

RETIREES WA (INC)

FINANCIAL REPORT

30 JUNE 2017

Retirees WA (Inc)
A.B.N. 13 989 588 483

<u>Contents</u>	<u>Page</u>
Statement by Members of the Committee	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Cash Flows	4
Statement of Changes in Equity	5
Notes to the Financial Statements	6
Independent Audit Report to the Members	19
Auditor's Independence Declaration	22

RETIREES WA (INC)

STATEMENT BY MEMBERS OF THE BOARD OF RETIREEES WA

The Board submit the financial report of Retirees WA (Inc) for the financial year ended 30 June 2017

Board members

The board members for this financial year were:

Nita Sadler (President)	Lois Jones (Vice President)
Brian Mathlin (Deputy Vice President)	John Thompson
David Sadler	Judith Edwards
Jill Pugliese	Candessa Ashbury
Nita Hart	

Principal Activities

The principal activities of the Organisation during the financial year were:

- to provide aged care and accommodation for seniors
- to provide fellowship and social facilities for its members
- to administer the funeral fund activities
- to develop and manage Retirement Villages for members

Significant changes

No significant change in the nature of these activities occurred during the year

Board Opinion

In the opinion of the Retirees WA Board, the financial report as set out on pages 2 to 19


1 Presents a true and fair view of the financial position as at 30 June 2017 and its performance for the year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board.

2. At the date of signing, there were reasonable grounds to believe that Retirees WA (Inc) will be able to pay its debts as and when they become due.

Signed in accordance with a resolution of the Board.


Nita Sadler
President

Date: 20 September 2017


Margaret Thomas
Chief Executive Officer
Chief Financial Officer
Date: 20 September 2017

RETIRES WA (INC)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
		\$	\$
	Note		
Revenue from ordinary activities	2	10,668,120	9,457,042
Employee benefits expense		(5,006,509)	(5,073,019)
Depreciation and amortisation expense	3	(1,021,715)	(1,018,772)
Aged care residents occupancy costs		(1,953,740)	(916,021)
Property expense		(44,481)	(85,648)
Insurance expense		(65,594)	(60,000)
Administration expense		(482,704)	(866,273)
Advertising and promotion		(83,069)	(119,900)
Profit/(loss) from ordinary activities before income tax		2,010,308	1,317,409
Income tax expense relating to ordinary activities	1d	0	0
Net profit/(loss) from ordinary activities after income tax	3	2,010,308	1,317,409
Other comprehensive income			
Total comprehensive income for the year		2,010,308	1,317,409

RETIREES WA (INC)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		2017	2016
		\$	\$
	Note		
CURRENT ASSETS			
Cash assets	4	13,638,353	12,334,341
Receivables	5	272,472	106,207
Other	6	237,806	227,806
TOTAL CURRENT ASSETS		14,148,631	12,668,354
NON-CURRENT ASSETS			
Intangible assets	7	2,430,000	2,430,000
Other financial assets	8	6,875,000	7,284,000
Investment Property	9	36,493,062	36,511,988
Property, plant and equipment	10	12,808,316	13,027,265
Residents lease asset	11	49,716,375	49,716,370
TOTAL NON-CURRENT ASSETS		108,322,753	108,969,623
TOTAL ASSETS		122,471,384	121,637,977
CURRENT LIABILITIES			
Payables	12	313,333	185,805
Provisions	13	337,619	448,180
Other financial liabilities	14	76,871,832	77,791,901
TOTAL CURRENT LIABILITIES		77,522,784	78,425,886
NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITIES		0	0
NET ASSETS		44,948,600	43,212,091
EQUITY			
Retained Equity	16	44,948,600	43,212,091
TOTAL EQUITY		44,948,600	43,212,091

RETIRES WA (INC)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
OPERATING CASH FLOWS		
Receipts from Customers	10,701,034	7,738,032
(Payments) To Suppliers and Employees	(10,814,008)	(6,725,673)
Allowable Deductions From Bonds	(112,033)	0
Dividends Received	0	0
Interest Received	255,489	247,456
Finance (Cost)	0	0
Other Operating Cash Flows	0	0
Total Operating Cash Flow	30,482	1,259,815
INVESTING CASH FLOWS		
Sales of Property, Plant and Equipment	0	0
(Purchase) of Property, Plant and Equipment		
Residential Aged Care excl. Retirement Living	(150,954)	0
Other incl. Retirement Living	(632,886)	(3,179,663)
Sales of Intangible Assets	0	0
(Purchase) of Intangible Assets	0	0
Other Investment Cash Flow	(273,799)	0
Total Investing Cash Flow	(1,057,639)	(3,179,663)
FINANCING CASH FLOWS		
Accommodation bonds / Refundable Deposits Received	8,806,304	10,715,997
Accommodation bonds / Refundable Deposits (Refunded)	(6,884,136)	(4,756,104)
Proceeds from Borrowings		
Residential Aged Care excl. Retirement Living	0	0
Other incl. Retirement Living	0	0
(Repayment) of Borrowings	0	0
Loans made to Related Parties	0	0
Loans (Repaid) to Related Parties	(431,154)	(345,328)
Other Financial Cash Flow	840,154	439,750
Total Financing Cash Flow	2,331,168	6,054,314
NET CASH FLOWS		
Net Increase / (Decrease) in Cash Held	1,304,011	4,134,466
Cash at the Beginning of the Financial Year	12,334,342	8,199,876
Cash at the End of the Financial Year	13,638,353	12,334,342

RETIRES WA (INC)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Retained Earnings \$	Total \$
Note		
Balance at 1 July 2015	22,434,361	22,434,361
Comprehensive income		
Profit for the year	1,317,409	1,317,409
Total comprehensive income for the year	1,317,409	1,317,409
Reconciliation of Resident Lease Asset/Liability imbalance	18,890,321	18,890,321
Additional Bed Licence	570,000	570,000
Balance at 30 June 2016	43,212,091	43,212,091
Comprehensive income		
Profit for the year	2,010,308	2,010,308
Total comprehensive income for the year	2,010,308	2,010,308
Correction for reallocation of village funds	(273,799)	(273,799)
Balance at 30 June 2017	44,948,600	44,948,600

RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 1 - Statement of Significant Accounting Policies

This financial report is a general purpose financial report that has been prepared in accordance with International Financial Reporting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the Associations Incorporation Act 1997.

The financial report covers Retirees WA (Inc) as an individual entity. Retirees WA (Inc) is an association incorporated in Western Australia under the Associations Incorporation Act 1987.

The financial report of Retirees WA (inc) complies with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety, unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified (where applicable) by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The following is a summary of the material accounting policies adopted by the Association in the preparation of its financial statements. The accounting policies have been consistently applied, unless otherwise stated.

a) Assets With Time Diminishing Values

Each class of asset being Building, Fixtures & Fittings is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

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

The carrying amount of property, plant and equipment is reviewed annually by the Association to ensure it is not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received for the assets' employment and subsequent disposal.

Depreciation

The depreciable amount of all fixed assets are depreciated on either a straight line basis or the diminishing value basis over their useful lives to the Association commencing from the time the asset is held ready for use.

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

<u>Class of Fixed Assets</u>	<u>Depreciation Rate</u>
Plant and Equipment	5-40%
Motor Vehicles	15-22.5%
Buildings	10-60 years

b) Deferred Management Fee

Retirees WA (Inc) has constructed retirement units for which residents pay an ingoing sum which entitles them to permanency of occupancy. Upon termination of the residency a deferred management fee is calculated based on a pre-determined formulae not exceeding 10 years, the management rate stipulated in the resident's contract and is based on the re-lease value of the property. The re-lease value of the unit less the deferred management fee is repaid to the resident. The deferred management fee is retained by Retirees WA (inc) and treated as income in the year received.

RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 1 - Statement of Significant Accounting Policies (cont'd)

c) Intangible Asset - Bed licenses

Bed licenses for Aged Care facilities have been recognised at fair value. No amortization has been provided as Retirees have determined that the asset has an indefinite useful life. Impairment testing of this asset is undertaken annually or when an indication exists the the fair value of the asset may be impaired.

d) Income Tax

The Australian Taxation Office has advised the Retirees WA (Inc) that it is an Association established for "community service purposes" and accordingly under Section 23(g) of the Income Tax Act is exempt from income tax.

e) Employee Benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries and annual leave which will be settled after one year, have been measured at their nominal amount as at balance date. Employee benefits payable later than one year have not been measured using the present value of the estimated future cash outflows to be made for those benefits at a future point in time.

Superannuation contributions are made by the Association to the employees nominated superannuation fund and are charged as an expense when incurred.

f) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, at banks and on deposit where the maturity of deposits is twelve months or less from the date of acquisition.

g) Revenue

Membership revenue is recognised when received.

Resident fees are recognised when charged to the resident.

Government operating grants are recognised on receipt.

Interest revenue is recognised on an accrual basis.

Interest revenue on term deposits, loans and investments are recognised on a proportional basis taking into account the interest rates applicable to the financial assets as at balance date.

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

h) Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by the Association to ensure that they are not in excess of their recoverable amount.

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 1 - Statement of Significant Accounting Policies (cont'd)

i) Funeral Fund

The Funeral Fund was established to enable members to prepay funeral costs at a discount. The Association has negotiated discounted rates with the Western Australian Funeral Fund Directors Association and Independent Funeral Directors for all the costs associated with their funeral.

The Association invests all funds in investments as approved by the Board. Currently these investments are either cash deposits with Banks, redeemable preference shares secured by property and property loan secured by 1st Registered mortgage over the property.

The Association invests all the funds received from members and an allocation of the interest revenue after costs of keeping the members records and all financial, accounting and administrative records is made to the members' accounts.

j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis. The GST components of cash flows arising from investing and financial activities which are recoverable from, or payable to the ATO are classified as operating cash flows.

k) Receivables

Debtors are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

l) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Association.

m) Comparatives

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

n) Accommodation Bonds

Accommodation Bonds are refundable deposits and are treated as financial liabilities in the statement of financial position and measured at the principal amounts less retention amounts. Accommodation Bonds have been classified as current liabilities because the Association does not have an unconditional right to defer settlement. Accommodation Bonds are derecognised when the obligation under the liability is discharged.

o) Residents Lease Asset

The assets represents the amount of the Retirement Village as a result of the operating lease agreement. The liability has been raised and included in Other Financial Liabilities note 11.

p) Residents Lease Obligation

Residents Lease Obligation represents the ingoing contributions paid by Residents and are treated as financial liabilities in the statement of financial position. The liability is measured at the principal amount and has been classified as current liabilities because the Association does not have an unconditional right to defer settlement. Residents Lease Obligations are derecognised when the obligation under the operating lease is discharged.

RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 2 Revenue

	2017	2016
	\$	\$
Operating activities		
Accommodation bond retention	63,037	116,519
Deferred management fees	2,795,419	2,040,260
Government subsidies	3,829,421	3,747,682
Lease income	106,973	107,408
Management fees	814,459	604,304
Membership fees	107,366	105,657
Profit from lease of units	460,135	464,968
Residence Fees	2,148,793	1,959,013
	<hr/> 10,325,603	<hr/> 9,145,811
Non-operating activities - interest received	255,489	299,131
Other Income	87,028	0
Grants and donations	0	12,100
Total Revenue	<hr/> 10,668,120	<hr/> 9,457,042

Note 3 Items Included in Profit/(Loss) Statement

	2017	2016
	\$	\$
Profit/(loss) from ordinary activities has been determined after:		
Expenses		
Depreciation of property, plant and equipment	1,021,715	1,018,772
Remuneration of auditor		
- audit services	22,000	29,526
Income		
Net (gain) on disposal of property, plant and equipment	0	0
Interest Received	255,489	299,131

Note 4 - Cash

	2017	2016
	\$	\$
Cash Operating Accounts		
General Fund	109,060	29,613
Funeral Fund	773,095	1,198,331
Amelioration Fund	21,218	19,775
Property Account	221,117	191,452
Aged Care Accounts	1,707,240	775,582
Refit Account Saver	310,815	204,983
Village Bank Accounts (managed by Retirees 2016)	0	172,736
	<hr/> 3,142,545	<hr/> 2,592,472
Aged Care Accommodation Bonds		
CBA	8,767,713	8,051,747
	<hr/> 8,767,713	<hr/> 8,051,747

Note 4 - Term Deposits

Funeral Fund

ANZ Term Deposits	950,000	950,000
CBA Term Deposits	673,655	634,080
	<hr/> 1,623,655	<hr/> 1,584,080

Amelioration Fund

CBA Term Deposits	100,000	101,792
Sub-total - Cash at Banks	<hr/> 13,633,913	<hr/> 12,330,091

Cash on Hand	4,440	4,250
Total Cash Assets	<hr/> 13,638,353	<hr/> 12,334,341

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 5 - Receivables

Current

	2017	2016
	\$	\$
Other Debtors	115,182	106,207
Net GST Receivable	157,290	0
	<u>272,472</u>	<u>106,207</u>

Note 6 - Other

Current

	2017	2016
	\$	\$
Loans	237,806	227,806
	<u>237,806</u>	<u>227,806</u>

Note 7 - Intangible Assets

	2017	2016
	\$	\$
Bed Licences At Committee Valuation	2,430,000	2,430,000
	<u>2,430,000</u>	<u>2,430,000</u>

There are 81 bed licenses at committee value of \$30,000 each

Note 8 - Other Financial Assets

Non-Current

	2017	2016
	\$	\$
1st Registered Mortgage (a)	1,500,000	1,800,000
Investments in unlisted corporations at cost(b)	5,375,000	5,484,000
	<u>6,875,000</u>	<u>7,284,000</u>

(a) 1st Registered Mortgage

Loan to Over 55 Lifestyle Villages Pty Ltd for \$1,800,000 was paid out in September 2016.

A new loan for \$1,500,000 was entered into on behalf of the Funeral Fund to One George Street Pty Ltd.

This loan is secured by 1st Registered Mortgage on land at 930 Albany Highway, East Victoria Park

Interest accrues quarterly at 18,750 per quarter.

(b) Cost value of Redeemable Preference Shares in Over 55 Lifestyle Villages Pty Ltd

The redeemable preference shares were issued for the purpose of building the retirement units in Canning Vale and Geraldton. Interest accrues at 8% being the amount of \$16 000 per residential building.

Village Bank accounts managed by Retirees WA are now accounted for in a separate account as per Board decision.

Note 9 - Investment Property

Retirement Villages - Land and Buildings Net of Depreciation:-

	2017	2016
	\$	\$
Chessell	1,218,592	1,249,838
Fern	1,725,634	1,752,391
Skewes	738,638	757,577
Canna	25,180,717	25,695,841
Murlali	617,536	619,004
Geraldton	4,734,436	4,468,487
Total Carrying Amount of Retirement Villages at 30 June 2017	<u>34,215,553</u>	<u>34,543,138</u>

Land

Crown Land at Committees Valuation

Denmark	107,362	107,362
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Freehold Land & Buildings

Geraldton - other houses	1,025,000	1,025,000
Coolgardie	102,453	102,453
Collie	453,380	451,580
Bindoon	589,314	282,455
Total Carrying Amount of Land and Freehold Land at 30 June 2017	<u>2,277,509</u>	<u>1,968,850</u>

Total Investment Property

	<u>36,493,062</u>	<u>36,511,988</u>
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RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Movement in carrying amounts for each class of investment property between the beginning and end of the current financial year.

	Land	Retirement Villages Land and Buildings	Total
	\$	\$	\$
Carrying amount at the beginning of financial year	855,354	35,656,634	36,511,988
Add Additions	306,859	323,148	630,007
Less disposals	0	0	0
Less depreciation expense	0	(648,933)	(648,933)
Carrying amount at the end of the financial year	1,162,213	35,330,849	36,493,062

Retirement Units

The association has retirement homes in Duncraig, Bunbury, Wilson and Canning Vale, with Geraldton under construction. The residents paid an ingoing based on the building costs of the homes which entitles them to permanency of occupancy.

The retirement homes at Duncraig, Bunbury and Geraldton are built on Crown Grant Land which was granted to Retirees WA (Inc) at no cost for the sole purpose of building aged persons accommodation. The Association's interest in this land is taken up in the accounts a value of \$1.00 per crown grant.

Note 10 - Property, Buildings, Plant & Equipment

Land, Buildings & Equipment Net of Depreciation:-
Joseph Banks

2017	2016
\$	\$
12,692,494	12,892,037

12,692,494	12,892,037
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Plant & Equipment

Motor vehicles - at cost
Less Accumulated depreciation

158,535	158,535
(76,696)	(65,679)
81,839	92,856

Plant & Equipment - Head Office @ Cost
Less Accumulated depreciation

372,759	369,880
(338,776)	(327,508)
33,983	42,372

Property, plant and equipment

12,808,316	13,027,265
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Movement in carrying amounts for each class of property, plant & equipment between the beginning and end of the current financial year.

	Motor Vehicles	Aged Care Facilities	Office Equipment	Total
	\$	\$	\$	\$
Carrying amount at the beginning of financial year	92,856	12,892,037	42,372	13,027,265
Add Additions	0	150,954	2,879	153,833
Less disposals	0	0	0	0
Less depreciation expense	(11,017)	(350,497)	(11,268)	(372,782)
Carrying amount at the end of the financial year	81,839	12,692,494	33,983	12,808,316

Note 11 - Residents lease asset

Residents Lease Asset

2017	2016
\$	\$
49,716,375	49,716,370

RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 12 - Payables

	2017	2016
	\$	\$
Current		
Trade Creditors	167,927	101,376
Accruals	24,923	67,970
Payroll Liabilities	127,264	90,527
Property Maintenance Liability	(6,781)	(74,068)
	313,333	185,805

Note 13 - Provisions

	2017	2016
	\$	\$
Current		
Provision for employee entitlements	337,619	448,180
	337,619	448,180
Number of FTE employees at year end	87	95

Note 14 - Other Financial Liabilities

	2017	2016
	\$	\$
Funeral Fund liability	6,558,085	7,022,184
Balance at beginning of year	7,022,184	7,367,512
Add Collections	5,217,372	4,645,500
Add Bonus Payments	714,344	690,189
	12,953,900	12,703,201
Administration fees (Less)	(10,744)	94,584
	12,964,644	12,608,617
Less Funeral payments	6,017,792	5,269,962
Less Cemeteries Board Transfers	36,855	3,910
Less Refunds	351,912	312,561
	6,558,085	7,022,184
Balance at end of year	6,558,085	7,022,184

The funeral fund contract was renegotiated with the Funeral Directors Association during the year and the increased cost of between \$119 and \$147 per contract, inclusive of GST, became operative from July 2015.

Retirees WA (Inc) resolved that a contribution be transferred from the funeral fund surplus based on \$20 per fully paid up member, with a pro rata contribution, for partly paid up members. This contribution partly offsetting the increase in the funeral fund contract.

Residents lease Obligation	47,450,264	49,716,370
Commonwealth Bank Loan	450,000	450,000
Accommodation bonds	22,413,483	20,603,347
Other Financial Liabilities	76,871,832	77,791,901

RETIREEES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 15 - Financial instruments

The Association's exposure to interest rate risk is the risk that a financial instrument will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities, is as follows:-

The Association invests in fixed term deposits for periods up to 12 months thus the net fair value of the financial assets approximate the carrying values disclosed in the accounts as follows:

Interest Rate Risk

	Weighted average effective interest rate	Assets with a Floating Interest Rate	Assets with Interest rate maturing over 12 months	Other	Total
2017		\$	\$	\$	\$
Financial assets					
Cash	0-1%	2,113,643	0	0	2,113,643
Short term deposits	1% - 3%	11,524,710	0	0	11,524,710
Other financial assets	3% - 6%	0	0	0	0
Other financial asset	7% - 8%	0	0	0	-
Receivables		0	0	0	-
Total financial assets		13,638,353	-	-	13,638,353

Financial liabilities					
Payables				313,333	313,333
Other liability - Accommodation				22,413,483	22,413,483
Bonds					
Residents Lease Liability				47,450,264	47,450,264
Bank Loan				450,000	450,000
Funeral Fund				6,558,085	6,558,085
				77,185,165	77,185,165

	Weighted average effective interest rate	Assets with a Floating Interest Rate	Assets with a Fixed Interest rate maturing 3-6 mths	Other	Total
2016		\$	\$	\$	\$
Financial assets					
Cash	0-1%	1,253,522	0	0	1,253,522
Short term deposits	1% - 3%	11,080,820	0	0	11,080,820
Other financial assets	3% - 6%	0	0	0	0
Other financial assets	7% - 8%	0	7,284,000	0	7,284,000
Receivables		0	0	106,207	106,207
Total financial assets		12,334,342	7,284,000	106,207	19,724,549

Financial liabilities					
Payables				185,805	185,805
Other Liabilities - Refundable					
Deposits Payable /				20,603,347	20,603,347
Accommodation Bonds					
Payable					
Residents Lease Liability				49,716,370	49,716,370
Hire Purchase				450,000	450,000
Funeral fund				7,022,184	7,022,184
				77,977,706	77,977,706

RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 15 - Financial instruments (cont'd)

The Association does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Association.

Credit Risk

The credit risk on financial assets recognised by the Association is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes accompanying the financial statements.

The aggregate net fair values and carrying amounts of the Association's financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Note 16 - Accumulated Funds

	2017	2016
	\$	\$
Funeral Fund		
Balance at 1 July 2016	2,782,411	2,338,430
Add Surplus/(Deficit) for the year	78,530	443,981
Balance 30 June 2017	<u>2,860,941</u>	<u>2,782,411</u>
 Amelioration Fund		
Balance at 1st July 2016	121,567	121,263
Add Surplus for the year	(349)	304
Balance 30 June 2017	<u>121,218</u>	<u>121,567</u>
 General Operations		
Balance at 1st July 2016	40,308,113	19,974,667
Add Surplus/(Deficit) for the year		
General	(293,476)	(265,038)
Aged Care	(138,751)	(117,681)
Property	2,364,354	1,700,128
Equity Adjustments	(273,799)	19,016,037
Balance 30 June 2017	<u>41,966,441</u>	<u>40,308,113</u>
 Total Accumulated Funds 30 June 2017	<u><u>44,948,600</u></u>	<u><u>43,212,091</u></u>

RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 17 - Segment Note

Retirees WA Inc was incorporated in Western Australia, providing housing and care for aged persons within the community in residential care and independent living units

Reporting Residential Aged Care Operations as a "reportable segment" as required by the Department of Health and Ageing.

The remainder of the Association's operations are not required to be reported as a reportable segment.

Funeral fund activities are separately reported at note 14.

Statement of Income and Expenses

	Residential Aged Care	Residential Aged Care
	2017	2016
	\$	\$
INCOME		
<i>Residential Care Income</i>		
Subsidies & Supplement (Commonwealth)	3,685,436	3,635,252
Resident Fees		
Basic Daily Fee	1,411,094	1,371,094
Means tested Care Fees	298,038	285,837
Other	20,955	21,488
<i>Total Residential Care Income</i>	<u>5,415,523</u>	<u>5,313,671</u>
<i>Residential Accommodation Income</i>		
Subsidies & Supplement (Commonwealth)	143,986	112,430
Resident Fees	418,706	302,082
Accommodation Bond Retention Amount	63,037	95,030
<i>Total Residential Accommodation Income</i>	<u>625,729</u>	<u>509,542</u>
<i>Financing Income</i>		
Interest Income	103,639	82,447
<i>Total Financing Income</i>	<u>103,639</u>	<u>82,447</u>
<i>Other Income</i>		
Other	0	0
Non-Operating Revenue - Insurance claim	0	62,750
<i>Total Other Income</i>	<u>0</u>	<u>62,750</u>
<i>Total Income</i>	<u>6,144,891</u>	<u>5,968,410</u>
EXPENSES		
<i>Residential Care Expenses</i>		
Labour Costs	3,221,543	3,874,199
Other Care Expenses	287,870	
<i>Total Residential Care Expenses</i>	<u>3,509,413</u>	<u>3,874,199</u>
<i>Residential Accommodation Expenses</i>		
Labour Costs	129,470	82,374
Property Repair, Maintenance and Replacement	125,713	38,928
Other Accommodation Expenses	232,273	
<i>Total Residential Accommodation Expenses</i>	<u>487,456</u>	<u>121,302</u>
<i>Residential Hotel Services Expenses</i>		
Labour Costs	461,955	0
Contracted Services - External Service Organisations	508,181	0
Contracted Services - Internal Service Organisations	0	0
Other Hotel Services Expenses	182,449	0
<i>Total Hotel Services Expenses</i>	<u>1,152,585</u>	<u>0</u>

RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Administration Expenses

Labour Costs	293,781	242,628
Management Fees	0	0
Other Administration Expenses	330,000	0
<i>Total Administration Expenses</i>	<u>623,781</u>	<u>242,628</u>

Capital and Financing Expenses

Depreciation	350,497	244,488
Interest Expenses	54,646	34,747
<i>Total Capital and Financing Expenses</i>	<u>405,143</u>	<u>279,235</u>

<i>Total Other Expenses</i>	105,264	1,568,727
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<i>Total Expenses</i>	<u>6,283,642</u>	<u>6,086,091</u>
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Net Profit/(Loss) before Tax	<u>(138,751)</u>	<u>(117,681)</u>
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Statement of Financial Position

ASSETS

Current Assets

Other Current Assets	10,516,894	8,827,329
<i>Total Current Assets</i>	<u>10,516,894</u>	<u>8,827,329</u>

Non-Current Assets

Property, Plant & Equipment	12,692,494	12,892,037
Intangibles	2,430,000	2,430,000
Other Non-Current Assets	0	0
<i>Total Non-Current Assets</i>	<u>15,122,494</u>	<u>15,322,037</u>

<i>Total Assets</i>	<u>25,639,388</u>	<u>24,149,366</u>
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LIABILITIES

Current Liabilities

Refundable Deposits Payable / Accommodation Bonds Payable		
Amount Payable within 12 months	4,300,000	4,200,000
Amount Payable after 12 months	18,113,483	16,403,347
Employee Benefits/Provisions	250,820	326,761
Other Current Liabilities	96,140	0
<i>Total Current Liabilities</i>	<u>22,760,443</u>	<u>20,930,108</u>

Non-Current Liabilities

Other Non-Current Liabilities	0	0
<i>Total Non-Current Liabilities</i>	<u>0</u>	<u>0</u>

<i>Total Liabilities</i>	<u>22,760,443</u>	<u>20,930,108</u>
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Net Assets:	<u>2,878,945</u>	<u>3,219,258</u>
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RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 18- Reconciliation of cash flows from operating activities

	2017	2016
	\$	\$
Profit for the period	(see note below *)	1,317,410
<i>Non-cashflows from ordinary activities</i>		
Deferred Management fee Accrual		(1,419,880)
Depreciation		1,018,772
		916,302
(Increase) or decrease in other receivables		(256,310)
(Increase) or decrease in trade receivables		345,330
Increase or (decrease) in funeral fund liability		262,378
Increase or (decrease) in trade payables		(73,950)
Increase or (decrease) in provisions		66,065
Net cash provided by operating activities		1,259,815

* This information is no longer required due to changes in the Aged Care Financial Report

Note 19 - Contingent Liabilities

There are no contingent liabilities to the Association

Note 20 - Commitments

	2017	2016
	\$	\$
(a) Operating Lease Commitments		
Being for radio advertising and promotion		
Payable:		
- not later than 1 year	54,600	54,600
- later than 1 year but not later than 5 years	0	0
	54,600	54,600

The Association has a commitment with Curtin Radio in which the Association benefits from radio advertising and promotion. The commitment to 31 December 2016 amounts to \$54,600 payable in monthly instalments of \$4,550

(b) Operating Lease Commitment

	2017	2016
	\$	\$
Being for rent of office		
Payable:		
- not later than 1 year	108,228	110,000
- later than 1 year but not later than 5 years	108,228	330,000
- later than 5 years	0	0
	216,456	440,000

The office at 915 Albany Highway, East Victoria Park is leased for 5 years with a further 5 year option at \$9,020 per month month including outgoings.

Note 21- Subsequent Events

Since the end of the financial year the Board of Management is not aware of any matter or circumstances not otherwise dealt with in the financial report that may significantly affect Retiree's operations, it's financial results or state of affairs in the future financial years other than:

Refer to Note 8 (a)

RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2017

Note 22 - Change in Accounting Policy - Resident's Lease Liability

The Retirement Village Units are leased on lease for life arrangement where by the resident pays an ingoing contribution for the right to use the property up to a period of 60 years. The resident is entitled to use the property in terms of the lease agreement and should the lease be terminated for whatever reason the resident is entitled to an outgoing refund based on the ingoing contribution of the new resident.

Previously the ingoing contributions were included in profit and loss. Retirees have reassessed this and determined that the ingoing contribution does not meet the criteria of recognition under the accounting standard AASB 118 Revenue.

Retirees have also determined that as ownership of the property does not transfer to the resident and the contract between the resident and Retirees is a lease. The ingoing contribution has been raised as a liability as there is a responsibility for Retirees WA to repay this entry lease fee (less DMF) when the resident leaves and calculated on the new ingoing lease amount. The change results in the financial report providing reliable and more relevant information about the financial performance, financial position, cash flows and the lease liability to Retirees WA.

The effect on the current period:

	2017	2016
	\$	\$
Residents Lease Asset	<u>49,716,375</u>	<u>49,716,375</u>
Residents Lease Liability	<u>(47,450,264)</u>	<u>(49,716,375)</u>

Note 23 - Related Party Disclosure

Related Parties

The associations related parties include its key management personnel and related entities below:

Relationships:

Over 55 Lifestyle Villages Pty Ltd - Entity controlled by a spouse of Key Management
Samson Homes Pty Ltd - Entity controlled by a spouse of Key Management

Note 24 - Association Details

The principal place of business of the association is as follows:

Retirees WA (Inc)

Suite 2

915 Albany Highway

EAST VICTORIA PARK WA 6101

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF RETIREES WA INC.

Opinion

We have audited the financial report of Retirees WA Inc. ("the Entity") which comprises the Statement of Financial Position as at 30 June 2017, Statement of Comprehensive Income, 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 declaration by the directors.

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

- a) giving a true and fair view of the Entity's financial position as at 30 June 2017 and of its financial performance and cash flows for the year then ended; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the auditor independence 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 confirm that the independence declaration required by Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the directors, would be in the same terms if given as at the time of this auditor's report.

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

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

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of Management and the Directors for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

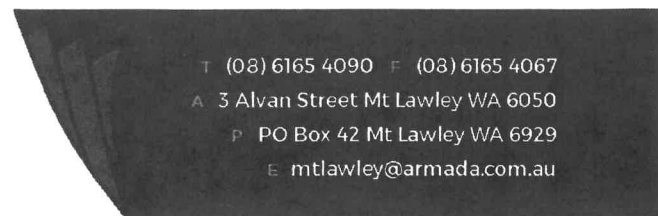
Dated: 20th day of September 2017

Armada Audit & Assurance Pty Ltd



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GRAEME WOVODICH CPA

Registered Company Auditor Reg. No. 13421



strength in numbers

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO MEMBERS OF RETIREES WA INC.**

I declare that to the best of my knowledge and belief, in relation to the audit for the financial period ended 30 June 2017 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Armada Audit & Assurance Pty Ltd

G. W. Woodcock

Graeme Wovodich CPA
Director
Registered Company Auditor Reg. No. 13421

Dated this 20th day of September 2017 at Perth Western Australia

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