



COMMON
EQUITY HOUSING
South Australia

Annual Report

2018-19

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Our purpose

To support and enable housing co-ops to flourish in South Australia.

Our vision

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

Our values

Co-operation.
Respect.
Empowerment.



What we do

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

Member organisations continue to maintain a separate legal status and manage their tenancies' day to day activities. They are not required to be registered for the National Regulatory System (NRS) because Common Equity Housing SA is the registered body.

Chairperson's report



It has been an exciting twelve months for Common Equity as we have continued working toward our stated vision, “The co-op housing model continues to actively grow, evolve and empower communities in South Australia”.

Common Equity Housing SA has been granted Tier 2 community housing provider status.

The reputation of our organisation within the industry is flourishing, and the recent granting to Common Equity of Tier 2 community housing provider status, under the National Regulatory System for Community Housing (NRSCH), is evidence of this. The granting of Tier 2 status also represents recognition of a significant body of work by our team, and the hard work that has gone into the organisation over the past couple of years.

A Tier 2 compliance return under the NRSCH has also been recently completed, and Common Equity was found to be compliant across all seven assessment criteria with no recommendations for improvement from the regulatory authority.

It is also with excitement that under Community Housing Asset Renewal Program (CHARP), we have been granted approval for two development projects. The changes in policy broaden our investment opportunities, giving us the ability to grow our property numbers and therefore increasing

our ability to supply affordable, quality housing to our members.

As a Board we have seen some personnel changes. Heather Hutton moved out of co-operative housing and therefore resigned as a Member Director. Nathan March from Paris Flat Housing Co-op has since joined the board as a Member Director.

In December 2018 I was elected Chair of Common Equity after serving as a Technical Director for two and a half years. I would like to thank our previous Chair, Elisabeth Gazard for her diligent, committed and tireless efforts as a long-time Chair and Technical Director.

The retirement as Chair and Technical Director of Elisabeth Gazard opened a position for a Technical Director. The Board and CEO put together a set of preferred criteria before searching for a replacement. We are fortunate to have Caroline Wyatts take on the volunteer position.

In a not-for profit organisation such as Common Equity, it is critical to have good governance. This would not be possible without 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 and the team have worked tirelessly to ensure the organisations continued success. It is evident that Common Equity is on a trajectory for growth, and in an even better position to service the needs of our member base and the wider community.



Don Passmore
Chairperson

Treasurer's report



It is with pleasure I present Common Equity's Treasurer's Report for 2018-19.

For the year ended 30 June 2019, Common Equity recorded an operating surplus of \$261,433, compared to a surplus of \$80,669 in 2017-18. This result was below our forecast surplus of \$350,120.

For the year ended 30 June 2019, Common Equity recorded an operating surplus of \$261,433, compared to a surplus of \$80,669 in 2017-18.

The major reason for this variance is due to the timing of the new member organisations coming on board. The shortfall in net receipts (rent less capital contribution) from the growth not achieved for the year was \$162,951. Taking this into account, we still saw a very strong financial performance for the year.

Over the year the key variants were:

1. Total rent was under budget by \$213,332 due to timing of achieving our growth targets.
2. We saw an increase in the fair value of our share portfolio of \$12,816.
3. An increase in other income, including interest income, saw a net positive variance of \$16,191 to budget.

There were several under and unbudgeted expenses also experienced this financial year leading to Total Administrative expenses under budget by \$11,821. This was primarily due to:

1. Contractor fees (unbudgeted) of \$23,003 due to staff changes
2. Rates and charges under budget by \$60,934, a positive variance due to the timing of the property growth and reduction in the Emergency Services Levy.

There was a significant change to accounting standards implemented throughout the year. The housing properties are now included on Common Equity's Balance Sheet as Restricted Investment Property, the Total Equity for 2017-18 was restated to \$45,630,997 due to the Restricted Property Reserve of \$44,670,000. This increased in 2018-19 to Total Equity of \$55,670,862.

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

| | 30 Jun 19 | 30 Jun 18 |
|-------------------|-------------|-------------|
| Restricted Cash | \$504,001 | \$326,977 |
| Unrestricted Cash | \$815,000 | \$760,000 |
| Total Cash | \$1,319,001 | \$1,086,977 |

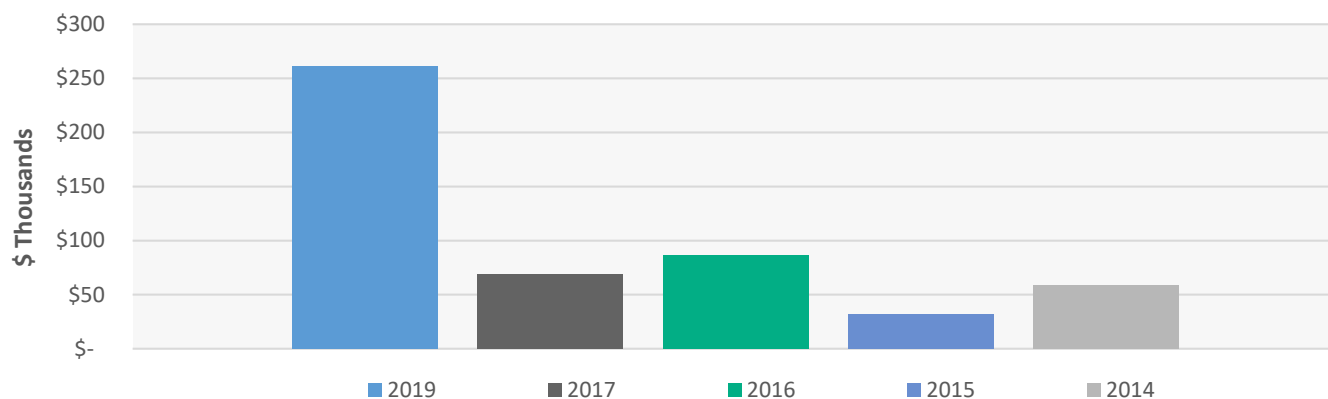
After a strong financial performance in 2018-19, Common Equity is now positioned to embark on property development as well as strengthening the platform for further growth in member organisations.

A handwritten signature in black ink, appearing to read 'John Rolfe'.

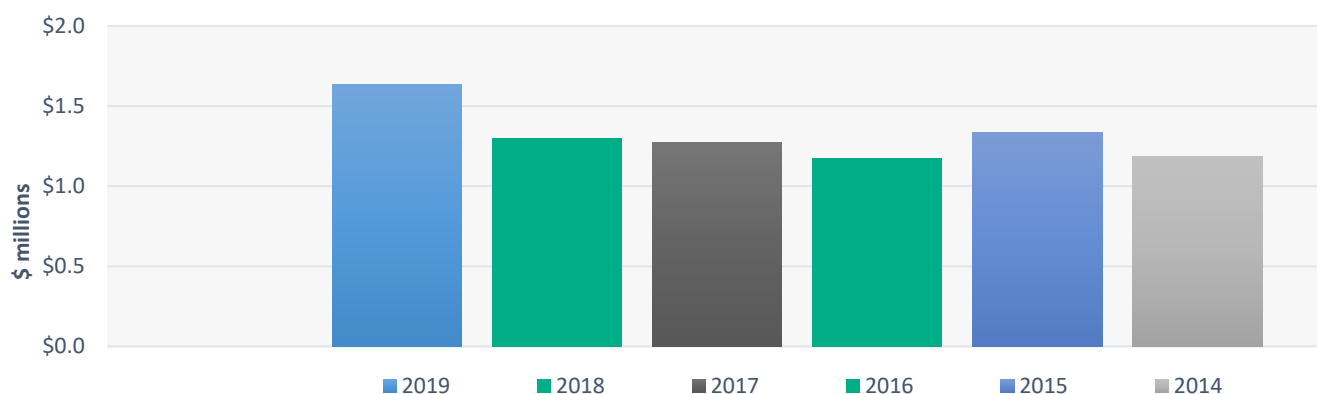
John Rolfe
Treasurer

Our performance

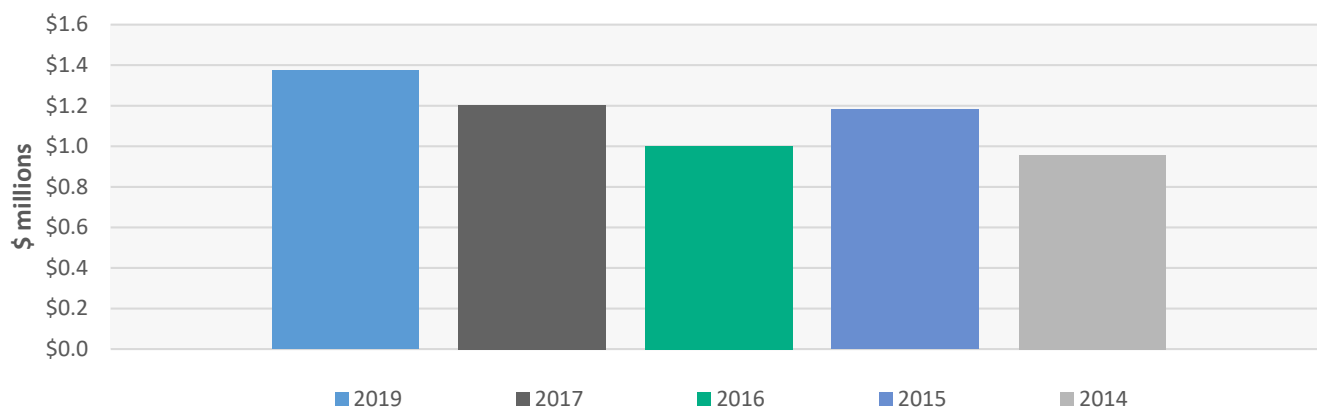
Operating surplus



Operating revenue



Operating expenses



Chief Executive Officer's report



All Common Equity's strategic goals were achieved in 2018-19, this included:

- Growth through new member organisations joining Common Equity,
- Achieving Tier 2 status with the National Regulatory System for Community Housing,
- Developing an Asset and Development Plan,
- Gaining approval for our first redevelopment program through the Community Housing Asset Renewal Program (CHARP).

In addition, we introduced XERO to improve our accounting systems and Employment Hero to support performance management and engagement.

Growth & partnerships

We continue to engage with independent housing co-ops and associations to highlight the benefits and flexible options available for their future. Common Equity's goal is to grow the number of community housing properties and deliver a model of community living that remains true to the co-operative housing ideology.

Two independent housing co-ops, Peach Housing Co-op and ISHA joined Common Equity this year and we continue to work closely with several other independent housing co-ops.

Two independent housing co-ops, Peach Housing Co-op and ISHA joined Common Equity this year and we continue to work closely with several other housing co-ops.

The link with other housing co-op umbrella organisations across Australia was strengthened this year with the rebranding of the group to Australian Housing Co-operative Alliance (ACHA). The alliance was formed to share ideas, issues and opportunities, and, most importantly to expand co-operative housing across Australia and to sustain and strengthen co-operative housing in each state.



As highlighted in the Chair's report, approval of two property redevelopments via CHARP occurred this year and work is scheduled to commence in early 2020. This is a significant milestone for Common Equity and a benefit of having the expertise within our Board and the Common Equity Team.

Financial sustainability & compliance

Achievement of Tier 2 status was a significant achievement this year. Our return was compliant across all seven assessment criteria sending a clear message to our members and stakeholders that Common Equity is structured for success. It also demonstrates that we are serious about growth and that housing co-ops play an important role in the South Australian housing sector.

Common Equity achieved an operating surplus of \$261,433 to the end of June 2019, compared to a surplus of \$80,669 in 2017-18. Costs continue to be contained and future cost savings identified, such as aligning our audit process to the ACNC requirements.

Common Equity achieved an operating surplus of \$261,433 to the end of June 2019, compared to a surplus of \$80,669 in 2017-18.

An extensive review of our Investment Policy was conducted during 2019 and culminated in the appointment of William Buck as our Investment Advisors for the next 3 years. The Investment Policy, approved by the Board, clearly outlines the purpose, asset allocation and monitoring and review process. The Board is scheduled to approve the Investment Plan in the coming months with implementation over the next six months.

Asset management

A 10-year asset management plan has been in place for 2 years, and we are starting to see the benefit of timely completion of planned maintenance work to avoid future responsive maintenance. A workshop with each member organisation is scheduled prior to the budget cycle to make sure the planned, cyclical and responsive budget allocated for the following year is clearly communicated and supported by our member organisations.

Member & employee engagement

The Member-Tenant satisfaction survey was conducted by the Community Housing Industry Association NSW (CHIA NSW) on behalf of Common Equity in September 2019.

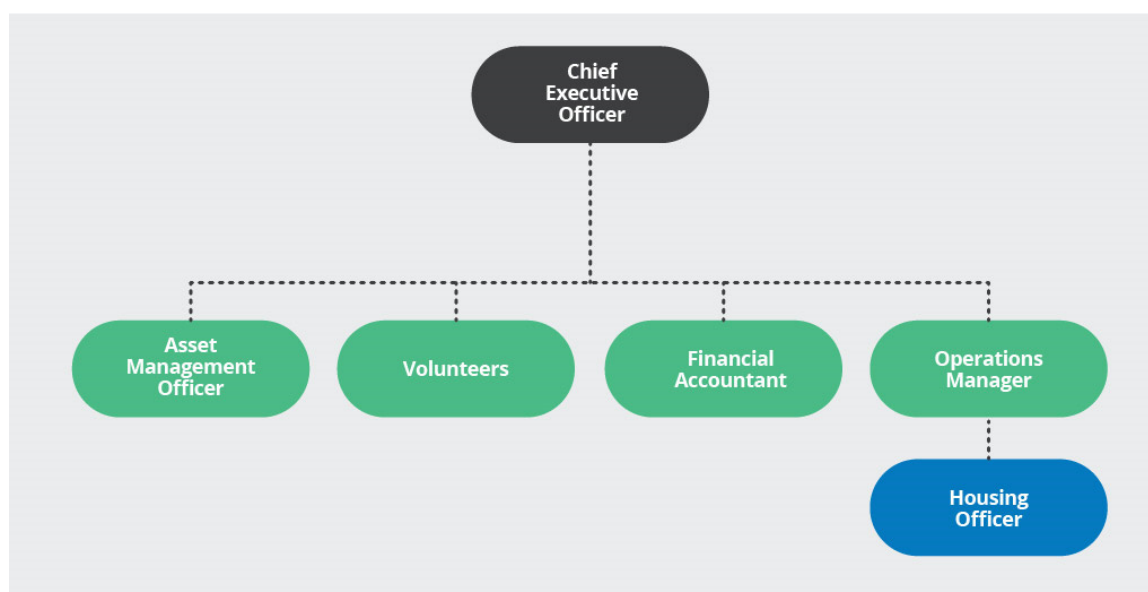
We achieved an overall member-tenant satisfaction rating of 84%, which is on par with the last 2 years results. In comparison to the National Regulatory System for Community Housing thresholds, Common

Equity exceeded all three thresholds; overall satisfaction (by 9%), repairs and maintenance (by 1%) and condition of home (by 8%).

The launch of our new website is planned to occur at the 2019 AGM. This project has involved members, external freelance designers, photographers and many hours of copy writing and user testing. Our aim is to cost effectively deliver a website that communicates clearly the benefits of co-op housing and the Common Equity umbrella model. Most importantly, a member portal that provides resources, tools and member forum for our member organisations will also be available on the website.

A review of the roles and responsibilities of the Common Equity Team occurred in May 2019 and the Board approved the recruitment of a dedicated Housing Officer to streamline the other roles. As a result, we now have three full time and two part time employees.

We introduced Employment Hero during the year, a software that helps businesses management, HR, payroll, employee engagement and benefits. It is fully integrated with XERO, our accounting package, so payroll and other financial activities sync automatically. At this stage we have used the tool to assist with the new employee induction process, payslips and the development of performance goals and managing tasks.



Our future focus

- Work with our member organisations to develop their Future Directions Plans
- Continue to grow Common Equity by supporting new member organisations
- Fully implement our Investment Plan
- Fulfil our property redevelopment plans for 2019-2020 building four new properties, replacing two
- Strengthen relationships with our ACHA partners
- Continue to review our model to make sure it aligns to the needs of our current and future members

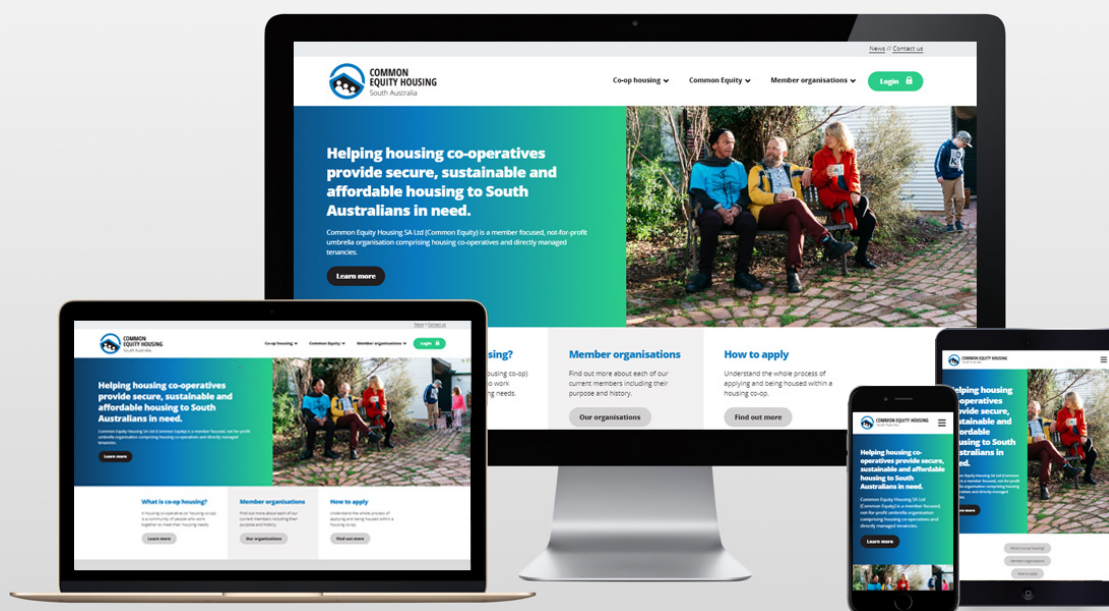
We could not continue to achieve significant outcomes without our wonderful volunteer Board, so I would like to thank them for their support during the year. A very special thanks to Elisabeth Gazard who resigned in February 2019. Elisabeth was a wonderful support to me in her role as Chair and she always had time to listen, offer guidance and

encouragement. Also, thanks to Ray Jackson, who resigned in August 2019, after serving as a Member Director since our registration in October 2010, so nearly 9 years. We all thank Ray for his dedicated service and monthly trips from his home in Moonta.

Finally, I am fortunate to work with a great team of committed and enthusiastic individuals, all of whom share a common purpose to support and enable housing co-ops to flourish in South Australia. We all look forward to continuing to ensure housing co-ops are a viable and successful housing model in South Australia.



Angela Carey
CEO



Common Equity's new website homepage

Our community



Over the time that we've been a member of Common Equity Housing SA, Paris Flat Housing Co-op Ltd. has connected more strongly with the wider co-op movement both in South Australia and around the nation. We've made use of Common Equity's extensive network with other housing co-ops to develop better tenancy and maintenance processes and build relationships with like-minded organisations.

Nathan March, Chair of Paris Flat Housing Co-op Ltd.



PEACH Housing Co-op faced several obstacles on our road to membership in Common Equity but found the assistance of the skilled staff of Common Equity to be tremendously helpful in overcoming the complications. The transition became a truly cooperative endeavour with the desired outcome for PEACH members and PEACH as an organisation. Working with the professional Common Equity team has insured that PEACH will be a part of the future and sustainability of housing cooperatives.

Claire Thackray, Chair of PEACH Housing Co-operative Inc.



Acre Housing Co-operative worked towards integration with Common Equity over 6 months and found the organisation to be professional, incredible supportive, and a joy to work with during a process that had the potential to be highly emotionally charged. In fact, it was a calm, smooth ebb and flow of questions asked, and answered, with everyone clear about the common goal of merging our organisations for the common purpose of long term stability and viability of both our groups.

Jane Leicester, Treasurer of Acre Housing Co-ops Inc.

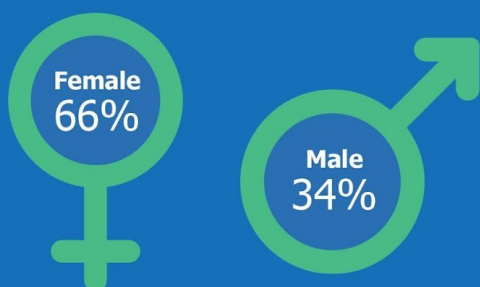


For ISHA Inc., joining Common Equity has been like a welcoming and assuring embrace from a like-minded family. Personal, professional, open to lengthy discussion and fielding off the most mundane of questions, Angela, James, and their excellent team have always put our needs and requests first and foremost. Yes, the road getting there more like a rollercoaster ride, but Common Equity have enabled ISHA to look towards a future of security, transparency, and respect, and to an enduring relationship with them.

Sean Riley, Chairperson of ISHA Inc.



Gender of head tenant/member



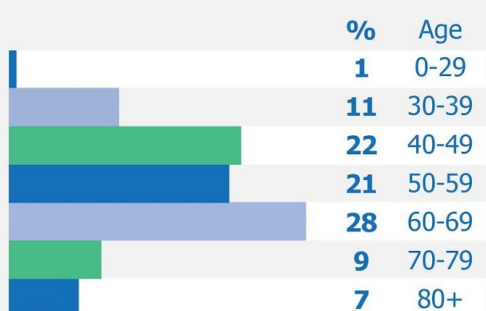
Number of people housed



Household types



Age of head tenant/member



Average age **57**

Tenant/member income



\$605.72
Average
weekly
income



37%
of average
Australian
weekly income

Governance

Common Equity is a not-for-profit company limited by shares under the Corporations Act 2001. As a Registered Tier 2 Community Housing Provider under the National Regulatory System for Community Housing, Common Equity complies with the seven performance standards.

Each year Common Equity submits a compliance return relating to tenancy and housing services, housing assets, community engagement, governance, probity, management and financial viability.

Common Equity's primary purpose is to support and enable housing co-ops to flourish in South Australia.

Common Equity's constitution is available online at www.cehsa.com.au

Board of Directors

The Board is made up of:

- Four Member Directors elected by the Common Equity shareholders / members at the Annual General Meeting

- Four Technical Directors, appointed by the Board based on their expertise in one of the following areas; Law, Finance, Property, Social Housing or other like disciplines. Technical Directors are appointed for two-years
- The CEO, who is appointed by the Board

Committees, made up of Board members and independent consultants, meet regularly to progress strategic initiatives in:

- Finance, Assets, Risk Management
- Business Development

From time to time, the Board instructs Common Equity to appoint an Advisory Group to consult with members on issues of significance. Advisory Groups are made up of co-op members, an independent Chair, and technical experts (if required).

The Board meets monthly at the Thebarton office.



Information on Directors



Don Passmore

Technical Director, Chair of the Board

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 daily, Don has gained extensive knowledge in strategy, sales, operations and human resource management.



Claire MacKenzie

Member Director, Deputy Chair of the Board

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 of Adult and Vocational Education degree (UniSA).

Experience and expertise

Claire has been a Member Director of Common Equity since October 2013, and a housing co-operative member for 28 years, during which time she has fulfilled multiple management roles.



John Rolfe

Technical Director, Treasurer

Qualifications

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 35 years' experience in Finance & 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 and 7 years as the General Manager – Retail at HomeStart Finance. John is now leading the mortgage broking team at Elders.



Ray Smith

Member Director

Qualifications

Ray 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.



Chris Branford

Technical Director

Qualifications

Chris holds a Bachelor of Planning Degree from the University of South Australia and a Master of Urban Studies degree 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.



Caroline Wyatts

Technical Director from 21 February 2019

Qualifications

Caroline holds a Bachelor of Commerce degree, Post Graduate Diploma in Accounting from Harvard University and has commenced an MBA at The University of Adelaide.

Experience and expertise

Caroline is a highly motivated CPA with over 10 years of experience in the financial sector. She has held Senior financial positions and external Chief Financial Officer roles within a broad range of industries, with commitment to exceptional relationship management, financial modelling, strategy development, mergers, acquisitions and business consultancy. As well as excellent team building skills to drive a positive culture that embraces challenges and promotes growth.



Nathan March

Member from 23 August 2018

Qualifications

Nathan has a BA (University of Adelaide) and a Grad. Dip. Screenwriting (AFTRS). He has also received a Cert IV in Small Business Management and undertaken a number of professional development courses in the area of social and community services.

Experience and expertise

Nathan has been a professional actor, writer and filmmaker for the last 25 years. Additionally, Nathan is a Support Worker at the Westcare Centre for people experiencing homelessness and a marketing consultant for creatives and NFP organisations with a particular focus on strategy and business development. He has been on several boards including the Community Housing Council of SA and Paris Flat Housing Co-op (PFHC). He has been a member of PFHC for 13 years and Chair for 3 of those years.



Angela Carey

CEO, Public Officer, Company Secretary

Qualifications

Angela has a Bachelor of Management degree, 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.

Ray Jackson

Member Director and resigned from the Board 15 August 2019

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.

Elisabeth Gazard

Technical Director, Chair of the Board and resigned 21 February 2019

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.

Heather Hutton

Member Director and resigned 19 July 2018

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.

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Parkside SA 5063
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info@perks.com.au
perks.com.au

Common Equity Housing South Australia 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 2019 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 9th day of October 2019

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.
Australian Financial Services
Licence No. 488997

Audit
Perks Audit Pty Ltd

ACN 109 602 100 / ABN 20 173 474 661
Liability limited by a scheme approved
under Professional Standards Legislation.

Private Wealth
Perks Private Wealth Pty Ltd

ACN 086 643 058 / ABN 88 086 643 058
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

Financial Statements for the year ended 30 June 2019

Directors' Report

Your directors present this report on the company for the financial year ended 30 June 2019. 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:

- Ms Elisabeth Gazard
- Mr Don Passmore
- Mr Ray Jackson
- Ms Claire MacKenzie
- Mr John Rolfe
- Ms Heather Hutton
- Mr Ray Smith
- Mr Chris Branford
- Mr Nathan March
- Ms Caroline Wyatts
- Ms Angela Carey

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 October 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 2019 amounted to \$261,433 (2018: \$80,669).

One new member organisation, Peach Housing Co-operative Inc, transferred to Common Equity with 17 properties and settlement occurred on 27 June 2019 and ISHA Inc, with 13 properties transferred on 28 June 2019 but property settlement didn't occur until 9 August 2019, so the property values are not included within the 2018-19 financial year reporting.

There have been no significant changes during the year.

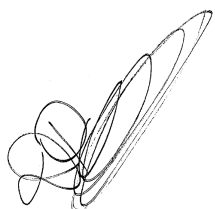
Short-term and Long-term objectives & strategies

The strategic plan for the 2017-2020 period using the Balanced Scorecard methodology was reviewed by the Board and updated in February 2019. The objectives identified and KPI's and initiatives developed are reviewed by Board on a quarterly basis and the plan is available on the Common Equity website www.cehsa.com.au

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.

The company is registered with the Australian Charities and Not-for-profits Commission and is a company limited by shares. 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.



Don Passmore

Chair

Date this 9th October 2019

As at 30 June 2019, ten unpaid \$1.00 shares were on issue to the ten-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 2019 has been received and can be found on pages 19 of the financial report.

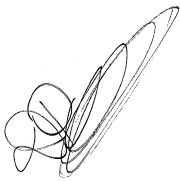
Signed in accordance with a resolution of the Board of Directors:



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 23 to 41 comply with Australian Accounting Standards and give a true and fair view of the financial position of the registered entity as at 30 June 2019 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.



Don Passmore
Director



John Rolfe
Director

Date this 9th October 2019

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

| | Note | 2019 \$ | 2018 \$ |
|--|-------------|-------------------|-------------------|
| REVENUE | | | |
| Rental revenue | | 1,569,940 | 1,254,419 |
| Gain on fair value of financial assets | | 12,816 | - |
| Other income | 3 | 53,560 | 48,648 |
| Total revenue | | 1,636,316 | 1,303,067 |
| EXPENSES | | | |
| Administration expenses | | 196,554 | 126,082 |
| Adjustment in relation to prior year rent | | 16,665 | - |
| Depreciation | | 4,775 | 5,841 |
| Insurance | | 50,471 | 38,737 |
| Rates - rental properties | 4 | 167,924 | 133,252 |
| Property expenses | | 87,232 | 177,514 |
| Salaries and wages | | 338,626 | 278,026 |
| Fair value loss on financial assets | | - | 17,925 |
| Capital contribution to Housing SA | | 512,636 | 445,021 |
| Total expenses | | 1,374,883 | 1,222,398 |
| Operating surplus before tax | | 261,433 | 80,669 |
| Income tax expense | 1(b) | - | - |
| Net operating surplus | | 261,433 | 80,669 |
| Restricted Investment Property | | | |
| Increase in fair value of investment property | | 988,430 | 646,000 |
| Investment properties received | | 8,790,000 | 10,320,000 |
| Investment properties disposed of | | - | (400,000) |
| Total movement restricted investment property | | 9,778,430 | 10,566,000 |
| Net surplus for the year | | 10,039,863 | 10,646,669 |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 10,039,863 | 10,646,669 |

Statement of Financial Position as at June 2019

| | Note | 2019 \$ | Re-stated 2018 \$ | Re-stated 1 July 2017 \$ |
|--------------------------------------|-----------|-------------------|-------------------------|--------------------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | <u>5</u> | 1,319,001 | 1,086,977 | 973,979 |
| Accounts receivable | | 34,483 | 16,550 | 16,027 |
| Other current assets | <u>6</u> | 68,160 | 45,311 | 40,257 |
| Financial assets | | 45,403 | 32,587 | 50,513 |
| Total Current Assets | | 1,467,047 | 1,181,425 | 1,080,776 |
| NON-CURRENT ASSETS | | | | |
| Plant and equipment | <u>7</u> | 5,889 | 10,664 | 12,488 |
| Restricted Investment | | | | |
| Property | <u>8</u> | 54,448,430 | 44,670,000 | 34,104,000 |
| Other non-current assets | <u>9</u> | 10 | 8 | 8 |
| Total Non-Current Assets | | 54,454,329 | 44,680,672 | 34,116,496 |
| TOTAL ASSETS | | 55,921,376 | 45,862,097 | 35,197,272 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Trade and Other Payables | <u>10</u> | 233,689 | 206,848 | 196,428 |
| Provisions - Current | <u>11</u> | 16,825 | 14,897 | 92,647 |
| Total Current Liabilities | | 250,514 | 221,745 | 289,075 |
| NON-CURRENT LIABILITIES | | | | |
| Provisions - Non-current | <u>12</u> | - | 9,355 | 442,140 |
| Total Non-Current Liabilities | | - | 9,355 | 442,140 |
| TOTAL LIABILITIES | | 250,514 | 231,100 | 731,215 |
| NET ASSETS | | 55,670,862 | 45,630,997 | 34,466,057 |
| EQUITY | | | | |
| Share Capital | | 10 | 8 | 8 |
| Retained surplus | | 1,222,422 | 960,989 | 249,150 |
| Property Reserve | | - | - | 112,899 |
| Restricted Property Reserve | | 54,448,430 | 44,670,000 | 34,104,000 |
| TOTAL EQUITY | | 55,670,862 | 45,630,997 | 34,466,057 |

Statement of Changes in Equity for the year ended 30 June 2019

| | Note | Retained Surplus \$ | Share Capital \$ | Property Reserve \$ | Restricted Investment Property Reserve \$ | Total \$ |
|--|------|---------------------------|------------------------|---------------------------|---|-------------------|
| Balance at 1 July 2017 | | 249,150 | 8 | 112,899 | - | 362,057 |
| Retrospective adjustment upon change in accounting policy AASB 140 | | 34,104,000 | - | - | - | 34,104,000 |
| Transfers (to) and from reserves | | (34,104,000) | - | - | 34,104,000 | - |
| Restated balance at 1 July 2017 | | 249,150 | 8 | 112,899 | 34,104,000 | 34,466,057 |
| Surplus for the year attributable to members | | 10,646,669 | - | - | - | 10,646,669 |
| Transfers (to) and from reserves | | (10,453,101) | - | (112,899) | 10,566,000 | - |
| Reclassification of maintenance provision | 1(n) | 518,271 | - | - | - | 518,271 |
| Balance at 30 June 2018 | | 960,989 | 8 | - | 44,670,000 | 45,630,997 |

| | | Retained Surplus \$ | Share Capital \$ | Property Reserve \$ | Restricted Investment Property Reserve \$ | Total \$ |
|--|--|---------------------------|------------------------|---------------------------|---|-------------------|
| Balance at 1 July 2018 | | 960,989 | 8 | - | 44,670,000 | 45,630,997 |
| Surplus for the year attributable to members | | 10,039,863 | - | - | - | 10,039,863 |
| Transfers (to) and from reserves | | (9,778,430) | - | - | 9,778,430 | - |
| Additions | | - | 2 | - | - | 2 |
| Balance at 30 June 2019 | | 1,222,422 | 10 | - | 54,448,430 | 55,670,862 |

Statement of Cash Flows

as at June 2019

| | Note | 2019 \$ | 2018 \$ |
|---|------------------|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from operating activities | | 1,585,367 | 1,281,881 |
| Interest received | | 19,888 | 23,079 |
| Payments to suppliers and employees | | (1,373,231) | (1,187,827) |
| NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES | <u>13</u> | <u>232,024</u> | <u>117,133</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for plant and equipment | | - | (4,135) |
| NET CASH FLOWS (USED IN) / PROVIDED BY INVESTING ACTIVITIES | | <u>-</u> | <u>(4,135)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | <u>232,024</u> | <u>112,998</u> |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR | | <u>1,086,977</u> | <u>973,979</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | <u>5</u> | <u>1,319,001</u> | <u>1,086,977</u> |

Notes to the Accounts for the year ended 30 June 2019

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 9 October 2019 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 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 using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Dividends 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 2019

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) 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 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) AASB 9: *Financial Instruments*

Current year

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit and loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivable does not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial Assets

Financial assets are subsequently measured at:

- Amortised cost;
- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income debt instruments (FVOCI debt); or
- Fair value through other comprehensive income equity instruments (FVOCI equity).

Measurement is on the basis of the two primary criteria:

- The contractual cash flow characteristics of the financial asset; and
- The business model for managing financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- The financial assets are managed solely to collect contractual cash flow of the financial asset; and
- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates; and
- The business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised costs and fair value through other comprehensive income are subsequently measured at fair value through profit and loss.

Notes to the Accounts for the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) Financial Instruments (continued)

Financial liabilities

Financial liabilities are subsequently measured at:

- Amortised cost; or
- Fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- A contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- Held for trading; or
- Initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability; that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- It is incurred for the purpose of repurchasing or repaying in the short term;
- Part of a portfolio where there is an actual pattern of short-term profit taking; or
- A derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship. A financial liability cannot be reclassified.

Equity instruments

All equity instruments of the Group are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 which allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value.

At initial recognition, as long as the equity instrument is not held for trading or not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: Business Combinations applies, the Group may make an irrevocable election to measure any subsequent changes in fair value of the equity instrument in other comprehensive income, while the dividend revenue received on an underlying equity instruments investment will still be recognised in profit or loss.

Notes to the Accounts for the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) Financial Instruments (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. When available, quoted prices in an active market are used to determine fair value.

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Available-for-sale financial assets; and
- Held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The company's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Notes to the Accounts for the year ended 30 June 2019

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.

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 using 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.

Notes to the Accounts

for the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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).

Notes to the Accounts for the year ended 30 June 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

l) Service Concession Arrangements

AASB Interpretations 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 Community Housing Providers (National Law) (South Australia) Act 2013 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 of two shares with the closing balance of unpaid shares on issue of \$10.

Notes to the Accounts for the year ended 30 June 2019

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.

o) Restricted investment property

Restricted investment property are recognised in the Statement of Financial Position at either market value and / or the Valuer Generals valuation at balance date. Movements on the restricted investment property are recognised through profit and loss.

2 CHANGE IN ACCOUNTING POLICY

The directors of Common Equity Housing South Australia Limited have elected to adopt AASB 140 *Investment Property*, with a date of initial application of 1 July 2017.

As a result, the company has changed its accounting policy in relation to its restricted properties which are now recognised in the Statement of Financial Position at either market value and / or the Valuer Generals valuation at balance date. Movements on the restricted investment property are recognised through profit and loss.

This policy has been retrospectively applied in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, by re-stating the respective balances affected at each of the reporting dates. Prior to this change in accounting policy, properties were not recognised in the Statement of Financial Position. The tables below outline the changes at each reporting date.

Notes to the Accounts

for the year ended 30 June 2019

2 CHANGE IN ACCOUNTING POLICY (continued)

| | 2018 \$ | AASB 140 \$ | 2018 restated \$ |
|---|------------------|-------------------|---------------------|
| REVENUE | | | |
| Rental revenue | 1,254,419 | - | 1,254,419 |
| Other income | 48,648 | - | 48,648 |
| Total revenue | 1,303,067 | - | 1,303,067 |
| EXPENSES | | | |
| Administration expenses | 126,082 | - | 126,082 |
| Depreciation | 5,841 | - | 5,841 |
| Insurance | 38,737 | - | 38,737 |
| Rates - rental properties | 133,252 | - | 133,252 |
| Property expenses | 177,514 | - | 177,514 |
| Salaries and wages | 278,026 | - | 278,026 |
| Fair value loss on financial assets | 17,925 | - | 17,925 |
| Capital contribution to Housing SA | 445,021 | - | 445,021 |
| Total expenses | 1,222,398 | - | 1,222,398 |
| Operating surplus before tax | 80,669 | - | 80,669 |
| Income tax expense | - | - | - |
| Net operating surplus | 80,669 | - | 80,669 |
| Restricted Investment Property | | | |
| Increase in fair value of investment property | - | 646,000 | 646,000 |
| Investment properties received for no consideration | - | 10,320,000 | 10,320,000 |
| Investment properties disposed of at no consideration | - | (400,000) | (400,000) |
| Total movement restricted investment property | - | 10,566,000 | 10,566,000 |
| Net surplus for the year | 80,669 | 10,566,000 | 10,646,669 |
| Other comprehensive income | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 80,669 | 10,566,000 | 10,646,669 |

Notes to the Accounts

for the year ended 30 June 2019

2 CHANGE IN ACCOUNTING POLICY (continued)

| | 1 July 2017 as previously stated \$ | AASB 140 \$ | 1 July 2017 restated \$ |
|--------------------------------------|---|-------------------|-------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 973,979 | - | 973,979 |
| Accounts receivable | 16,027 | - | 16,027 |
| Other current assets | 40,257 | - | 40,257 |
| Financial assets | 50,513 | - | 50,513 |
| Total Current Assets | 1,080,776 | - | 1,080,776 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 12,488 | - | 12,488 |
| Restricted Investment Property | - | 34,104,000 | 34,104,000 |
| Other non-current assets | 8 | - | 8 |
| Total Non-Current Assets | 12,496 | 34,104,000 | 34,116,496 |
| TOTAL ASSETS | 1,093,272 | 34,104,000 | 35,197,272 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 196,428 | - | 196,428 |
| Provisions - Current | 92,647 | - | 92,647 |
| Total Current Liabilities | 289,075 | - | 289,075 |
| NON-CURRENT LIABILITIES | | | |
| Provisions - Non-current | 442,140 | - | 442,140 |
| Total Non-Current Liabilities | 442,140 | - | 442,140 |
| TOTAL LIABILITIES | 731,215 | - | 731,215 |
| NET ASSETS | 362,057 | 34,104,000 | 34,466,057 |
| EQUITY | | | |
| Member Funds | 8 | - | 8 |
| Retained surplus | 249,150 | - | 249,150 |
| Property Reserve | 112,899 | - | 112,899 |
| Restricted Property Reserve | - | 34,104,000 | 34,104,000 |
| TOTAL EQUITY | 362,057 | 34,104,000 | 34,466,057 |

Notes to the Accounts

for the year ended 30 June 2019

2 CHANGE IN ACCOUNTING POLICY (continued)

| | 30 June 2018 as previously stated \$ | AASB 140 \$ | 30 June 2018 restated \$ |
|--------------------------------------|---|-------------------|--------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 1,086,977 | - | 1,086,977 |
| Accounts receivable | 16,550 | - | 16,550 |
| Other current assets | 45,311 | - | 45,311 |
| Financial assets | 32,587 | - | 32,587 |
| Total Current Assets | 1,181,425 | - | 1,181,425 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 10,664 | - | 10,664 |
| Restricted Investment Property | - | 44,670,000 | 44,670,000 |
| Other non-current assets | 8 | - | 8 |
| Total Non-Current Assets | 10,672 | 44,670,000 | 44,680,672 |
| TOTAL ASSETS | 1,192,097 | 44,670,000 | 45,862,097 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 206,848 | - | 206,848 |
| Provisions - Current | 14,897 | - | 14,897 |
| Total Current Liabilities | 221,745 | - | 221,745 |
| NON-CURRENT LIABILITIES | | | |
| Provisions - Non-current | 9,355 | - | 9,355 |
| Total Non-Current Liabilities | 9,355 | - | 9,355 |
| TOTAL LIABILITIES | 231,100 | - | 231,100 |
| NET ASSETS | 960,997 | 44,670,000 | 45,630,997 |
| EQUITY | | | |
| Member Funds | 8 | - | 8 |
| Retained surplus | 960,989 | - | 960,989 |
| Restricted Property Reserve | - | 44,670,000 | 44,670,000 |
| TOTAL EQUITY | 960,997 | 44,670,000 | 45,630,997 |

Notes to the Accounts

for the year ended 30 June 2019

| | 2019 \$ | 2018 \$ |
|--|------------------|------------------|
| 3 OTHER INCOME | | |
| Interest | 20,200 | 20,663 |
| Dividends | 3,544 | 4,449 |
| Recoveries | 21,333 | 16,040 |
| Service provision | 8,483 | 7,496 |
| Total other income | 53,560 | 48,648 |
| 4 RATES & TAXES - RENTAL PROPERTIES | | |
| Council Rates | 67,303 | 57,710 |
| SA Water | 86,753 | 50,579 |
| Emergency Services Levy | 13,019 | 24,804 |
| Utilities | 849 | 159 |
| Total Rates & Taxes - Rental Properties | 167,924 | 133,252 |
| 5 CASH | | |
| Petty Cash | 30 | 300 |
| Term deposits - restricted | 503,971 | 326,677 |
| Cash at bank - unrestricted | 136,787 | 341,609 |
| Term deposits - unrestricted | 678,213 | 418,391 |
| Total Cash | 1,319,001 | 1,086,977 |

The Board of Common Equity has several 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.

| | 2019 \$ | 2018 \$ |
|-----------------------------------|---------------|---------------|
| 6 OTHER CURRENT ASSETS | | |
| GST Receivable | 3,903 | 5,127 |
| Prepayments | 50,138 | 27,554 |
| Rental bonds | 3,300 | 3,300 |
| Accrued income | 9,522 | 9,210 |
| Other | 1,297 | - |
| Deposits | - | 120 |
| Total Other Current Assets | 68,160 | 45,311 |
| 7 PLANT AND EQUIPMENT | | |
| Plant and equipment | 18,193 | 22,624 |
| Accumulated Depreciation | (12,304) | (11,960) |
| Total Plant and Equipment | 5,889 | 10,664 |

Notes to the Accounts

for the year ended 30 June 2019

| | 2019 \$ | 2018 \$ |
|---|-------------------|-------------------|
| 8 RESTRICTED INVESTMENT PROPERTY | | |
| Social and affordable housing subject to South Australian Housing Trust (SAHT) Master Community Housing Agreement | 54,448,430 | 44,670,000 |
| Total Restricted Investment Property - at Valuer Generals valuation | 54,448,430 | 44,670,000 |
| <p>In terms of the Master Community Housing Agreement, the SAHT holds a Deed of Statutory charge over a majority of investment properties. Under this charge:</p> <ul style="list-style-type: none"> • These properties may only be used for the purpose of providing affordable housing for eligible tenants at rents set in accordance of predetermined criteria; • These properties must be maintained to the standards as outlined in the agreement; • The group must not sell, transfer, assign, mortgage or otherwise deal with the investment properties without first obtaining written consent of the SAHT; • The proceeds from sales or transfers of these assets are limited to community housing projects in South Australia. | | |
| | 2019 \$ | 2018 \$ |
| 9 OTHER NON-CURRENT ASSETS | | |
| Shares on Call - CEHSA | 10 | 8 |
| Total Other Non-Current Assets | 10 | 8 |
| 10 TRADE AND OTHER PAYABLES | | |
| Trade creditors | 69,055 | 52,556 |
| Accrued Expenses | 23,017 | 18,308 |
| Other payables | 12,919 | 16,314 |
| Capital Contribution Payable to Housing SA | 128,698 | 119,670 |
| Total Trade and Other Payables | 233,689 | 206,848 |
| 11 PROVISIONS - CURRENT | | |
| Employee Benefits - annual leave | 16,825 | 14,897 |
| Total Provisions - Current | 16,825 | 14,897 |
| 12 PROVISIONS - NON-CURRENT | | |
| Employee Benefits - long service leave | - | 9,355 |
| Total Provisions - Non-current | - | 9,355 |

Common Equity Housing South Australia Ltd

Notes to the Accounts

for the year ended 30 June 2019

| | 2019 \$ | 2018 \$ |
|--|----------------|----------------|
| 13 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES WITH NET SURPLUS FOR THE YEAR | | |
| Net surplus for the year | 10,039,863 | 10,646,669 |
| Adjusted for non-cash balances: | | |
| - depreciation | 4,775 | 5,841 |
| - fair value gains and losses | (12,816) | 17,925 |
| - (profit) on disposal of fixed assets | - | - |
| - restricted investment property | (9,778,430) | (10,566,000) |
| Changes in assets and liabilities: | | |
| - increase/(decrease) in trade and other receivables | (17,933) | (523) |
| - increase/(decrease) in other assets | (22,849) | (5,054) |
| - (increase)/decrease in trade & other payables | 26,841 | 10,538 |
| - increase/(decrease) in employee benefits | (7,427) | 7,737 |
| Cash flows provided by operating activities | 232,024 | 117,133 |

14 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

15 CONTINGENCIES

In the opinion of directors, the company did not have any contingencies at 30 June 2019 (30 June 2018: None).

16 EVENTS OCCURRING AFTER THE REPORTING DATE

The financial report was authorised for issue on 9th day of October 2019 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.

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Common Equity Housing South Australia Ltd (Common Equity), which comprises the statement of financial position as at 30 June 2019, 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 2019 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.

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under Professional Standards Legislation.
Australian Financial Services
Licence No. 488997

Audit Perks Audit Pty Ltd

ACN 109 602 100 / ABN 20 173 474 661
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under Professional Standards Legislation.

Private Wealth Perks Private Wealth Pty Ltd

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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.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in Common Equity's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 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.

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Responsibilities of the Directors for the Financial Report (continued)

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.

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

- 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 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 9th day of October 2019

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**COMMON
EQUITY HOUSING**
South Australia

| | |
|-------------------------|--|
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Common Equity Housing SA Ltd ABN 82 146 523 453