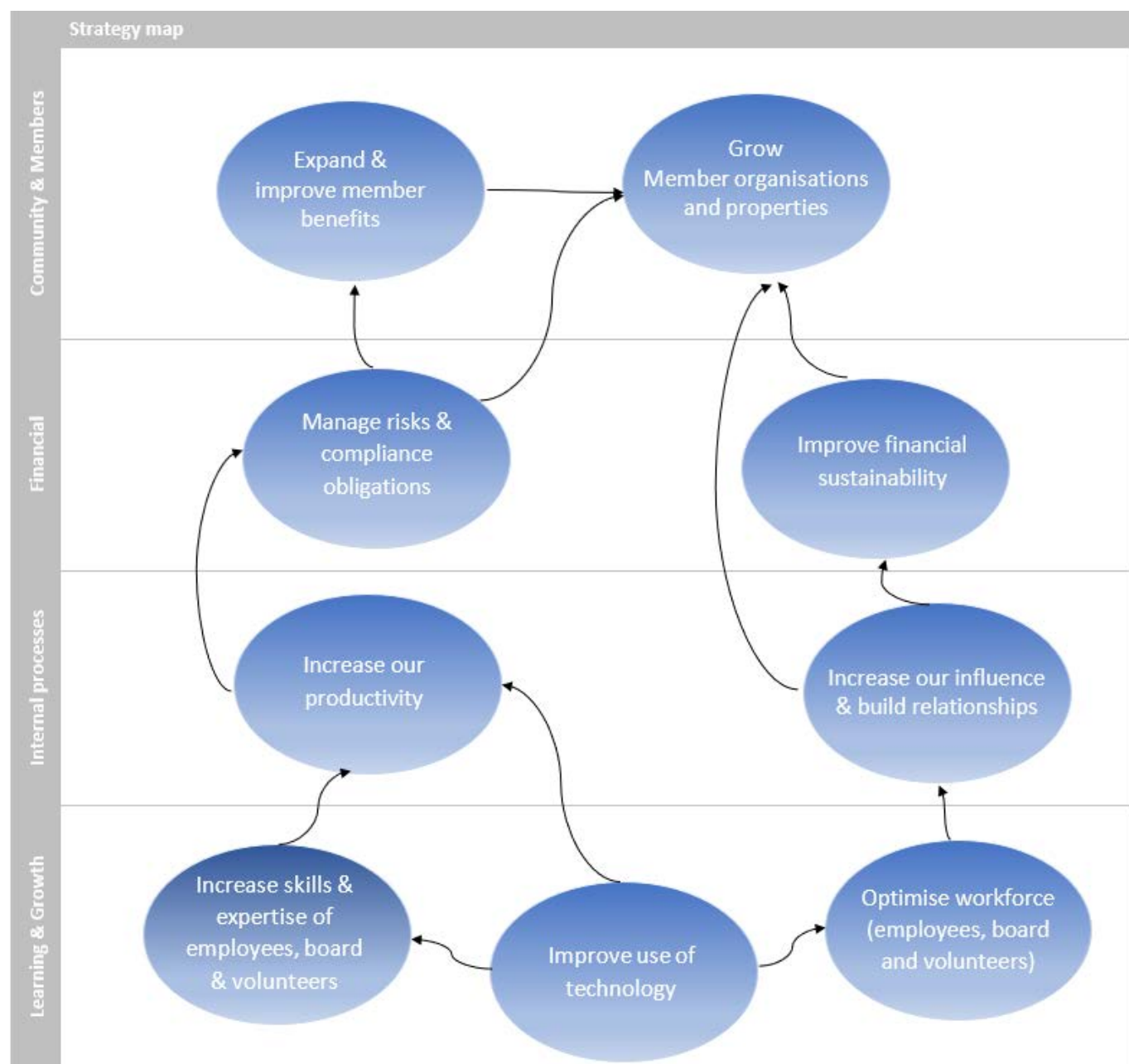
The net current year surplus of the company for the financial year ended 30 June 2018 amounted to \$80,669 (2017: \$68,511).

One new member organisation, Paris Flat Housing Co-op Ltd, was added with 30 properties as at 27 April 2018 and one member organisation, Sunrise Housing Co-op Inc, ceased trading and became directly managed tenants of Common Equity.

There have been no significant changes during the year.

Short-term and Long-term Objectives & Strategies

In October 2018 the Board developed a new strategic plan for the 2017-2020 period using the Balanced Scorecard methodology. Illustrated below are the objectives identified and KPI's and initiatives developed and reviewed by Board on a quarterly basis.



Key Performance Measures

The company measures its own performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the directors to assess the financial sustainability of the company and whether the company's short-term and long-term objectives are being achieved.

Information on Directors

Name: Elisabeth Gazard

Qualifications: She holds a BA (Adelaide), B Soc Admin (Flinders) MA (Bradford, UK) Grad Dip Management (UniSA) and is a Graduate Member of the Australian Institute of Company Directors (GAICD).

Experience and expertise: Elisabeth has worked in health and social welfare services for 45 years, most recently managing a substantial philanthropic trust in Adelaide which partnered with several Community Housing Associations in programs to support the provision of affordable housing. She has considerable experience on committees and Boards of disability and health organisations.

Special responsibilities: Technical, Chair of the Board

Name: Ray Jackson

Experience and expertise: As a Member Director, Ray has served on the Common Equity Board since its inception in 2010. In addition to this, he has served on the board of management of a housing co-operative for the past 7 years, 6 of which in the capacity of Chair. With a background in catering, Ray has been a Liaison Director with Parents without Partners, as well as serving 34 years with Scouting, in capacities ranging from Scout Leader to Assistant District Scout Leader.

Special responsibilities: Member

Name: Don Passmore

Qualifications: Don holds a Master of Business Management (MBA) from Australian Institute of Management as well as qualifications in front line management and training and assessment.

Experience and expertise: Don has held leadership and senior management positions for over fifteen years. His experience comes from a vast range of industry sectors including manufacturing, logistics, hire and retail. Working with companies that use world's best practices on a daily basis, Don has gained extensive knowledge in strategy, sales, operations and human resource management.

Special responsibilities: Technical

Name: Claire MacKenzie

Qualifications: With over 10 years of experience in tertiary education for nurses, midwives and health science students (Flinders University), Claire is a Registered Nurse, a Registered Midwife, and holds a Bachelor Degree in Adult and Vocational Training (UniSA).

Experience and expertise: Claire has been a Member Director of Common Equity since October 2013, and a housing co-operative member for 24 years, during which time she has fulfilled multiple management roles.

Special responsibilities: Member

Information on Directors (cont.)

Name: John Rolfe

Qualifications: John has also held several positions on state and national committees and boards with Australian Direct Marketing Association (ADMA), Institute of Financial Services (IFS) and was for 11 years a member of the National Lenders Committee of Mortgage Finance Association of Australasia (MFAA). John holds a Master of Business Administration and a Bachelor of Business from Edith Cowan University and several post-graduate certificates and diplomas. He is a Fellow of FINSIA, a Graduate Member of the Australian Institute of Company Directors (GAICD).

Experience and expertise: With over 34 years' experience in Finance and Retail Banking, John is a respected member of the Mortgage Finance industry. He has held senior strategic and leadership roles with Bank of Western Australia in product management and marketing, mortgage strategy, distribution and credit risk and 7 years as the General Manager – Retail at HomeStart Finance. John has recently completed his Master of Business Administration and is now leading the mortgage broking team at Elders.

Special Responsibilities: Technical/Treasurer

Name: Heather Hutton

Qualifications: Heather has had many years' experience as Office Manager in both medical and allied health clinics, as well as having a Diploma of Remedial Massage. Amateur musical theatre has also been a lifelong love and commitment as a performer and choreographer.

Experience and expertise: Heather has been a Member Director from 2016 and has been a housing co-operative member for 2 years.

Special Responsibilities: Member

Name: Ray Smith

Qualifications: He is a member of several professional organisations including APRA, AMCOS, IRCAM, LBPS and the NPS and holds a BSc (UK), BA (Adelaide) and MCA (Townsville).

Experience: Ray has been a working musician and educator for over forty years and has taught at several Australian institutions including James Cook University and the University of Adelaide.

Special Responsibilities: Member

Name: Angela Carey

Qualifications: She has a Bachelor of Management (Marketing), Diploma in Project Management and is a Graduate Member of the Australian Institute of Company Directors. In her own time, Angela is actively involved as the Chair of the Vinnies Crisis Centres Committee at St Vincent de Paul.

Experience and expertise: Angela has extensive experience in management, marketing, process improvement and stakeholder engagement and has previously worked at HomeStart Finance, Savings & Loans Credit Union and Adelaide Bank in senior management roles.

Special Responsibilities: CEO, Public Officer, Company Secretary

Information on Directors (cont.)

Name: Chris Branford

Qualifications: Chris holds a Bachelors Degree in Planning from the University of South Australia and a Masters degree In Urban Studies from the University of Akron, Ohio.

Experience and expertise: Chris has over 30 years' experience in urban development delivery. He worked with Delfin Lend Lease for 24 years on major urban development projects across the country in a range of senior management roles, including Project Director of Mawson Lakes. In February 2012 he established Branford Planning + Design which provides a broad range of specialist skills including urban design, master planning, project management and feasibility. Chris was also appointed to the SA State Commission Assessment Panel (formerly Development Assessment Commission) in 2015.

Special Responsibilities: Technical

The company is registered with the Australian Charities and Not-for-profits Commission and 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 towards meeting any outstanding obligations of the entity. At 30 June 2018, the total amount that members of the company are liable to contribute if the company is wound up is \$8 (2017: \$8)

As at 30 June 2018, eight unpaid \$1.00 shares were on issue to the eight-member groups who had joined Common Equity under the terms of the Property and Services Agreement (PSA).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on pages 17 of the financial report.

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



Elisabeth Gazard (Chair)

Date this 7th day of November 2018

Directors' Declaration

The directors of the registered entity declare that, in the directors' opinion:

1. The financial statements and notes, as set out on pages 18 to 31, comply with Australian Accounting Standards and give a true and fair view of the financial position of the registered entity as at 30 June 2018 and of its performance for the year ended on that date.
2. This declaration is signed in accordance with the subs 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.
3. There are reasonable grounds to believe that the registered entity will be able to pay its debts as and when they become due and payable.

Name: Elisabeth Gazard

Name: John Rolfe



Signed:
Director



Signed:
Director


Date this 7th day of November 2018

Common Equity Housing SA Ltd

Auditors Independence Declaration under Section 60.40 of the Australian Charities and Not-for-profits Commission Act 2012 to the Directors of Common Equity Housing South Australia Ltd

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

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



PERKS AUDIT PTY LTD

180 Greenhill Road

Parkside

South Australia 5063



PETER J HILL

Director

Registered Company Auditor

Dated this 7th day of November 2018

Chartered Accountants

Perks & Associates Pty Ltd

ACN 008 053 576
ABN 50 507 079 554

Liability limited by a scheme approved
under Professional Standards Legislation.

Audit

Perks Audit Pty Ltd

ACN 109 602 100
ABN 20 173 474 661

Liability limited by a scheme approved
under Professional Standards Legislation.

Wealth Management

Perks Wealth Management Pty Ltd

ACN 086 643 058
ABN 68 086 643 058

Australian Financial Services Licence No. 236 551

Finance

Perks Finance Pty Ltd

ACN 101 919 537
ABN 76 533 199 660

Australian Credit Licence No. 378241

Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
REVENUE			
Rental revenue		1,254,419	1,186,943
Other income	<u>2</u>	48,648	85,241
Total revenue		<u>1,303,067</u>	<u>1,272,184</u>
EXPENSES			
Administration expenses		126,082	135,930
Depreciation		5,841	6,352
Insurance		38,737	29,295
Rates - rental properties	<u>3</u>	133,252	135,148
Property expenses		177,514	116,167
Salaries and wages		278,026	273,216
Fair value loss on financial assets		17,925	13,103
Capital contribution to Housing SA		445,021	432,345
Maintenance provision		-	65,840
Housing improvement fund		-	(3,723)
Total expenses		<u>1,222,398</u>	<u>1,203,673</u>
Current year surplus before tax		<u>80,669</u>	<u>68,511</u>
Income tax expense	<u>1(b)</u>	-	-
Net current year surplus		<u>80,669</u>	<u>68,511</u>
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>80,669</u>	<u>68,511</u>

Statement of Financial Position

AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	<u>4</u>	1,086,977	973,979
Accounts receivable		16,550	16,027
Other current assets	<u>5</u>	45,311	40,257
Financial assets		32,587	50,513
Total Current Assets		1,181,425	1,080,776
NON-CURRENT ASSETS			
Property, plant and equipment	<u>6</u>	10,664	12,488
Other non-current assets	<u>7</u>	8	8
Total Non-Current Assets		10,672	12,496
TOTAL ASSETS		1,192,097	1,093,272
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	<u>8</u>	206,848	196,428
Provisions - Current	<u>9</u>	14,897	92,647
Total Current Liabilities		221,745	289,075
NON-CURRENT LIABILITIES			
Provisions - Non-current	<u>10</u>	9,355	442,140
Total Non-Current Liabilities		9,355	442,140
TOTAL LIABILITIES		231,100	731,215
NET ASSETS		960,997	362,057
EQUITY			
Member Funds		8	8
Retained surplus		960,989	249,150
Other Reserves		-	112,899
TOTAL EQUITY:		960,997	362,057

Common Equity Housing SA Ltd

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Retained Surplus \$	Share Capital \$	Property Reserve \$	Total \$
Balance at 1 July 2016		<u>230,608</u>	<u>8</u>	<u>62,930</u>	<u>293,546</u>
Transfers (to) and from reserves		(49,969)	-	49,969	-
Surplus for the year attributable to members		68,511	-	-	68,511
Other comprehensive income for the year		-	-	-	-
Balance at 30 June 2017		<u>249,150</u>	<u>8</u>	<u>112,899</u>	<u>362,057</u>
		Retained Surplus \$	Share Capital \$	Property Reserve \$	Total \$
Balance at 1 July 2017		<u>249,150</u>	<u>8</u>	<u>112,899</u>	<u>362,057</u>
Transfers (to) and from reserves		112,899	-	(112,899)	-
Surplus for the year attributable to members		80,669	-	-	80,669
Reclassification of maintenance provision	1(n)	518,271	-	-	518,271
Other comprehensive income for the year		-	-	-	-
Balance at 30 June 2018		<u>960,989</u>	<u>8</u>	<u>-</u>	<u>960,997</u>

Common Equity Housing SA Ltd

Statement of Cash Flows

AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from operating activities		1,281,881	1,316,084
Interest received		23,079	14,362
Payments to suppliers and employees		(1,187,827)	(1,052,404)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>11</u>	<u>117,133</u>	<u>278,042</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(4,135)	(15,391)
Proceeds on sale of plant and equipment		-	22,373
NET CASH FLOWS (USED IN) / PROVIDED BY INVESTING ACTIVITIES		<u>(4,135)</u>	<u>6,982</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>112,998</u>	<u>285,024</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		<u>973,979</u>	<u>688,955</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u>4</u>	<u>1,086,977</u>	<u>973,979</u>

Notes to the Accounts for the Year Ended 30 June 2018

The financial statements cover Common Equity Housing South Australia Ltd ("company") as an individual entity, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 8th November 2018 by the directors of the company.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Framework

The directors have prepared the financial statements on the basis that the company is not a reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the reporting requirements of the *Australian Charities and Not-for-profits Commission Act 2012*. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Australian Charities and Not-for-profits Commission Act 2012*, and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with those of previous periods unless stated otherwise.

Statement of Compliance

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Australian Charities and Not-for-profits Commission Act 2012*, the basis of accounting specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 1031 Materiality and AASB 1054 Australian Additional Disclosures.

Basis of Preparation

The financial statements, except the Statement of Cash Flows, have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

Accounting Policies

a) Revenue

The company accounts for rent on an accrual basis, taking into account arrears, rent paid in advance and rent adjustments.

Interest revenue is recognised on a proportional basis taking into consideration the interest rates applicable to the financial assets.

Dividend received are recognised as revenue when the right to receive the dividend has been established. All revenue is stated net of the amount of good and services tax, as applicable.

Notes to the Accounts for the Year Ended 30 June 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b) Income tax

No provision for income tax has been raised as the company is a Community Housing Provider (CHP) endorsed as an Income Tax Exempt Charity (ITEC) under Section 50B of the *Income Tax Assessment Act 1997* in accordance with Item 1.1 Charitable Institutions.

c) Property, plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. A formal assessment of recoverable amount is made when impairment factors are present.

Depreciation

Plant and equipment is depreciated on a straight-line basis over the assets useful life to the company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
----------------------	-------------------

Plant and equipment	10% to 33%
---------------------	------------

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.

d) Leases

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

Notes to the Accounts for the Year Ended 30 June 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) Financial Instruments (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

The company does have assets designated as financial assets at fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the company's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category.

The company does not have any assets designated as available-for-sale assets.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The company's financial liabilities include trade and other payables which are measured at amortised cost using the effective interest rate method.

Notes to the Accounts for the Year Ended 30 June 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) Financial Instruments (continued)

Impairment of financial assets

At the end of the reporting period the company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance account, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

f) Impairment of non-financial assets

At the end of each reporting period the company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

Notes to the Accounts for the Year Ended 30 June 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Government bonds, 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) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, cash at bank 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.

i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

j) Capital contributions payable to Housing SA

Capital contributions payable to Housing SA are based on rent receivable (rent income) for the number of days tenanted, not on rent received.

k) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting date.

Notes to the Accounts for the Year Ended 30 June 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

l) Service Concession Arrangements

AASB Interpretation 12 *Service Concession Arrangements* apply to arrangements where government transfers public infrastructure to non-government organisations subject to the following conditions:

- a) the government controls and regulates what services the non-government organisation must provide with the infrastructure, to whom it must provide them, and at what price; and
- b) the government retains residual ownership of the infrastructure.

The above conditions are deemed to have been satisfied through the requirements of the SACCH Act and Funding Agreement which prescribe how the community houses are to be used, the eligible tenants that are entitled to tenant them, and what rents can be charged. The arrangements also require Community Housing Organisations to return long term vacant property to government under the Funding Agreement.

Infrastructure within the scope of the Interpretation should not be recognised as property, plant and equipment of the operator, irrespective of the extent to which the operator bears the risks and rewards incidental to ownership and regardless of which party has legal title to it during the term of the arrangement, since the asset is "controlled" by the government. Instead, the non-government organisation recognises an intangible asset to the extent it has a right to charge users (tenants) of the public service.

Intangible assets

An Intangible asset is an identifiable non-monetary asset without physical substance. An Intangible asset is recognised when:

- a) it is identifiable; and
- b) the entity controls the asset; and
- c) there are future economic benefits flowing from the intangible asset.

The above conditions are deemed to have not been satisfied as there is no expected future economic benefits which will flow to the organisation at the inception of the Funding Agreement or during the course of service provision.

m) Share Capital

At the start of the financial year, 8 shares were listed as issued to member shareholders unpaid to the value of \$1.00 per share. During the financial year, share movements included the issue and cancellation of one share with the closing balance of unpaid shares on issue of \$8.

Notes to the Accounts for the Year Ended 30 June 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n) Critical Accounting Estimates and Judgements

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

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.

Maintenance provision / housing improvement fund ("funds")

In prior financial years increases to the funds were recognised on the basis of a daily charge per property and reduced by actual expenditure in that current financial year. The directors are of the opinion that these balances, previously recorded as provisions in the statement of financial position, do not currently meet the provision definition per Australian Accounting Standards given the current agreements in place with the South Australian Housing Trust. As a result, the balances have been de-recognised and recognised as an adjustment in the statement of equity for the current financial year.

Common Equity Housing SA Ltd
Notes to the Accounts for the Year Ended 30 June 2018

	2018 \$	2017 \$
2 OTHER INCOME		
Interest	20,663	18,352
Dividends	4,449	5,128
Recoupment	16,040	8,436
Service provision	7,496	-
Gain on Sale of Assets	-	3,596
Member wind up	-	49,729
TOTAL OTHER INCOME	48,648	85,241
3 RATES & TAXES - RENTAL PROPERTIES		
Council Rates	57,710	50,802
SA Water	50,579	61,400
Emergency Services Levy	24,804	22,668
Utilities	159	278
Total Rates & Taxes - Rental Properties - Debentured Properties	133,252	135,148
4 CASH		
Cash on hand		
Petty cash	300	300
Cash at bank - unrestricted	326,677	211,073
Cash at bank - restricted	341,609	762,606
Term deposits - restricted	418,391	-
Total Cash:	1,086,977	973,979

The Board of CEHSA has a number of obligations outlined in the Master Community Housing Agreement ("Master Agreement"), that was signed with the South Australian Housing Trust.

One of those obligations is to maintain the properties provided to the company to standards outlined in the Community Housing Maintenance Accommodation Standards.

As part of this responsibility, the Board have developed a ten year asset maintenance strategy that will maintain the properties at the levels stipulated in the Master Agreement.

In response, the Board have implemented a policy whereby cash balances necessary to undertake the required maintenance plan are designated as restricted, and are therefore not available for general operations of the company.

The Board is of the opinion that this policy will ensure that the standards outlined in the Master Agreement will be met in current and future financial years.

5 OTHER CURRENT ASSETS		
GST Receivable	5,127	2,226
Prepayments	27,554	22,985
Rental bonds	3,300	3,300
Accrued income	9,210	11,626
Deposits	120	120
Total Other Current Assets:	45,311	40,257
6 PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment	22,624	26,959
Accumulated Depreciation	(11,960)	(14,471)
Total Property, Plant and Equipment:	10,664	12,488

Common Equity Housing SA Ltd

Notes to the Accounts for the Year Ended 30 June 2018

	2018 \$	2017 \$
7 OTHER NON-CURRENT ASSETS		
Shares on Call - CEHSA	8	8
Total Other Non-Current Assets:	8	8
8 TRADE AND OTHER PAYABLES		
Trade creditors	52,556	35,636
Accrued Expenses	18,308	32,397
Other payables	16,314	20,880
Capital Contribution Payable to Housing SA	119,670	107,515
Total Trade and Other Payables:	206,848	196,428
9 PROVISIONS - CURRENT		
Employee Benefits - annual leave	14,897	10,193
Maintenance Provision	-	53,594
Housing Improvement Fund	-	28,860
Total Provisions - Current:	14,897	92,647
10 PROVISIONS - NON-CURRENT		
Employee Benefits - long service leave	9,355	6,322
Maintenance Provision	-	435,818
Total Provisions - Non-current:	9,355	442,140
11 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES WITH NET CURRENT YEAR SURPLUS		
Net current year surplus	80,669	68,511
Adjusted for non-cash balances:		
- depreciation	5,841	6,352
- fair value gains and losses	17,925	13,103
- (profit) on disposal of fixed assets	-	(3,596)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(533)	32,537
- (increase)/decrease in other assets	(5,054)	(11,152)
- increase/(decrease) in trade & other payables	10,538	125,346
- increase/(decrease) in provisions	-	121,192
- increase/(decrease) in employee benefits	7,737	(67,269)
Cash flows provided by operating activities	117,123	285,024

Notes to the Accounts for the Year Ended 30 June 2018

12 COMPANY DETAILS

The registered office and principal place of business of the company is:

Common Equity Housing South Australia Ltd

Suite 2,

32 West Thebarton Road

Thebarton, South Australia, 5031

13 CONTINGENCIES

In the opinion of directors, the company did not have any contingencies at 30 June 2018 (30 June 2017: None).

14 EVENTS OCCURRING AFTER THE REPORTING DATE

The financial report was authorised for issue on the 7th day of November 2018 by the board of directors.

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 Housing SA Ltd

Independent Audit Report to the members of Common Equity Housing SA Ltd

Report on the Audit of the Financial Report

Opinion

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

In our opinion, the accompanying financial report of Common Equity has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) giving a true and fair view of Common Equity's financial position as at 30 June 2018 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 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 Common Equity in accordance with the auditor independence requirements of Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Chartered Accountants

Perks & Associates Pty Ltd

ACN 008 053 576
ABN 50 507 079 554

Liability limited by a scheme approved
under Professional Standards Legislation.

Audit

Perks Audit Pty Ltd

ACN 109 602 100
ABN 20 173 474 661

Liability limited by a scheme approved
under Professional Standards Legislation.

Wealth Management

Perks Wealth Management Pty Ltd

ACN 086 643 058
ABN 68 086 643 058

Australian Financial Services Licence No. 236 551

Finance

Perks Finance Pty Ltd

ACN 101 919 537
ABN 76 533 199 660

Australian Credit Licence No. 378241

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling Common Equity's financial reporting responsibilities under the *Australian Charities and Not-for-profits Commission Act 2012*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Common Equity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibility for the Audit of the Financial Report (continued)

- 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 Common Equity'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 Common Equity 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



PERKS AUDIT PTY LTD

180 Greenhill Road

Parkside

South Australia 5063



PETER J HILL

Director

Registered Company Auditor

Dated this 7th day of November 2018



**COMMON
EQUITY HOUSING**

South Australia

Common Equity Housing SA Ltd

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Postal address	PO Box 382, Torrensville Plaza SA 5031
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