

NARARA ECOVILLAGE CO-OPERATIVE LTD



DISCLOSURE STATEMENT

**UNDER DIVISION 2 OF PART 2.4 OF THE
CO-OPERATIVES NATIONAL LAW**

FOR ISSUE WITHIN THE STATE OF NEW SOUTH WALES ONLY

Dated: 5th October 2018

Narara Ecovillage Co-operative Ltd
25 Research Road, Narara, NSW 2250

TABLE OF CONTENTS

1	Introduction	4
1.1	<i>Name and Registered Office</i>	4
1.2	<i>Explanation of this Statement</i>	4
2	Background & Demand for Services	4
2.1	<i>Background to forming the Co-operative</i>	4
2.2	<i>Objects</i>	4
2.3	<i>Pre-conditions</i>	5
2.4	<i>Demand</i>	5
3	Membership	6
3.1	<i>Who can be a Member</i>	6
3.2	<i>Application for Membership and Shares</i>	6
3.3	<i>Rights and Liabilities attaching to Membership and Shareholding</i>	7
3.4	<i>Voting rights of Members</i>	8
3.5	<i>Ceasing Membership and Forfeiture of Shares</i>	8
4	Primary activities and Active Membership	9
4.1	<i>Primary activities</i>	9
4.2	<i>Maintaining Active Membership</i>	9
5	Operation of the Co-operative	10
5.1	<i>Carrying on primary activities</i>	10
5.2	<i>Carrying on other Activities</i>	10
5.3	<i>Contracts Members will have to enter into with the Co-operative</i>	11
5.4	<i>Contracts with Promoters or Other Parties</i>	11
5.5	<i>Interest of Directors or Members</i>	11
6	Management of the Co-operative	11
6.1	<i>Board of Directors</i>	11
6.2	<i>Election of Directors</i>	11
6.3	<i>Current Directors and Officers</i>	12
6.4	<i>Day to day Management</i>	12
6.5	<i>Interaction with Related Entities</i>	12
7	Shares, Financial Involvement and Liabilities	13

7.1	<i>Start-up and On-going Funds</i>	13
7.2	<i>Formation Expenses</i>	13
7.3	<i>Returns to Members</i>	13
7.4	<i>Accounting and Auditing</i>	13
7.5	<i>Current Financial Status</i>	13
7.6	<i>Property and Assets</i>	14
7.7	<i>Further Capital Raising and Total Cost</i>	15
8	Risks	15
8.1	<i>Bushfire</i>	15
8.2	<i>Climate Change</i>	15
8.3	<i>Dambreak and Flooding</i>	16
8.4	<i>Financial Risk</i>	16
9	List of annexures	17
9.1	<i>Annexure A: Co-operative Organisation Structure</i>	17
9.2	<i>Annexure B: Why Narara Ecovillage chose to use a Co-operative Structure</i>	17
9.3	<i>Annexure C: Financial Statements</i>	17
10	Other key documents	17

1 Introduction

1.1 NAME AND REGISTERED OFFICE

Name:	Narara Ecovillage Co-operative Ltd
ABN:	86 789 8868 574
Registered Office:	25 Research Road, Narara, NSW 2250
Mailing Address:	25 Research Road, Narara, NSW 2250

1.2 EXPLANATION OF THIS STATEMENT

- 1.2.1 This Disclosure Statement is issued by Narara Ecovillage Co-operative Ltd (“the **Co-operative**”), a Co-operative registered on 27 July 2012 in NSW under the Co-operatives Act 1992 (NSW) (“the **Act**”).
- 1.2.2 The Disclosure Statement sets out information necessary to ensure eligible Members are informed of the nature and extent of their financial involvement or liability as a Member of the proposed co-operative.
- 1.2.3 Any person who receives or reads this Disclosure Statement should not consider it as a recommendation to become a Member of the Co-operative or to subscribe or purchase shares. Recipients should read this Disclosure Statement in its entirety and seek advice from their financial and other professional advisers before applying to subscribe for Membership and shares.
- 1.2.4 To the maximum extent permitted by law, the Co-operative, its Directors, officers, employees, advisers and consultants accept no liability or responsibility for any loss or damage arising from reliance placed on the information contained in this Disclosure Statement.
- 1.2.5 This Disclosure Statement should be read in conjunction with the Rules of Narara Ecovillage Co-operative Ltd (“the **Rules**”).

2 Background & Demand for Services

2.1 BACKGROUND TO FORMING THE CO-OPERATIVE

- 2.1.1 A group previously known as the Sydney Coastal Ecovillage formed as an incorporated association in 2007 with a view to locate a parcel of land on which an ecovillage could be developed.
- 2.1.2 The parcel of land at 25 Research Road Narara was first identified in 2008 prior to the group forming a co-operative.
- 2.1.3 A co-operative structure was chosen by the forming Members due to the alignment of the principles of a co-operative with those of the founding Members and their vision for the project. Refer Annexure B: Why Narara Ecovillage chose to use a Co-operative Structure for details.

2.2 OBJECTS

- 2.2.1 The Co-operative was established for the purpose of acquiring the land on which to

develop residential housing and other related activities as part of a mixed-use community described as an 'Ecovillage' promoting social, environmental and economic sustainability ("the **Project**").

2.3 PRE-CONDITIONS

- 2.3.1 The pre-condition of raising sufficient funds to acquire the land and develop stage 1 was achieved.
- 2.3.2 On 31 May 2013, the Co-operative purchased the parcel of land at Narara in the Local Government Area of Gosford, Parish of Gosford, County of Northumberland, being lot 13 in Deposited Plan 1126998 being the whole of the land in Certificate of Title (Folio Identifier) 13/1126998 and comprising about 62.97 hectares ("the **Property**").
- 2.3.3 The Property was the property of the former Gosford Horticultural Institute. The full purchase price of the Property and water access license was \$5,500,000 including GST.
- 2.3.4 The Co-operative is seeking additional investment from new Members and lenders to provide the financial support to commence stage 2 development works. If sufficient funds are not forthcoming, we will defer the stage 2 works until we satisfy this pre-condition.

2.4 DEMAND

- 2.4.1 The success of the core activity of development relies on the interest in the development by sufficient Members who wish to also acquire a lot within one of the stages of residential development.
- 2.4.2 To date the stage 1 development (comprising 60 lots) is fully sold except for 4 cluster homes and we there are 20 Memberships on the waiting list for stage 2 which is anticipated to include approximately 45 new lots and will be completed in 2020.
- 2.4.3 The Co-operative holds regular Village Days where the Members open up village life to the public. In addition, a less structured day of talks, activities and presentations held most months allows visitors a chance to gain information and make personal connections with the place and the people. Both events include a tour and a presentation of the Project and are very popular.
- 2.4.4 The Co-operative also holds a number of other events to generate interest and have joined the Global Ecovillage Network which also supports the generation of demand and interest in the Project as well as strengthen national and international connections.
- 2.4.5 The Narara Eco Living Network is a community-focused volunteer-run not for profit organisation which in achieving its aims, also supports the marketing work of the Co-operative. Joining the Narara Eco Living Network allows people to get to know the Ecovillage and understand the Project without any major upfront financial or personal commitment.
- 2.4.6 The Central Coast is experiencing a period of growth. The proximity of the Property to the train station offers a unique opportunity to live in an Ecovillage with an easy commute to the city for work.

3 Membership

3.1 WHO CAN BE A MEMBER

- 3.1.1 Membership of the Co-operative is limited to people who propose to be landholders on the Property and meet the active Membership test (refer Section 4.2).
- 3.1.2 New Members may join as a single Membership or as a joint Membership and must be over 18 years of age. In many cases, throughout this document, the term 'Member' may be read to indicate 'Membership' in cases where there is joint membership.
- 3.1.3 The minimum shareholding requirement applies equally to both single or joint Memberships (refer section 3.2.7).

3.2 APPLICATION FOR MEMBERSHIP AND SHARES

- 3.2.1 People interested in becoming members are required to spend time and effort familiarising themselves with the Project and the Co-operative prior to the formal application for Membership.
- 3.2.2 During this time existing Members of the Co-operative will support the interested parties to visit, get involved and become well-informed about the Co-operative and the Project, including gaining an understanding of our organisational structure and ways of working together.
- 3.2.3 Key documents will be provided to the applicants during this time including this Disclosure Statement, the Rules of the Co-operative and the Community Management Statement pertaining to the Community Association.
- 3.2.4 Once ready, an applicant will be provided the following forms to complete:
 - Application for Membership and Shares
 - Declaration of Intention to Acquire a Lot on the Property
- 3.2.5 There is no application fee.
- 3.2.6 The Board will approve a new Member application only after the above steps have been undertaken and evidenced.
- 3.2.7 Under Rule 26.2 the minimum shareholding is 30,000 shares fully paid. Each share has a nominal value of \$1.00 per share.
- 3.2.8 New Members are encouraged to apply for an additional 20,000 fully paid shares if they are able. This sum acts like an early deposit on a lot. By purchasing these additional shares, they are securing their option to select a lot, either from any that are available at the time their Membership is confirmed or from any future lot releases.
- 3.2.9 Rule 29 allows for additional shares to be acquired on a partially paid basis. The shareholding will be issued to the applicant in its entirety regardless of whether the option to partly pay the shares is chosen. If a Member opts to partly pay for any sum of shares, they are legally liable to pay the Co-operative the balance of funds owing on those shares at a date in the future to be determined by the Board of the Co-operative.

3.3 RIGHTS AND LIABILITIES ATTACHING TO MEMBERSHIP AND SHAREHOLDING

- 3.3.1 The Co-operative and its Members are subject to the Co-operatives National Law. The Rules are subordinate to the Co-operatives National Law and are legally enforceable under the Co-operatives National Law.
- 3.3.2 The Co-operatives National Law provides that the Rules have the effect of a contract under seal between the Co-operative and a Member. By becoming a Member, an individual is agreeing to be contractually bound by the Rules and to observe and perform the Rules applicable to them. The Rules of the Co-operative, as approved by the Members and registered by the Registrar of Co-operatives, are enforceable through the Courts.
- 3.3.3 In particular, the Rules set out the requirements that each Member must satisfy in order to be an active Member of the Co-operative.
- 3.3.4 It is important that this Disclosure Statement is read and understood in conjunction with the Rules.
- 3.3.5 The fees and charges associated with Co-operative Membership are:
- There is no application fee.
 - Annual Contributions are set each year by the Board with consent from the Membership. For the 2018-19 financial year these fees are \$180 per month per Membership. These fees go towards the management and upkeep of the shared land, buildings and assets.
 - Community Association levies will also be payable once a Member owns a lot. Refer to the Community Management Statement (CMS) for more details. No Community Association levies are payable in the 2018-19 financial year.
 - There is an administration fee to exit the Membership of \$350.
 - Other fees are outlined in Schedule 1 of the Rules.
- 3.3.6 All Members are required to contribute a minimum number of volunteer hours currently set at 52 hours per annum per Membership. These volunteer hours are essential to enabling the Co-operative to keep its Member contributions as low and affordable as possible. Many individual Members contribute substantially more hours per annum than the minimum requirement for a Membership.
- 3.3.7 The Co-operative is not currently in a financial position to pay dividends to its Members. The Rules allow for dividends to be paid.
- 3.3.8 The minimum shareholding is outlined in section 3.2.7 above.
- 3.3.9 The maximum number of shares which a Member may hold in the Co-operative is 20% of the issued share capital of the Co-operative.
- 3.3.10 A Member may choose to transfer the ownership of shares however this is only permissible where the new shareholder satisfies the requirements and process to become a Member as set out in 3.1 and 3.2 above and in accordance section 34 of the Rules. An administrator, trustee in bankruptcy or executor appointed under a law of state or territory to administer the estate of the Member may be registered as the holder of a share.

- 3.3.11 The Rules do allow for the possibility of issuing a fine to Members in breach of the Rules. Whilst an amount for a fine has been nominated by the Co-operative, to date there have been no circumstances where this fine has been charged.
- 3.3.12 The acquisition of shares in the Co-operative is a requirement for Membership in the Co-operative. Membership carries additional rights and obligations as set out in the Rules.
- 3.3.13 A share in the Co-operative is personal property. The Co-operative has a charge on a Member's shares or any dividend payable to the Member for the amount of any debts owing by that Member to the Co-operative.
- 3.3.14 Members who hold 50,000 shares have a confirmed place on the Residential Lot Priority List. Once the Member has entered into a contract to purchase a lot, 20,000 shares will be converted to a deposit in relation to the purchase of that lot.
- 3.3.15 It is important to read and understand Rule 41 in relation the possible scenario if the Co-operative was to be wound up.

3.4 VOTING RIGHTS OF MEMBERS

- 3.4.1 Each Membership receives one vote regardless of the number of shares held.
- 3.4.2 Each Membership receives one vote regardless of the number of individuals in a joint Membership.
- 3.4.3 Only active Members are eligible to vote. The Co-operatives National Law does not allow Members under 18 to vote or take office.

3.5 CEASING MEMBERSHIP AND FORFEITURE OF SHARES

- 3.5.1 Membership of the Co-operative ceases in the circumstances set out in sections 70 and 71 of the Act.
- 3.5.2 Where the Membership is being cancelled under the Active Membership requirements, the Board must declare that the shares of the Member are forfeited.
- 3.5.3 The Co-operative must repay the amount due in relation to the cancellation of a Membership within 12 months of the date of cancellation, unless the Board considers that repayment would adversely affect the financial position of the Co-operative. The Co-operative may retain the money until such time as repayment would not adversely affect the financial position of the Co-operative. However, this amount must be paid within 10 years of the cancellation of the Membership.
- 3.5.4 The Co-operative may repurchase the shares of a Member where the Member so requests.
- 3.5.5 The Co-operative considers share buy-back requests every 6 months and will bring forward a request from a Member where there are extenuating circumstances.
- 3.5.6 The Co-operative is not obligated to repay the value of the shares immediately if this would adversely affect the financial viability of the Co-operative. The Co-operative is not permitted to repurchase more than 5% of the paid-up capital of the Co-operative at the start of the financial year except to the extent that new shares have been purchased during that financial year, in which case the limit is increased by 100% of any new shares purchased during that financial year.

4 PRIMARY ACTIVITIES AND ACTIVE MEMBERSHIP

4.1 PRIMARY ACTIVITIES

4.1.1 The primary activities of the Co-operative are:

- to design, develop and establish an ecovillage at Narara with residential housing and commercial facilities;
- to operate, lease or licence commercial facilities at Narara; and
- to maintain and renew commercial facilities at Narara.

4.1.2 This includes:

- The development and sale of stage 1 land, being 43 lots (including a lot with an existing building). Stage 1 was substantially completed as at 30th June 2018 and at the time of publication the settlement of 4 lots were being finalised.
- The construction of 18 cluster housing units on lot 36 within stage 1 land. At the time of publication 14 buyers had paid deposits on these units and works had just commenced. It is anticipated that sale of the cluster units will be finalised by the end of 2019.
- The development of stage 2 land, being approximately 45 lots. The design and planning for this development has begun and it is anticipated that a civils contractor will be engaged to develop the site in mid-2019. The land will then be subdivided and sales will complete towards the end of 2020.
- A planning proposal to Central Coast Council to re-define our zoning and permitted uses across the whole Property. This has been under way for 3 years and continues concurrently with the development of stage 2 land.
- The development and sale of stage 3 land. This stage will encompass the land which currently includes the Farm Square facilities, the rural blocks and other areas potentially identified for development. This final development is on the mid- to long-term horizon.

4.1.3 In addition, the Co-operative is seeking to establish small-scale horticultural, educational, retail and commercial developments consistent with the Co-operative's vision.

4.2 MAINTAINING ACTIVE MEMBERSHIP

4.2.1 In order to establish active Membership of the Co-operative, Members must comply with the following requirements:

- provide confirmation in writing of the Member's intention to acquire a lot on the Property, or be a Landowner of a lot on the Property; and
- undertake a minimum of 52 hours of volunteer work as approved by the Board.

4.2.2 If a Member is inactive or the Member's whereabouts are unknown for a period of 12 months, the Board will declare the Membership of the Member cancelled and their shares will be forfeited in accordance with section 5.1 of the Rules.

5 OPERATION OF THE CO-OPERATIVE

5.1 CARRYING ON PRIMARY ACTIVITIES

- 5.1.1 The Co-operative continues to establish residential housing – it has recently sold 41 lots and is in the process of constructing and selling 18 cluster units.
- 5.1.2 The Co-operative is actively seeking new Memberships with an intention to acquire a lot or a share in a lot in stage 1 (cluster units) or stage 2.
- 5.1.3 The cost to develop stage 2 will be over \$6m. The Co-operative will finance the development through instalments from lot buyers, share capital from new Members and additional loans.
- 5.1.4 The Masterplanning Working Group is a group of 12 Members who represent and feed in the diverse views of the Members to generate a considered and balanced plan for development of stage 2 and the future uses (i.e. the Planning Proposal).
- 5.1.5 The stage 2 development and cluster development projects both have a governance circle, a Project Control Group (PCG), whose responsibility is to deliver the project within the agreed parameters and provide regular updates and reports to the Board and Co-operative Members.
- 5.1.6 All Members are provided the opportunity to contribute to the decision-making for the development of stage 2 and the Planning Proposal for future permissible uses. They can do so through our online Members forum (the wiki), through the Masterplanning Working Group and by participating in specific planning related activities.

5.2 CARRYING ON OTHER ACTIVITIES

- 5.2.1 The Co-operative currently operates the following businesses and operations:
- NEV Power is an energy retailer offering solutions to Members supporting fossil-fuel-free energy for their homes and supporting the bulk purchase of solar panels and related equipment for their homes. NEV Power has been generously supported by a grant from ARENA for the development of a ‘Smart Grid’ which will ensure the Ecovillage will be able to meet and manage all of its energy requirements through onsite energy generation, battery storage and state of the art load management software and control equipment.
 - NEV Water is a Network Operator and Retail Supplier set up to provide residents with potable water, bushfire water, waste water collection and treatment services as well as recycled water reticulated to each site for toilet flushing and garden purposes.
 - Collective Know-How – a business delivering educational experiences to both Members of the Co-operative and the wider public.
 - Food Buying Group – a small volunteer-run operation purchasing organic dry goods in bulk at wholesale prices to help Members access affordable organic food with less packaging waste.
- 5.2.2 Only NEV Power operates through a separate legal entity and a wholly-owned subsidiary of the Co-operative: NEV Power Pty Ltd. The other businesses are part

of the Co-operative.

5.3 CONTRACTS MEMBERS WILL HAVE TO ENTER INTO WITH THE CO-OPERATIVE

- 5.3.1 The only contract that a Member will be required to enter into is a contract of sale to purchase a property from the Co-operative. This does not apply to Members who have already acquired a lot from the Co-operative.

5.4 CONTRACTS WITH PROMOTERS OR OTHER PARTIES

- 5.4.1 There are no contracts with promoters or other parties.

5.5 INTEREST OF DIRECTORS OR MEMBERS

- 5.5.1 A group of early Members who invested significant amounts of capital into the project at the very beginning, have been approved by the Membership to receive a discount of 10% on the price of one lot. This discount is considered a means of compensation for the time and energy they put in as well as the risk they accepted in establishing the ecovillage. The cash benefit of this discount will be received by these Members at the end of stage 2.
- 5.5.2 The founding Member and ex-Director, Lyndall Parris, spent many years researching ecovillages and many more bringing the Co-operative to life. She also found this exceptional piece of land. Lyndall will receive a lot by way of compensation for her efforts. This will be selected from available lots in stage 2.

6 MANAGEMENT OF THE CO-OPERATIVE

6.1 BOARD OF DIRECTORS

- 6.1.1 The Co-operative is governed by a Board of Directors. One of the Directors is an independent non-executive Director and accordingly, not a Member of the Co-operative. Currently there are seven directors out of a maximum of eight permitted under the Rules.
- 6.1.2 The current Board Members bring a range of qualifications and experience and were elected by the Membership for their capacity both to govern the Co-operative and to represent the breadth and diversity of the Membership.
- 6.1.3 Currently the Directors are not paid in their role as Directors, but they may claim reimbursement for personal expenses relating to Co-operative duties.
- 6.1.4 At the time of publication, 2 Board Members are contracted for services separate to their role as a Board Directors:
- John Talbott of Stormlight Consulting Pty Ltd as Project Director
 - Grant Rickey in the shared role of Village Manager

6.2 ELECTION OF DIRECTORS

- 6.2.1 The maximum term of office of a Director is three years or to the next Annual General Meeting three years after coming to office. A retiring Director may stand for re-election. The procedure for election of Directors is set out in Rule 11.

6.3 CURRENT DIRECTORS AND OFFICERS

6.3.1 As at 30th June 2018, the Directors are:

- Stuart King, Chairperson
- John Talbott, Director
- Verena Olivier, Director
- Grant Rickey, Director
- Lincoln De Kalb, Director
- Patricia Meagher, Director
- Gina Price, Independent Director (not a Member of the Co-operative)

6.3.2 As at 30th June 2018, the Officers are:

- John Shiel, Co-op Secretary

6.4 DAY TO DAY MANAGEMENT

6.4.1 The Board of the Co-operative in consultation with the Membership have adopted a governance and decision-making system broadly based on Sociocracy or Dynamic Governance.

6.4.2 The principle activities in relation to the overall development Project are being managed by separate Project Control Groups comprised largely of volunteer Members with a small number of Members contracted for specific expertise and support.

6.4.3 The principle activities in relation to establishing and managing the Ecovillage and the community are being managed and supported by the sociocratic team circle structures in place as outlined in Annexure A: Co-operative Organisation Structure. These teams are comprised largely of volunteer Members with a small number of Members contracted for specific duties.

6.4.4 As of 30 June 2018, a Village Manager role has been created to oversee the management of the village through the team circles. This role is a paid position and is shared by 3 Members:

- Grant Rickey
- Tony Hester
- Deborah Mohr

6.5 INTERACTION WITH RELATED ENTITIES

6.5.1 The following entities are involved in or related to the Co-operative:

- Narara Ecovillage Co-operative Ltd is the owner and developer of the land.
- NEV Power Pty Ltd is a wholly-owned subsidiary of Narara Ecovillage Co-operative Ltd. It is an electricity retailer and the operator of the smart grid.
- Community Association DP 270882 is the entity, similar to a body corporate, which oversees the management of the community title land at 25 Research Road, Narara.

- Narara Loan Security Trust is a Trust which has been formed to enable the offering of security to Member lenders through mortgages over Lot 37 and the neighbouring property, 23 Research Road, Narara. It is governed by 3 Directors who are also Members of the Co-operative.
- Narara Eco Living Network is a not-for-profit entity promoting sustainable environmental living in all walks of community. In particular, the Network supports people who are interested in environmentally sustainable living, but are not currently looking to join the Co-operative and live at the Ecovillage.

7 SHARES, FINANCIAL INVOLVEMENT AND LIABILITIES

7.1 START-UP AND ON-GOING FUNDS

7.1.1 The Project to date has been able successfully to avoid bank financing and has been funded largely through:

- Equity (Members shares),
- Interest bearing loans paid at a fixed rate of 5% per annum (previously up to 7%), paid monthly or compounded, and
- Instalments paid by buyers in advance of settlement to cover the cost of civil construction works.

7.1.2 Except as specified in the attached Financial Statements of the Co-operative for the period to 30 June 2018 or elsewhere in this Disclosure Statement, no Director of the Co-operative has an interest in any Member's loans to the Co-operative and no compensation or consideration is to be paid to officers or Members of the Co-operative in connection with the loans.

7.2 FORMATION EXPENSES

7.2.1 Equity raising expenses have been capitalised and can be found detailed in the Financial Accounts on the Balance Sheet.

7.3 RETURNS TO MEMBERS

7.3.1 The Co-operative may distribute to Members any part of the surplus arising in any year from the business of the Co-operative by way of bonus shares, rebates or a limited dividend.

7.3.2 No returns are guaranteed. No returns have been paid to Members to date.

7.4 ACCOUNTING AND AUDITING

7.4.1 Annual accounts for the Co-operative are prepared. The accounts must be audited annually in accordance with the Corporations Act 2001 as applied by the *Co-operatives Act 1992* (NSW). Refer to Annexure C: Financial Statements for the latest audited accounts.

7.5 CURRENT FINANCIAL STATUS

7.5.1 As of 30 June 2018, the current financial status of the Co-operative is as follows:

- Share capital stands at \$3,016,000.

- ii. Bridging loans stand at \$8,549,800. As of 30 June 2018, the Co-operative had no other loans.
 - iii. Cash and cash equivalents of \$2,036,284. Annual cash holding costs relating to the ownership of the Property are estimated as being approximately \$400,000 per annum.
- 7.5.2 The Narara Loan Security Trust was established in 2017 to enable Members to lend funds securely. It holds mortgages over Lot 37 (described below) within the Ecovillage and the neighbouring property, 23 Research Road. These mortgages held by the Security Trust enable the Co-operative to receive loans from Members which are secured.
- 7.5.3 The Board currently believes that Member paid-up share capital, loans and lot purchaser finance will provide sufficient capital to complete further construction without recourse to bank loan funds.

7.6 PROPERTY AND ASSETS

- 7.6.1 Apart from cash as described above the main asset of the Co-operative is the Property, which it continues to own. This includes:
- Lot 14 – being retained for a Common House,
 - Lot 36 – to be subdivided and sold once the clusters homes have been built,
 - Lot 37 – the remaining developable land comprising stage 2 land and stage 3 land, the rural blocks and the land on which the major buildings are situated as outlined below at 7.6.3,
 - Lot 38 – the flood plain and additional adjacent land above the 1:100-year flood level zoned RE1, and
 - Lot 39 – the conservation forest zoned E2 ‘Environmental Conservation’.
- 7.6.2 The Co-operative has a Planning Agreement in force with the Central Coast Council requiring the dedication of lot 38 to Council. This was a condition of sale in 2012 imposed by the vendor, NSW State Government. The Council and the Co-operative have agreed an in-principle amendment to the Planning Agreement to substitute some E2 forest land in lieu of the flood plain. The Board expects that this will be resolved and changed within the next 12 months.
- 7.6.3 In addition, the Co-operative owns the following buildings of significance:
- Visitors centre
 - Administration block, comprising the east wing, west wing and north wing and ALIRU
 - Heritage-listed grafting shed and former administration building
 - Machinery shed
 - Farm square sheds and cabin
- 7.6.4 As at 30 June 2018 the only assets which have transferred to the Community Association’s ownership and control are:
- Lot 1 land (principally the roads and verges)

- The two sheds near lot 10 housing the tool library and mowers

7.7 FURTHER CAPITAL RAISING AND TOTAL COST

- 7.7.1 The Board intends to continue raising funds by issuing share capital to new and existing Members and seeking additional loans to support the cost of developing stage 2.
- 7.7.2 The development of stage 2 is anticipated to cost a total of approximately \$6m which will be raised through instalments on lot sales to Members, Membership equity and a mixture of secured and unsecured loans.
- 7.7.3 We anticipate carrying loans to the value of approximately \$5m until the stage 2 land sales are complete.

8 RISKS

8.1 BUSHFIRE

- 8.1.1 The Board engaged Australian Bushfire Protection Planners Pty Ltd (ABPP) and Travers Environmental Pty Ltd to liaise with the Rural Fire Services (RFS) and complete a Bushfire Protection Assessments and Bushfire Management Plans. Our subsequent Development Consents require an Asset Protection Zone (APZ) adjacent to the forested land (E2) prone to fire. Effectively this is a setback limiting development in APZ areas of Stage 1 and likely for similar areas of Stage 2.
- 8.1.2 A perimeter road permitted within the APZ for bushfire fighting access has been constructed for stage 1 and likely will be continued for stage 2.
- 8.1.3 In addition to the perimeter bushfire concerns, Council has required that the whole of stage 1 is to be treated as an Inner Protection Zone (IPA) which requires the areas to be maintained with minimal fuel loads similar to an APZ. It is expected this requirement will also apply to stage 2.

8.2 CLIMATE CHANGE

- 8.2.1 The effects of human-induced climate change are also being considered in detail. The Board and Management are looking at various means of improving the Ecovillage's resilience to the broad impacts of climate change including, but not limited to:
- Food security – we intention is to establish a significant food-growing capacity.
 - Reliable access to water – the Co-operative has received Network Operator and Retail Supplier licenses from the NSW state government for onsite supply and reticulation of drinking water and for waste water treatment and reuse. The Co-operative is fortunate to have a 43ML capacity dam on the Property with a Water Access License for potable purposes. In the near term, while people move on site, town water will be used and reticulated through Co-operative infrastructure, however Narara Ecovillage will have the potential of being fully self-sufficient for its water needs. The Co-operative is still assessing the cost and viability of the option of going off-grid.
 - Reliable access to electricity – the Co-operative is building a smart grid to manage our production, storage and use of clean, renewable solar

photovoltaic energy. With sophisticated energy management software and equipment, the Ecovillage will be able to manage its demand and is expecting to be a net exporter of electricity. Centralised bulk battery storage will enable the residents to have uninterrupted power when the wider community may experience outages. Each house is required to produce as much energy as it consumes annually.

- Climate-change ready homes – the Ecovillage has set its own building standards which seek to improve the capacity for homes to withstand the predicted changes in weather patterns, including more frequent storm events and higher temperatures.

8.3 DAMBREAK AND FLOODING

- 8.3.1 The dam on the Property was built in 1985 as a source of water for irrigation on the Gosford Horticultural Institute research site. The dam consists of a 9-metre-high earthfill embankment and is approximately 100 metres long and 3.1 metres wide. The storage capacity at full supply is estimate at 43.3ML.
- 8.3.2 Professional advisors have supported the Co-operative with a Dam Safety Monitoring & Surveillance Report and a Dam Safety Emergency Action Plan.
- 8.3.3 Regular dam surveillance and maintenance is undertaken. The dam is in good order and the risk of dambreak or flooding is assessed as low.
- 8.3.4 On the basis of the Co-operative's good management, the NSW Dam Safety Committee (DSC) deprecised the Narara Horticultural Dam in July 2014, removing any requirements for reporting to the DSC and expressing their confidence in the Co-operative's ability to continue to manage the dam safely and responsibly.

8.4 FINANCIAL RISK

- 8.4.1 Financial risk is monitored and considered by the Board and the Legal and Finance Committee on a regular basis.
- 8.4.2 The key risk relates to cashflow due to the unique means of financing this development. To date, the project has avoided bank finance entirely and managed to purchase a property at \$5m, complete an \$8m civil works contract to develop stage 1 as well as pay for the various associated costs without any financial distress. The Board anticipates an ongoing capacity to maintain this exceptional achievement and, whilst this risk is real and regularly reviewed, it is not considered to be high.
- 8.4.3 The Board have reviewed and considered the risk of a Global Financial Crisis impacting our development. Given the absence of bank finance and the fact that stage 1 lots sales are largely complete, this risk is assessed as manageable.
- 8.4.4 The successful completion of stage 2 development and sales are dependent on several factors:
- the cost of the development
 - the affordability of the lots, and
 - the ability for prospective Members to obtain finance to purchase a lot and build their home.
- 8.4.5 The risk of a cost blow-out is currently viewed as being low due to the general decline

in the property boom, the developed in-house expertise in assessing and estimating costs, and the established reputation of the Co-operative due to no defaults nor delays on any payments during the stage 1 development work. The focus is on delivering affordable options in stage 2 and an external review of the sales contract has been sought to ensure that banks are willing to lend to Members looking to buy into this unique project.

9 LIST OF ANNEXURES

9.1 ANNEXURE A: CO-OPERATIVE ORGANISATION STRUCTURE

9.2 ANNEXURE B: WHY NARARA ECOVILLAGE CHOSE TO USE A CO-OPERATIVE STRUCTURE

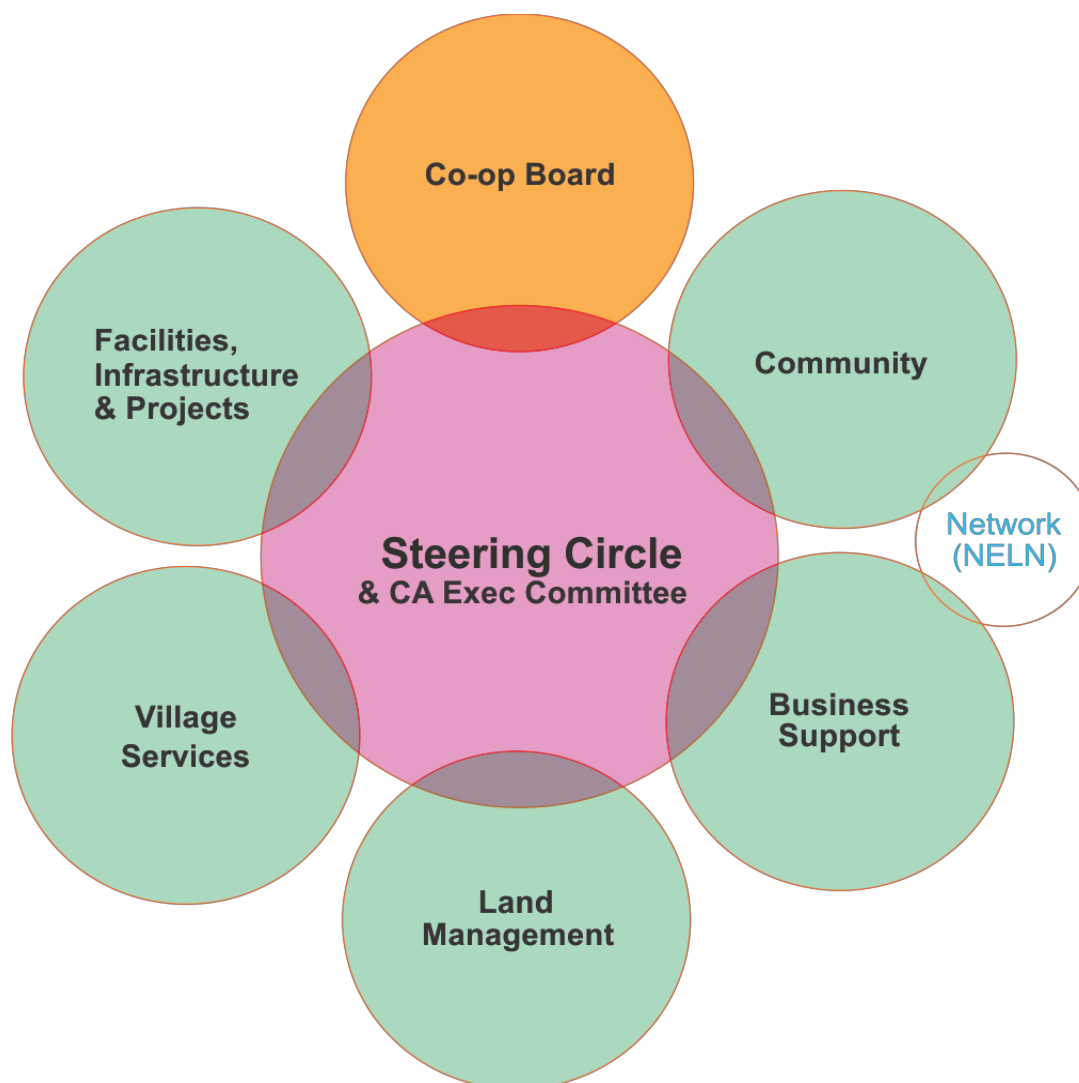
9.3 ANNEXURE C: FINANCIAL STATEMENTS

10 OTHER KEY DOCUMENTS

10.1.1 The following documents are available from the Co-operative to be read in conjunction with this Disclosure Statement:

- Rules of Narara Ecovillage Co-operative
- Community Management Statement

ANNEXURE A: CO-OPERATIVE ORGANISATION STRUCTURE



This diagram shows how we optimise communications and decision-making at NEV so that issues which affect everybody are dealt with appropriately.

Each operating and decision-making team (circle) has its own domain within which it has full authority to make decisions without coming back to all other circles or members.

All circles report on their meetings and decisions via the wiki and also meet at the Steering Circle to facilitate communication and ensure that decisions are made with input from all affected parties.

The SC is double-linked, which means that it has two representatives from each team and the board - one represents their circle on the SC, the other represents the SC on their circle.

All circle meetings are conducted sociocratically, including board meetings.

ANNEXURE B: WHY NARARA ECOVILLAGE CHOSE TO USE A CO-OPERATIVE STRUCTURE

The forming Members chose a co-operative structure due to the alignment of the principles with the Narara Ecovillage Project:

a. Voluntary and open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of Membership, without gender, social, racial, political or religious discrimination.

b. Democratic Member control

Co-operatives are democratic organisations controlled by their Members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the Membership.

c. Member economic participation

Members contribute equitably to, and democratically control, the capital of their Co-operative. Members allocate surpluses for any or all of the following purposes: developing the Co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting Members in proportion to their transactions with the Co-operative; and supporting other activities approved by the Membership.

d. Autonomy and independence

Co-operatives are autonomous, self-help organisations controlled by their Members. If they enter into agreements with other organisations, including governments, or raise capital from external resources, they do so on terms that ensure democratic control by their Members and maintain their Co-operative autonomy.

e. Education, training and information

Co-operatives provide education and training for their Members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operative. They inform the general public, particularly young people and opinion leaders, about the nature and benefit of co-operation.

f. Co-operation amongst Co-operatives

Co-operatives serve their Members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

g. Concern for the community

While focusing on Member needs, co-operatives work for the sustainable development of their communities through policies accepted by their Members.

ANNEXURE C: FINANCIAL STATEMENTS

The financial statements commence on the following page.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Financial Statements

For the Year Ended 30 June 2019

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Contents

For the Year Ended 30 June 2019

	Page
Financial Statements	
Directors' Report	1
Independent Auditor's Report	7
Directors' Declaration	10
Statement of Profit or Loss and Other Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
Disclaimer and Profit and Loss Statements	34

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Directors' Report

30 June 2019

Your directors present their report, together with the financial statements of the Group, being Narara Ecovillage Co-operative Limited and its controlled entity, for the financial year ended 30 June 2019.

1 General information

Directors

The names of the directors in office at any time during the year ended 30 June 2019 are:

Names	Position	Appointed/Resigned
Lincoln De Kalb	Director	
Stuart King	Chair/Director	
Patricia Meagher	Director	
Verena Oliver	Director	
Laurence Perrin	Director	Appointed 11 November 2018
Gina Price	Independent Director	
Grant Rickey	Director	
John Talbott	Director	Resigned 11 November 2018

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

Principal activities

The purpose of the Narara Ecovillage Co-operative Ltd (NEV) is to, on behalf of its members, establish an ecovillage promoting social, environment and economic sustainability. The Narara Development includes a mix of residential housing, agriculture, recreational and commercial facilities.

2 Operating results and review of operations for the year

Review of operations

The 2019 financial year saw significant milestones in Narara Ecovillage's (NEV's) history as well as some challenges:

- First individual homes built and occupied;
- Building Review Panel successfully operational;
- The Coffee Cart;
- Stage 2 masterplanning commenced;
- Renewal of rezoning initiative (planning proposal);
- Construction of the Cluster Housing Project commenced;
- Voluntary planning agreement amendment progress;
- Water services future options and Central Coast Council offer of services;
- 'Mad About Dirt' sustainability event;
- Challenges with Ausgrid; and
- Membership and financial stability.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Directors' Report

30 June 2019

2 Operating results and review of operations for the year

First individual homes built and occupied

After years of waiting, members with lots in Stage 1 were able to commence construction of their individual dwelling house from July 2018. The first house received its occupation certificate in November 2018 with others following closely behind. At the time of writing eight new homes have been occupied with another twenty-eight under construction.

Building Review Panel successfully operational

Over a number of years NEV members developed building standards that would ensure high energy efficiency, water conservation and environmental and human health were maintained. After an interim period of operation last financial year, the Building Review Panel (BRP) is functioning using internally trained volunteer members to assist other members with their individual designs before being finally assessed by the panel. Approved plans are then stamped electronically before being submitted to Council for DA approval. Council have welcomed this initiative and DA approval periods have been relatively short.

As at 30 June 2019, all Stage 1 lots had been sold and 15 of the 18 Cluster units had been contracted for sale.

The Coffee Cart

We bought a coffee cart! In the absence of appropriate zoning to start our café, we decided to bring the café in on wheels. Not only is it a social hub for members and visitors alike, it has also added to the utility of our Visitors Centre which is now being hired out by more community groups for events.

Stage 2 Masterplanning commenced

Following the development of a detailed brief for the second stage of the project, consultants were approached and chosen by the Stage 2 Project Control Group. Major consultants included urban designer, landscape architect, town planner, civil design, hydraulic design, traffic, ecology and arborist. Initial concept plans were produced and a pre-DA meeting with Council was carried out. Due to delays in the adoption of the new Consolidated Local Environment Plan (LEP), significant changes to early concept designs had to be undertaken late in the financial year, resulting in delays to lodgement. Very disappointingly this meant that significant features that were key to the Stage 2 development, namely dual occupancy and smaller minimum lot sizes, were deferred and potentially delayed indefinitely. Lodgement of the Stage 2 DA is now anticipated to be late November 2019.

Renewal of Rezoning initiative (Planning Proposal)

The situation with the deferred adoption of the LEP has forced the early commencement of a simple Planning Proposal to run concurrently with the Stage 2 DA to provide for essential features. Council has indicated their support for this approach.

The significant down side is that a second Planning Proposal will be required to deal with Stage 3 of the project which will involve more complicated issues around zone changes and boundary adjustments.

The simplified Planning Proposal preparation has commenced as of this writing and will be able to include some additional provisions to allow for some commercial and retail uses, allowing assets like the Admin Building to be used for business and other revenue generating activities, positively covering NEV overheads and operations.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Directors' Report

30 June 2019

2 Operating results and review of operations for the year

Construction of the Cluster Housing Project commenced

The 18-unit Cluster Housing Project started well at the beginning of the financial year with the acceptance of Coastal Construction & Building (CCB) tender that met our proposed budget and member expectations and works commenced in August 2018. By the end of the financial year the project was approximately 40% completed and slated for hand over by the end of November 2019. Subsequent to this CCB went into liquidation in September, with no prior warning or indication of difficulties and the project approximately 60% completed. NEV has been left exposed after it was determined that Home Owners Warranty Insurance would not apply as NEV was considered a developer. This has been a major setback.

However as with the many challenges that NEV has faced over the years, at the time of writing it appears that a new builder will be found and early indications are that the total cost to complete the project may come in on par or just under the original contract value. This in part is due to a more competitive market in the building industry with no fewer than seven builders approaching NEV to take on the completion of the project.

The Cluster Project Control Group is hopeful that a new builder will be appointed by the end of November 2019 and that completion of the project could be achieved by the end of the 2020 financial year.

Voluntary Planning Agreement amendment progress

We have agreement in principle to substitute an area of E2 zoned forest in lieu of the flood plain as required by the conditions of sale in 2012. A Bushland Management Plan has been drafted, revised and accepted by Council. Council has been slow to progress this but the legal process of amendment has now commenced. Approval by Council is expected in early 2020.

Water services future options and Central Coast Council offer of services

Despite the successful and historic achievement of being granted Network Operators and Retail Supplier licences by the NSW Minister for Utilities to provide potable water and wastewater treatment services for the ecovillage, the technology ultimately chosen resulted in a high operating cost and an unacceptable annual member contribution in the long run. NEV commissioned a study in October 2018 to look at possible alternatives, using consulting engineering firm Henry & Hymas.

Coincidentally, Central Coast Council approached NEV suggesting we apply for connection to their services (town water and sewer), indicating that more affordable options now would apply. The historical context being that NEV was told in 2012 that costs for connection to Council services would run to the tens of millions.

In reviewing other technologies that might be adopted for the future that would be more cost effective as well as ecologically sound, the consultants concluded that no other option was able to complete on either capital or operational costs with the option of connecting to Council services. In choosing town water and sewer connections, NEV residents can now expect water charges comparable to costs in Narara and the Central Coast generally.

NEV has now applied for connection of Stage 1 to Council sewer. NEV will continue to receive town water under an interim supply agreement while negotiations for a permanent supply have begun.

Notification of termination of the wastewater services contract with Aquacell Pty Ltd, the current technology provider, was given in April 2019 and negotiations on settlement terms are continuing.

The use of the recycled water reticulation network will be adapted to use water from the dam, significantly reducing the use of town water and continuing to place NEV as a leader in best practice water use and conservation generally, despite having to abandon treatment of sewage onsite.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Directors' Report

30 June 2019

2 Operating results and review of operations for the year

NEV will continue to hold its Network Operator and Retail Supplier licenses, serving as water utility for the village.

Mad About Dirt Sustainability event

Narara Eco Living Network held its fourth major sustainability festival, Mad About Dirt, in May 2019. Attracting 600 people, the day was dedicated to celebrating and learning more about the importance of soil in our world. It was a great success and brought many new visitors to the village.

Challenges with Ausgrid

Following the Federal government's Australian Renewable Energy Agency (ARENA) grant of \$1.16m to build a Smart Grid, NEV Power Pty Ltd was established as a wholly owned subsidiary of NEV to act as grant recipient and retail electrical provider for the village.

With 10 occupied houses, and 55 kwp of solar panels on our collective rooves, we have been met with another challenge – we are currently not allowed to connect more than 30kwp in power from our solar panels. As an interim measure we have disabled the 30kwp community PV on the admin building allowing residents to connect the PV on their newly built houses for their own power consumption needs.

There was an expectation that NEV Power was exempt from the 30kwp limit as we are a trial site for Ausgrid to understand the impact of high-density PV along with the imported transformer. However, this trial status was challenged by Ausgrid, meaning we need to comply with their standards and implement grid protection controls. Once complete we will be able to connect all houses as planned.

After months of discussions with Ausgrid, we believe we have a resolution and hope we can turn on all our solar panels once more by mid-2020. Meanwhile, discussions continue with ARENA and we are negotiating changes to the milestones and payment schedules necessary as a result of the delays.

Membership and financial stability

2019 saw continued interest in the ecovillage project with good attendance at our monthly open days. The format has been adjusted to balance tours and presentations about the project with activities with members, for example making of mud bricks or building strawbale walls for the 'camp kitchen'.

Six new memberships joined during the financial year. The lull in new memberships relates to the number of properties available in Stage 1 and the unknown time frame for when Stage 2 lots would be available. Once a masterplan is completed and a DA submitted to Council there will be an opportunity for members existing and new to select lots and provide deposits.

As in previous years a number of members have withdrawn from the co-op for personal reasons, but with new members joining the net effect is the community has remained largely stable at 79 memberships.

With Co-operative income not sufficient at present to cover all operating costs, an annual member contribution was agreed to for the second year running. An increase from \$1200 per membership per annum to \$1800 for the 2019 financial year was recommended and approved by NEV members. Some Co-op assets are available for rent or use by members and revenue is being generated. Over time it is anticipated this revenue will increase sufficiently to cover the costs of NEV operations.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Directors' Report

30 June 2019

2 Operating results and review of operations for the year

It is worth noting that during the year a study was carried out by the University of Wollongong entitled 'An investigation in the sustainable practises of ecovillages' with a view to supporting the successful development of NEV businesses that will support the economic stability of the community in years to come. Simultaneously a number of initiatives from the NEV Business Team have also emerged, most notably Collective Know-How, formed for the purpose of creating educational programmes within NEV.

Conclusion

Narara Ecovillage Co-operative has now been in existence for just over seven years and has endured significant bureaucratic challenges and delays, both at the state and local level, particularly in the last three years with the amalgamation of Council being a particularly difficult setback.

It is a credit to the membership that these have been weathered and that despite these trials and tribulations we have emerged from this significant year of completion of Stage 1 works ready to start the physical building the first 60 residential dwellings.

With construction of individual houses having begun and prospect of the cluster houses also recommencing shortly, we look forward to a very dramatic and welcome change in 2020 with an estimated population grown from the current 25 adults and 11 children to 62 adults and 15 children living on site at the ecovillage.

Operating results

The consolidated loss of the group amounted to \$ 246,450 (2018: \$ 17,095).

Dividends paid or recommended

No dividends were paid or declared during the period. No recommendation for payment of dividends has been made.

3 Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the group during the year.

Matters or circumstances arising after the end of the year

As at the time of writing, contracts are in the process of being executed for the last 3 cluster units in stage 1. The only opportunity for new members to join stage 1 now are through re-sales of privately owned lots.

In September 2019, the building contractor for the Cluster units, Coastal Construction & Building, went into liquidation. We have been informed that the home owners warranty insurance will not cover any losses for the Co-operative as we look to re-contract the work to complete. Considering the holding costs and the indicative tender prices received at the time of writing, the project still looks to come in at break even for NEV.

Negotiations on settlement terms regarding the termination of the wastewater services contract with Aquacell Pty Ltd, the current technology provider, are continuing.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Directors' Report

30 June 2019

3 Other items

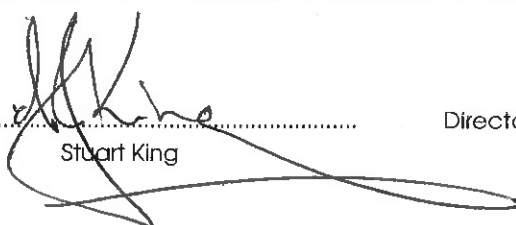
Future developments

The Narara Ecovillage Development is envisaged to be carried out in multiple stages.

Planning for Stage 2 has begun, we are set to lodge a Development Application in the next month and, depending on how quickly the DA is approved, commence the civil works from late 2020 with a view to sell the lots in 2021. There are already over 20 members interested in purchasing a lot in Stage 2 and we are actively marketing to new members.

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

Director:



Stuart King

Director:



Laurence Perrin

Dated 24 November 2019

Narara Ecovillage Co-operative Ltd

Independent Auditor's Report to the members of Narara Ecovillage Co-operative Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Narara Ecovillage Co-operative Ltd (the co-operative) and its subsidiary (the Group), 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the group is in accordance with the *Co-operatives National Law (NSW) and Co-operatives National Regulations (NSW)*, including:

- (i) giving a true and fair view of the group's financial position as at 30 June 2019 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the group in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the Directors' Report and Profit and Loss Statements, (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.

167 Brisbane Street
PO Box 1100
Dubbo NSW 2830

P 02 6884 6499
F 02 6882 6030
E infodubbo@boyceca.com

www.boyceca.com

Cooma Dubbo Goulburn Moree Wagga Wagga



Knowledge. Insight. Experience.

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

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

Responsibilities of Directors for the Financial Report

The directors of the co-operative are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Co-operatives National Law (NSW)* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the the group'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 wind up the group 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 the financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

167 Brisbane Street
PO Box 1100
Dubbo NSW 2830

P 02 6884 6499
F 02 6882 6030
E infodubbo@boyceca.com

www.boyceca.com

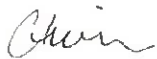
Cooma Dubbo Goulburn Moree Wagga Wagga



Knowledge. Insight. Experience.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group 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.



Caroline Wilcher
 Director
 Boyce Assurance Services Pty Ltd

Dubbo

24 November 2019

167 Brisbane Street
 PO Box 1100
 Dubbo NSW 2830

www.boyceca.com
 Cooma Dubbo Goulburn Moree Wagga Wagga

P 02 6884 6499
 F 02 6882 6030
 E infodubbo@boyceca.com



Knowledge. Insight. Experience.

Narara Ecovillage Co-operative Ltd

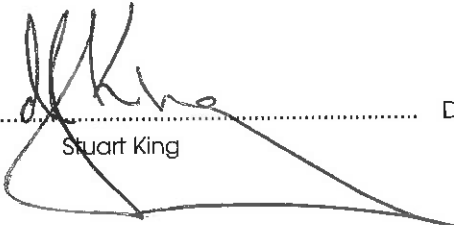
ABN 86 789 868 574


Directors' Declaration

The directors of the co-operative declare that:

1. The financial statements and notes are in accordance with the *Co-operatives National Law (NSW)* and:
 - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year then ended.
2. In the directors' opinion, there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

Director 
Stuart King

Director 
Laurence Perrin

Dated 24 November 2019

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

	Note	2019 \$	2018 \$
Revenue	3(a)	1,715,750	9,263,642
Other income	3(b)	319,912	363,622
Cost of sales		(1,650,746)	(9,162,427)
Contractors and consultants		(301,877)	(326,373)
Depreciation expense	4	(54,224)	(30,354)
Finance costs		(13,862)	-
Insurance		(33,552)	(32,935)
Other expenses		(26,197)	(28,296)
Professional fees		(21,084)	(9,456)
Project costs		(9,077)	-
Rates and charges		(128,057)	(35,207)
Repairs and maintenance		(43,437)	(25,928)
Loss before income tax		(246,450)	(23,710)
Income tax expense	5	-	6,615
Loss for the year		(246,450)	(17,095)
Other comprehensive income, net of income tax		-	-
Total comprehensive loss for the year		(246,450)	(17,095)

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

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

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	2,356,122	2,036,284
Trade and other receivables	8	50,312	12,348
Inventories	9	10,175,497	9,186,670
Non-current assets held for sale	10	344,264	326,857
Other assets	11	21,948	23,798
TOTAL CURRENT ASSETS		12,948,143	11,585,957
NON-CURRENT ASSETS			
Trade and other receivables	8	77,939	77,939
Property, plant and equipment	12	3,289,418	3,272,367
TOTAL NON-CURRENT ASSETS		3,367,357	3,350,306
TOTAL ASSETS		16,315,500	14,936,263
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	591,018	579,718
Borrowings	14	1,776,562	2,552,093
Other liabilities	15	5,613,167	3,043,060
TOTAL CURRENT LIABILITIES		7,980,747	6,174,871
NON-CURRENT LIABILITIES			
Trade and other payables	13	1,784,030	1,703,161
Borrowings	14	6,049,449	5,997,707
TOTAL NON-CURRENT LIABILITIES BEFORE MEMBERS' SHARE CAPITAL		7,833,479	7,700,868
Members' share capital	16	2,703,200	3,016,000
TOTAL NON-CURRENT LIABILITIES		10,536,679	10,716,868
TOTAL LIABILITIES		18,517,426	16,891,739
NET ASSETS		(2,201,926)	(1,955,476)
EQUITY			
Accumulated losses		(1,924,191)	(1,677,741)
Equity issue costs		(277,735)	(277,735)
TOTAL EQUITY		(2,201,926)	(1,955,476)

The accompanying notes form part of these financial statements.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

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

2019

	Ordinary shares	Equity issue costs	Accumulated losses	Total
Note	\$	\$	\$	\$
Balance at 1 July 2018	3,016,000	(277,735)	(1,677,741)	1,060,524
Shares issued during the year	215,000	-	-	215,000
Shares redeemed during the year	(321,800)	-	-	(321,800)
Shares redeemed and applied as lot and cluster instalments	(206,000)	-	-	(206,000)
Loss attributable to members of the entity	-	-	(246,450)	(246,450)
Balance at 30 June 2019	2,703,200	(277,735)	(1,924,191)	501,274

2018

	Ordinary shares	Equity issue costs	Accumulated losses	Total
Note	\$	\$	\$	\$
Balance at 1 July 2017	3,851,000	(261,250)	(1,660,646)	1,929,104
Shares issued during the year	565,000	-	-	565,000
Shares redeemed during the year	(340,000)	-	-	(340,000)
Shares redeemed and applied as lot and cluster instalments	(1,060,000)	-	-	(1,060,000)
Loss attributable to members of the entity	-	-	(23,710)	(23,710)
Income tax expense	-	-	6,615	6,615
Equity issue costs	-	(9,870)	-	(9,870)
Income tax expense	-	(6,615)	-	(6,615)
5(c)				
Balance at 30 June 2018	3,016,000	(277,735)	(1,677,741)	1,060,524

The accompanying notes form part of these financial statements.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

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

	2019	2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members and customers	2,726,458	3,462,790
Payments to suppliers	(3,014,537)	(979,569)
Rent received	93,578	65,676
Interest received	34,892	14,658
Interest paid	(13,862)	-
Net cash provided by / (used in) operating activities	<u>(173,471)</u>	<u>2,563,555</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	12(a) (71,275)	(2,502,509)
Grants received for capital works	12(a) -	536,965
Improvement of assets held for sale	(17,407)	(33,934)
Proceeds from assets held for sale	-	541,307
Net cash used by investing activities	<u>(88,682)</u>	<u>(1,458,171)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	215,000	475,000
Redemption of shares	(321,800)	(340,000)
Proceeds from borrowings	2,755,000	2,042,500
Repayment of borrowings	(2,066,208)	(2,100,197)
Payment of equity issue costs	-	(9,870)
Net cash provided by / (used in) financing activities	<u>581,992</u>	<u>67,433</u>
Net increase (decrease) in cash and cash equivalents held	319,839	1,172,817
Cash and cash equivalents at beginning of year	2,036,283	863,467
Cash and cash equivalents at end of the period	7(a) <u>2,356,122</u>	<u>2,036,284</u>

The accompanying notes form part of these financial statements.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Notes to the Financial Statements

For the Year Ended 30 June 2019

The financial report includes the consolidated financial statements of Narara Ecovillage Co-operative and its controlled entity (the Group).

Narara Ecovillage Co-operative Ltd is a registered trading co-operative under *Co-operatives National Law (NSW)* (Co-operative No. NSWC29882). The co-operative is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

1 Summary of significant accounting policies

(a) Basis of preparation

The financial statements of Narara Ecovillage Co-operative Ltd are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Co-operatives National Law (NSW)*.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements 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.

(b) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

NEV Power Pty Ltd is the only controlled entity of Narara Ecovillage Co-operative Limited. NEV Power Pty Ltd is a proprietary company domiciled in Australia and 100% owned by Narara Ecovillage Co-operative Limited.

(c) Inventory - land developed for sale

During initial phases of the project, property and associated development costs including related finance costs are capitalised and carried at cost. Impairment testing is carried out annually as these inventories are required to be carried at the lower of cost and net realisable value.

The cost of land inventory is not necessarily reflective of the value of the land and any difference between the value and the cost will be recognised as a profit in the accounts when the sale is recorded. Where properties change their nature, for example if certain houses and their land are retained for ongoing investment purposes they will be transferred to property, plant and equipment at the time this decision is made.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of significant accounting policies

(d) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These assets include the Foreman's Cottage and Heritage House (sold in 2018) which are separate to the land development recorded as inventory, and are currently being leased by the co-operative until the final settlement for their sale has occurred.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Assets classified as held for sale are not amortised or depreciated.

(e) Property, plant and equipment

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

Land and buildings

Land and buildings are measured using the cost model.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the co-operative, commencing when the asset is ready for use.

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

Fixed asset class	Depreciation rate
Building improvements	2.5% - 10%
Materials, tools and equipment	40%
Office furniture and equipment	50%
Vehicles and machinery	15-40%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of significant accounting policies

(f) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the co-operative becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

Financial assets are comprised of trade and other receivables measured at amortised cost.

Financial liabilities

The co-operative's financial liabilities are comprised of trade payables and borrowings measured at amortised cost.

Impairment of financial assets

Objective evidence that a financial asset is impaired includes default by a debtor or evidence that the debtor is likely to enter bankruptcy. At the end of each reporting period, the co-operative assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. At the end of the reporting period the co-operative assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

(h) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the co-operative during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Some amounts are noted as deferred payables and as a result have terms in excess of 30 days. These deferred payables are compound interest bearing and incur interest at a rate of 7% p.a up to 30 June 2017, 6% p.a. from 1 July 2017 to 30 June 2018 and 5% from 1 July 2018.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of significant accounting policies

(i) Income tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(j) Revenue and other income

The co-operative recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities.

All revenue is stated net of the amount of goods and services tax (GST).

Interest revenue

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of significant accounting policies

(j) Revenue and other income

Sale of land and cluster lots

Revenue from the sale of land and cluster lots is recognised at the point that title is transferred to the purchasing member(s). Instalments received from members for the purchase of land and cluster lots are recognised as a liability until this title transfer occurs.

(k) 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.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Economic dependence and going concern

Narara Ecovillage Co-operative Ltd is dependent on financial support from members in the form of loans and deferred trade payables. Member support has been provided since the project started and will need to continue in order to ensure the ongoing viability of the Co-operative.

2 Critical accounting estimates and judgements

Key judgement - allocation of costs

In preparing these financial statements judgement has been made in the allocation of costs to the following areas:

- raising of member funds
- development costs
- occupancy and holding costs expensed

Interest paid on member loans is considered to be wholly attributable to the development costs and accordingly has been capitalised into land inventory. Interest revenue received has been offset against interest paid before the net amount has been capitalised to the project.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Critical accounting estimates and judgements

Key judgement - allocation of costs

Key estimate - Land and buildings not available for sale

Up until 30 June 2015, all land and buildings owned by the co-operative, including the associated capitalised development costs, had been grouped together under land and buildings inventory. Whilst the majority of the co-operative's property is held for sale, a portion of land and buildings will be retained by the co-operative and are not held for sale. As a result, a portion of land and buildings was transferred out of land and buildings inventory and into property, plant & equipment as at 30 June 2016. Judgement has been applied by the directors in splitting the cost of assets not held for sale from the cost of assets held for sale.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Notes to the Financial Statements

For the Year Ended 30 June 2019

3 Revenue and other income

(a) Revenue from continuing operations

	2019	2018
	\$	\$
Sales revenue		
- Land lots	1,663,491	9,209,590
- Food co-op and cafe	24,687	28,280
- Electricity	18,044	9,462
- Courses and workshops	1,296	7,990
- Other sales	8,232	8,320
	<u>1,715,750</u>	<u>9,263,642</u>

(b) Other income

Other income		
- Donations	72,154	15,840
- Interest income	-	7,727
- Member contributions	144,457	82,364
- Rental income	93,578	65,676
- Profit on disposal of Heritage House	-	172,711
- Sundry income	9,724	19,305
	<u>319,912</u>	<u>363,622</u>

Interest income from investments has been offset against interest expense from loans and the net amount has been capitalised into the development.

4 Result for the year

The result for the year includes the following specific expenses:

Depreciation

- Depreciation	12(a)	54,224	40,168
- Less depreciation capitalised into land inventory		-	(9,814)
		<u>54,224</u>	<u>30,354</u>

Notes to the Financial Statements

For the Year Ended 30 June 2019

5 Income tax expense

(a) The major components of tax expense (income) comprise:

	2019 \$	2018 \$
Current tax expense		
Income tax	-	(6,615)
Income tax expense for continuing operations	<u>-</u>	<u>(6,615)</u>
(b) Reconciliation of income tax to accounting profit:		
Loss for the year	<u>(246,450)</u>	<u>(23,710)</u>
Tax at 27.5%	<u>(67,774)</u>	<u>(6,520)</u>
Add:		
Tax effect of:		
- Income tax losses not yet recognised as a deferred tax asset	<u>67,774</u>	9,234
- Adjustment for change in tax rate	<u>-</u>	<u>(9,329)</u>
Income tax expense	<u>-</u>	<u>(6,615)</u>

The 2018 income tax expense of \$6,615 is offset by an income tax benefit of the same amount recognised in equity and results from a requirement in accounting standards to show the tax effect on equity raising costs.

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity.

Current tax /(expense) benefit	<u>-</u>	<u>(6,615)</u>
	<u>-</u>	<u>(6,615)</u>

Notes to the Financial Statements

For the Year Ended 30 June 2019

6 Tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following:

	2019	2018
	\$	\$
Tax losses	<u>2,138,095</u>	1,891,645
	<u>2,138,095</u>	<u>1,891,645</u>

Deferred tax assets have not been recognised in respect of these items because it is not yet probable that future taxable profit will be available against which the group can utilise the benefits therein.

7 Cash and cash equivalents

Cash on hand	584	488
Cash at bank	<u>2,355,538</u>	2,035,796
	<u>2,356,122</u>	<u>2,036,284</u>

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	<u>2,356,122</u>	2,036,284
	<u>2,356,122</u>	<u>2,036,284</u>

8 Trade and other receivables

CURRENT

Trade receivables	11,556	8,956
GST receivable	38,756	-
Accrued interest	-	3,392
	<u>50,312</u>	12,348

NON-CURRENT

Bonds	<u>77,939</u>	77,939
	<u>77,939</u>	<u>77,939</u>

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

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

9 Inventories

	2019	2018
	\$	\$
CURRENT		
At cost:		
Food stock on hand	3,126	2,315
Land held for sale	10,172,371	9,184,355
	<u>10,175,497</u>	<u>9,186,670</u>

10 Non-current assets held for sale

Land and buildings - Foreman's Cottage	344,264	326,857
	<u>344,264</u>	<u>326,857</u>

The contract of sale has been exchanged for the Foreman's Cottage and the sale will complete when the subdivision of Stage 2 is registered which is expected to occur in 2020.

11 Other assets

CURRENT		
Prepayments	21,948	23,798
	<u>21,948</u>	<u>23,798</u>

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Notes to the Financial Statements

For the Year Ended 30 June 2019

12 Property, plant and equipment

	2019	2018
	\$	\$
LAND AND BUILDINGS		
Freehold land		
At cost	1,774,716	1,774,716
Total land	<u>1,774,716</u>	<u>1,774,716</u>
Buildings		
At cost	1,364,038	1,349,508
Accumulated depreciation	(48,476)	(19,128)
Total buildings	<u>1,315,562</u>	<u>1,330,380</u>
Total land and buildings	<u>3,090,278</u>	<u>3,105,096</u>
PLANT AND EQUIPMENT		
Smart Grid		
At cost	58,876	58,876
Accumulated depreciation	(1,472)	-
Total Smart Grid	<u>57,404</u>	<u>58,876</u>
Plant and equipment		
At cost	189,918	159,899
Accumulated depreciation	(83,894)	(66,491)
Total plant and equipment	<u>106,024</u>	<u>93,408</u>
Furniture, fixtures and fittings		
At cost	44,474	17,748
Accumulated depreciation	(8,762)	(2,761)
Total furniture, fixtures and fittings	<u>35,712</u>	<u>14,987</u>
Total plant and equipment	<u>199,140</u>	<u>167,271</u>
	<u>3,289,418</u>	<u>3,272,367</u>

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Notes to the Financial Statements

For the Year Ended 30 June 2019

12 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

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

	Land	Buildings & improvements	Plant and equipment	Furniture, fixtures and fittings	Smart Grid	Total
	\$	\$	\$	\$	\$	\$
Consolidated						
Year ended 30 June 2019						
Balance at the beginning of year	1,774,716	1,330,380	93,408	14,987	58,876	3,272,367
Additions	-	14,530	30,019	26,726	-	71,275
Depreciation expense	-	(29,348)	(17,403)	(6,001)	(1,472)	(54,224)
Balance at the end of the year	1,774,716	1,315,562	106,024	35,712	57,404	3,289,418
Year ended 30 June 2018						
Balance at the beginning of year	595,058	523,766	63,093	1,711	163,363	1,346,991
Additions	1,179,658	866,856	12,646	10,871	432,478	2,502,509
Less: Capital grants received	-	-	-	-	(536,965)	(536,965)
Transfers	-	(42,534)	38,658	3,876	-	-
Depreciation expense	-	(17,708)	(20,989)	(1,471)	-	(40,168)
Balance at the end of the year	1,774,716	1,330,380	93,408	14,987	58,876	3,272,367

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Notes to the Financial Statements

For the Year Ended 30 June 2019

13 Trade and other payables

	2019	2018
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	442,475	132,244
Income received in advance	4,491	7,250
GST payable	-	386,063
Sundry payables and accrued expenses	130,993	50,918
Bonds held	13,058	3,240
	<u>591,018</u>	<u>579,718</u>
NON-CURRENT		
Unsecured liabilities		
Trade payables	1,784,030	1,700,972
Deferred interest payable	-	2,189
	<u>1,784,030</u>	<u>1,703,161</u>

90% (2018: 90%) of non-current trade payables are amounts due to related parties. These related parties are members of Narara Ecovillage Co-operative Ltd who are contracted to perform essential project tasks. The remaining 10% (2018: 10%) is owed to Kirsten Hay. These are deferred amounts that will be paid in Stage 2 and accrue a fixed interest rate of 7% p.a. up to 30 June 2017 6% p.a. for the year ended 30 June 2018 and 5% thereafter. The interest compounds annually.

Notes to the Financial Statements

For the Year Ended 30 June 2019

14 Financial liabilities

	2019	2018
	\$	\$
CURRENT		
Unsecured liabilities:		
Loans from members	1,451,562	2,552,093
Loans from non-members	325,000	-
	<u>1,776,562</u>	<u>2,552,093</u>
NON-CURRENT		
Unsecured liabilities:		
Loans from members - interest free	426,793	394,848
Loans from members	4,225,101	5,451,791
Loans from non-members	1,397,555	151,068
	<u>6,049,449</u>	<u>5,997,707</u>

Interest free loans were provided by members to fund the Solar photovoltaic array and other renovations. These loans are interest free and are to be repaid after the sale of Stage 2. Interest bearing member loans were extended to the cooperative primarily from members in order to allow the cooperative the ability to purchase and develop the land. Many of these loans were converted to land lot and cluster instalments in the 2018 and 2019 years.

New loan agreements were entered into in the 2018 year to provide cash flow for purchase of 23 Research Road predominantly. In 2019, new loans were received to allow other loans to be repaid in line with the loan agreement terms. Interest is payable at 5% for short term loans and 5% for long term loans which have been offered as secured loans through the Narara Loan Security Trust which holds a mortgage over 23 Research Road and Lot 37 within 25 Research Road. Interest was payable at 7% for the loans carried forward from prior years with most lenders agreeing to a reduction to 5% from January 2018. Generally, interest is paid monthly, however where it is being accumulated, it has been accrued and capitalised into the principal of the loan. Total interest capitalised for the year ended 30 June 2019 was \$87,901 (2018: \$111,469).

The loan agreements allow for early repayment of loans if they are applied to lot purchase instalments.

15 Deferred revenue

CURRENT		
Land sale deposits	-	375,455
Cluster sale deposits	5,194,198	2,248,636
Other deposits - Foreman's Cottage	418,969	418,969
	<u>5,613,167</u>	<u>3,043,060</u>

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Notes to the Financial Statements

For the Year Ended 30 June 2019

16 Members' equity

The co-operative has one class of shares, with 2,728,200 on issue (2018: 3,016,000). All shares have a face value of \$1 and are fully paid to the value of \$2,703,200 as at 30 June 2019.

Members' holdings are of varying value and members are entitled to share in the income of the Narara Ecovillage Co-operative Ltd in proportion to their investment. Upon liquidation, holders would be entitled to a pro-rata share of the co-operative's net assets.

17 Interests of key management personnel

Related parties are directors of Narara Ecovillage Co-operative Ltd who are contracted to perform essential project tasks.

Key management personnel shareholdings

The number of ordinary shares in Narara Ecovillage Co-operative Ltd held by each key management person of the Group for the year ended 30 June 2019 is as follows:

	Balance at beginning of period	Purchases / conversions to loans	Applied as lot or cluster Instalments	Balance at end of period
30 June 2019				
Stuart King (jointly held)	80,000	-	(41,800)	38,200
John Talbott (jointly held)	30,000	-	-	30,000
Laurence Perrin	30,000	-	-	30,000
Verena Olivier (jointly held)	50,000	-	-	50,000
Grant Rickey (jointly held)	30,000	-	-	30,000
Patricia Meagher	60,000	-	-	60,000
Lincoln De Kalb (jointly held)	30,000	-	-	30,000
	<u>310,000</u>	<u>-</u>	<u>(41,800)</u>	<u>268,200</u>
30 June 2018				
Stuart King (jointly held)	100,000	-	(20,000)	80,000
John Talbott (jointly held)	30,000	-	-	30,000
Laurence Perrin	30,000	-	-	30,000
Verena Olivier (jointly held)	50,000	-	-	50,000
Grant Rickey (jointly held)	50,000	-	(20,000)	30,000
Patricia Meagher	80,000	-	(20,000)	60,000
Lincoln De Kalb (jointly held)	50,000	-	(20,000)	30,000
	<u>390,000</u>	<u>-</u>	<u>(80,000)</u>	<u>310,000</u>

Notes to the Financial Statements

For the Year Ended 30 June 2019

17 Interests of key management personnel

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 18: Related Party Transactions.

18 Related party transactions

Related parties

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

(b) Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

(c) Transactions with related parties

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

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

18 Related party transactions

(c) Transactions with related parties

The following transactions occurred with related parties:

	Income earned and paid (1)	Income earned and deferred (2)	Fees owed by the Cooperative (3) at 30 June 2019	Owed by the Cooperative (3) 30 June 2018	Loan interest earned	Loans to the Co-operative 30 June 2018	Lot and cluster instalments paid to NEV Co-op
John Talbott	96,000	19,601	506,335	486,734	3,679	16,177	302,727
Stuart King	-	2,993	45,743	42,750	7,500	178,900	-
Laurence Perrin	-	-	-	-	-	-	458,727
Verena Olivier	-	-	-	-	4,973	300,000	-
Grant Rickey	11,093	11,093	14,837	-	856	110,000	-
Nicky Prince	2,000	-	-	-	-	-	-
Patricia Meagher	-	-	47,312	47,312	18,415	701,000	317,612
Lincoln De Kalb	-	-	-	-	-	-	-
	109,093	33,687	614,227	576,796	35,423	1,306,077	1,079,066

(1) Income earned and paid includes allowances and consultancy fees, excluding GST, which was paid during the financial year.

(2) Income earned and deferred includes allowances, consultancy and contribution fees deferred for payment until Stage 2 and interest accrued on deferred balances.

(3) Cumulative Balance of Income Earned Deferred until Stage 2, includes GST where applicable.

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Notes to the Financial Statements

For the Year Ended 30 June 2019

19 Events after the end of the reporting period

As at the time of writing, contracts are in the process of being executed for the last three cluster units in Stage 1. The only opportunity for new members to join Stage 1 now are through re-sales of privately owned lots.

In September 2019, the building contractor for the Cluster units, Coastal Construction & Building, went into liquidation. We have been informed that the home owners warranty insurance will not cover any losses for the Co-operative as we look to re-contract the work to complete. Considering the holding costs and the indicative tender prices received at the time of writing, the project still looks to come in at break even for NEV.

Negotiations on settlement terms regarding the termination of the wastewater services contract with Aquacell Pty Ltd, the current technology provider, are continuing.

20 Parent entity

The following information has been extracted from the books and records of the parent, Narara Ecovillage Co-operative Ltd and has been prepared in accordance with Accounting Standards. The financial information for the parent entity, Narara Ecovillage Co-operative Ltd has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

	2019	2018
	\$	\$
Statement of Financial Position		
Assets		
Current assets	12,565,004	11,187,090
Non-current assets	3,436,284	3,433,563
Non-current assets held for sale	344,264	326,857
Total Assets	<u>16,345,552</u>	<u>14,947,510</u>
Liabilities		
Current liabilities	7,970,483	3,126,187
Non-current liabilities	7,833,478	7,700,869
Members' share capital	2,703,200	3,016,000
Total Liabilities	<u>18,507,161</u>	<u>13,843,056</u>
Equity		
Equity issue costs	(277,735)	(277,735)
Accumulated losses	(1,883,874)	(1,660,873)
Total Equity	<u>(2,161,609)</u>	<u>(1,938,608)</u>
Statement of Profit or Loss and Other Comprehensive Income		
Profit/(loss) for the year	<u>(246,450)</u>	<u>(1,259)</u>
Total comprehensive income	<u>(246,450)</u>	<u>(1,259)</u>

Narara Ecovillage Co-operative Ltd
ABN 86 789 868 574

Notes to the Financial Statements

For the Year Ended 30 June 2019

21 Co-operative details

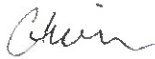
The registered office of the Co-operative is:
Narara Ecovillage Co-operative Ltd
25 Research Road
NARARA NSW 2250

Narara Ecovillage Co-operative Ltd

ABN 86 789 868 574

Disclaimer

The additional financial data presented on the accompanying profit and loss statements are in accordance with the books and records of the group which have been subjected to the auditing procedures applied in our statutory audit of the group for the year ended 30 June 2019. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than Narara Ecovillage Co-operative Ltd) in respect of such data, including any errors or omissions therein however caused.



Caroline Wilcher
Director
Boyce Assurance Services Pty Ltd

Dubbo

24 November 2019

167 Brisbane Street
PO Box 1100
Dubbo NSW 2830

P 02 6884 6499
F 02 6882 6030
E infodubbo@boyceca.com

www.boyceca.com

Cooma Dubbo Goulburn Moree Wagga Wagga



Knowledge. Insight. Experience.

Profit & Loss
Narara Ecovillage Co-operative Ltd
1 July 2018 to 30 June 2019

	30 Jun 19	30 Jun 18
Income		
Cafe sales income	4,026	0
Camping donations	2,569	490
Co-op member contributions	144,457	82,364
Course / workshop fees	1,296	7,990
Donation Income	69,585	15,350
Food Co-op sales income	20,661	28,280
Hire of Rooms	13,342	698
Interest Income	34,892	7,727
Other Sales	8,232	8,320
Rental Income	62,626	49,083
Sale of Lots	1,663,491	9,209,590
Storage Income	17,609	15,896
Sundry Income	9,724	19,305
Total Income	2,052,510	9,445,092
Less Cost of Sales		
Cost of courses / workshops run	383	6,806
Cost of Food Sold	20,963	25,389
Cost of Lots Sold	1,601,486	9,114,187
Cost of Other Sales	5,124	2,820
Inventory adjustments and write-offs	223	7
Total Cost of Sales	1,628,178	9,149,208
Gross Profit	424,332	295,884
Plus Other Income		
Gain on disposal of property plant & equipment	0	172,711
Total Other Income	0	172,711
Less Operating Expenses		
Architect Fees	14,583	36,259
Bank Charges	488	735
Capitalisation of building development costs	(1,945,970)	(157,467)
Capitalisation of Equity Raising Costs	0	(9,870)
Capitalisation of land development costs	(675,467)	(994,882)
Catering / Food	250	2,511
Cleaning	0	120
Council Rates	13,459	15,185
Deferred Fees for Hours Contributed	(1,172)	(88,383)
Depreciation	52,752	40,168
Development - civil works	0	(46,768)
Development - cluster costs	1,524,690	0
Development - other costs	199,076	60,651
Development - preliminary costs	(1,643)	0
Electricity	14,980	8,309
External Accountant & Auditor	20,820	19,326
External Consultants	151,992	73,258
External Contractors	196,628	166,075
External Contractors - On charged	0	(36,400)
Filing fees & other compliance	532	58,513
Fuel and Oil	781	3,984

Profit & Loss
Narara Ecovillage Co-operative Ltd
1 July 2018 to 30 June 2019

	30 Jun 19	30 Jun 18
Income Tax Expense	0	(6,615)
Insurance	33,552	34,149
Interest - Deferred fees	45,372	49,922
Interest - Members Loan	354,395	603,016
Interest - Non Member and Bank Loans	49,152	19,996
IT - CRM & email	887	599
IT - File Management	75	1,627
IT - Software licences	567	556
IT - Telephone & Internet	1,581	1,156
IT - Website & Wiki	174	1,832
Land Tax	91,013	73,926
Learning & Development	0	5,620
Legal Fees	20,004	69,484
Licences & Fees	5,935	37,752
Memberships and affiliations	450	0
NEV Consultants	5,741	35,300
NEV Contractors	299,410	277,470
NEV Contractors - Deferred	42,261	69,398
NEV Contractors - On charged	0	(47,555)
Open Day Expenses	445	850
Other direct costs	1,204	0
Other Project Costs - WIP	52,206	0
Pest control	20	3,360
Potable Water Treatment Plant - WIP	0	16,234
Printing Stationery & Postage	597	2,733
Public Relations and Communications	3,160	216
R&M - Buildings	2,319	5,550
R&M - Equipment & Tools	806	3,754
R&M - Landscape	8,605	2,857
R&M - Roads & Infrastructure	5,936	6,762
Small Tools and Equipment Purchases	14,880	6,287
Sundry expenses	1,040	67
Supplies for the village	1,322	1,450
Travel	2,878	4,245
Vehicle expenses	4,262	5,137
Venue & equipment hire	5,842	1,500
Waste Collection Costs	1,361	1,462
Waste Water Treatment Plant - WIP	7,942	23,061
Water and Sewerage charges	14,218	4,448
WHS and Site Safety	945	921
Total Operating Expenses	647,334	469,853
Net Profit	(223,002)	(1,258)

Profit and Loss
NEV Power Pty Ltd
1 July 2018 to 30 June 2019

	30 Jun 19	30 Jun 18
Income		
Electricity sales	18,044	9,462
Total Income	18,044	9,462
<hr/>		
Less Cost of Sales		
Cost of Electricity Sold	22,568	13,218
Total Cost of Sales	22,568	13,218
<hr/>		
Gross Profit	(4,524)	(3,756)
<hr/>		
Less Operating Expenses		
Bank Charges	115	301
Depreciation	1,472	0
External Contractors	8,120	38,706
Filing fees & other compliance	342	898
IT - Software licences	431	380
Licences & Fees	1,250	0
NEV Contractors	0	52,924
NEV Contractors - Deferred	0	4,160
Printing Stationery & Postage	34	0
Small Tools and Equipment Purchases	7,160	35
Smart Grid - WIP	0	(85,324)
Total Operating Expenses	18,924	12,080
<hr/>		
Net Profit	(23,448)	(15,836)