



RETIREEES WA (INC)

FINANCIAL REPORT

30 JUNE 2020

Retirees WA (Inc)

A.B.N. 13 989 588 483

NAPS ID: 63

<u>Contents</u>	<u>Page</u>
Statement by Members of the Board of Retirees WA (Inc)	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 - 15
Independent Audit Report to the Members	16 - 18
Auditor's Independence Declaration	19

RETIREES WA (INC)

STATEMENT BY MEMBERS OF THE BOARD OF RETIREES WA (INC)

The Board submit the financial report of Retirees WA (Inc) for the financial year ended 30 June 2020.

Board members

The board members for this financial year were:

Lois Jones (President)

Candessa Ashbury (Vice Pres)

Jill Pugliese

Anthony Santoro

Stanley McFarlane

Judith Edwards

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 Board's opinion, the attached 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 2020 and its performance for the year ended on that date in accordance with Australian Accounting Standards, Australian Charities and Not-for-profits Commission Act 2012; and

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.



Lois Jones
President

Date: 18 September 2020



Margaret Thomas
Chief Executive Officer
Chief Financial Officer

Date: 18 September 2020

RETIRES WA (INC)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		\$	\$
	Note		
Revenue from ordinary activities	2	10,413,903	10,563,911
Employee benefits expense		(5,205,291)	(5,120,558)
Depreciation and amortisation expense	3	(847,410)	(753,946)
Aged care residents occupancy costs		(2,314,088)	(2,329,110)
Property expense		(227,841)	(916,314)
Insurance expense		(240,943)	(125,260)
Administration expense		(220,554)	(497,815)
Advertising and promotion expense		(74,324)	(71,603)
Profit/(loss) from ordinary activities before income tax		1,283,452	749,305
Income tax expense			
relating to ordinary activities	1d	-	-
Net profit/(loss) from ordinary activities after income tax		1,283,452	749,305
Other comprehensive income			
Total comprehensive income for the year		1,283,452	749,305

RETIREEES WA (INC)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		2020	2019
		\$	\$
CURRENT ASSETS	Note		
Cash assets	4	10,674,120	13,602,352
Receivables	5	131,129	71,025
Prepayments & Other Asses		161,083	137,233
Other Financial Assets	6	150,000	150,117
TOTAL CURRENT ASSETS	Note 1	11,116,332	13,960,727
NON-CURRENT ASSETS			
Deferred Management Fee Receivable	5 (a)	7,952,131	6,212,586
Right of Use Assets	7	260,609	-
Other financial assets	8	6,341,000	6,559,000
Retirement Village Assets	9	79,510,915	83,377,811
Land and Buildings	9 (b)	1,674,457	1,691,597
Property, plant and equipment	10	21,030,923	12,590,239
TOTAL NON-CURRENT ASSETS		116,770,035	110,431,233
TOTAL ASSETS		127,886,367	124,391,960
CURRENT LIABILITIES			
Payables	11	315,774	249,896
Provisions	12	535,927	453,255
Other financial liabilities (Current)	13 & Note 1	75,322,591	81,168,210
TOTAL CURRENT LIABILITIES	Note 1	76,174,292	81,871,361
TOTAL LIABILITIES		76,174,292	81,871,361
NET ASSETS		51,712,075	42,520,599
EQUITY			
Non-Distributable Reserves		7,799,999	
Retained Equity	16	43,912,076	42,520,599
TOTAL EQUITY		51,712,075	42,520,599

RETIREEES WA (INC)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		\$	\$
OPERATING CASH FLOWS			
Receipts from Customers		7,994,426	8,511,785
(Payments) To Suppliers and Employees		(8,042,267)	(8,457,646)
Allowable Deductions From Bonds		-	(6,560)
Interest Received		151,625	180,566
Total Cash flow from Operating Activities	17	103,784	228,145
INVESTING CASH FLOWS			
Sales of Property, Plant and Equipment		-	583,771
(Purchase) of Property, Plant and Equipment		(955,151)	(506,661)
Other Investment Cash Flow			
Total Investing Cash Flow		(955,151)	77,110
FINANCING CASH FLOWS			
Accommodation bonds/Refundable Accommodation Deposits Received		4,885,486	5,768,292
Accommodation bonds/Refundable Accommodation Deposits (Refunded)		(6,545,807)	(6,173,020)
Other Financial Repayments		(309,464)	(211,446)
Repayment of Office Lease Liabilities		(107,080)	-
Other Financial Cash Flow		-	98,000
Total Financing Cash Flow		(2,076,865)	(518,174)
NET CASH FLOWS			
Net Increase / (Decrease) in Cash Held		(2,928,232)	(212,919)
Cash at the Beginning of the Financial Year		13,602,352	13,815,271
Cash at the End of the Financial Year	4	10,674,120	13,602,352

RETIREES WA (INC)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

		Retained Earnings	Non- Distributable Reserves	Total
		\$	\$	\$
Balance at 1 July 2018	Note	46,550,965	-	46,550,965
Correction of Bed Linceses to historical cost		(2,430,000)	-	(2,430,000)
Adjustment to Cash Value of Funeral Funds	13	(2,307,252)	-	(2,307,252)
Correction for reallocaton of village funds		(42,419)	-	(42,419)
Retained Earnings on 1 July 2019 after corrections		41,771,294	-	41,771,294
Comprehensive income				
Profit for the year		749,305	-	749,305
Total comprehensive income for the year		749,305	-	749,305
Balance at 30 June 2019		42,520,599	-	42,520,599
Correction for reallocaton of village funds	13	108,025		108,025
Adjustment on Transition to AASB 1058				
Salter Point	Note 1 (q) & Note 10	-	7,799,999	7,799,999
Retained Earnings on 1 July 2019 after corrections		42,628,624	7,799,999	50,428,623
Comprehensive income				
Profit for the year		1,283,452	-	1,283,452
Total comprehensive income for the year		1,283,452	-	1,283,452
Balance at 30 June 2020		43,912,076	7,799,999	51,712,075

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2020

Note 1 - Statement of Significant Accounting Policies

This financial report is a general purpose financial report that has been prepared in accordance with of the Australian Accounting Standards Board and the requirements of the Associations Incorporation Act 2015.

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 2015.

The financial report of Retirees WA (Inc) complies with all Australian Accounting Standards 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.

Financial Position: The Association reported a working capital deficit position at 30 June 2020 of \$19,244,183(Excluding Resident Lease Obligations of \$45,675,375) . This position arises as the Refundable Deposits Payable (RADS) of \$20,928,123, Funeral Fund liability of \$7,999,609 and Resident lease obligations of \$45,675,375 are reported as current liabilities under Australian Accounting Standards. However in practice the Bonds and RADS that are repaid are replaced by RADS from incoming residents in a short time frame and the resident lease obligations are repaid only once the resident sells their home (Refer to Note 13 and Note 14). Based on prior year history, the Association does not expect to pay the entire Funeral Fund Balance within 12 months (See Note 14, liquidity risk). Further the Association has been operating at a net surplus historically and has generated positive cash flow from operating activities. Therefore based on the above facts, the Association considers the going concern basis of preparation to be appropriate.

a) Property Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the part is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. At the end of each reporting period, the Association assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information if such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Where the future economic benefits of an asset are not primarily dependant on the asset's ability to generate net cash inflows, the recoverable amount of the asset is determined using the replacement cost approach. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit and loss.

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. Deferred Management Fees (DMF) are charged to out-going residents at the point of resale of the unit. The fee is charged based on a percentage of the outgoing sale price. The percentage is determined by the number of days the outgoing resident has occupied the accommodation prior to the termination of the lease. The DMF is based on year end values and brought into account on balance date. The DMF arrangement is in substance an operating lease under AASB 16 *Leases*. The DMF fee is recognised on a straight line basis over the occupancy period of the residents living in the various units

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2020

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

c) Intangible Asset - Bed licenses

Bed licenses for Aged Care facilities have been recognised at historical cost or if acquired as part of a business combination fair value on date of acquisition. No amortization has been provided as Retirees WA (Inc) have determined that the asset has an indefinite useful life. Impairment testing of this asset is undertaken annually.

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 services (i.e. aged care) is provided to the resident.

Management fees are recorded each month as the services are delivered to the customer

Government subsidies are recognised each month as the services (aged care) is provided to the resident

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.

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.

RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2020

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

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 & Loan

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) Refundable Accommodation Deposits (RAD)

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

o) Retirement Village Assets - Investment Property

The assets represent the retirement village land, buildings and retirement village units. The Association has classified as Investment Property for the purposes of *AASB 140 Investment Property*, as the assets are held for earning rental income in form of the DMF. This asset is carried at an amount which represents fair value as at the balance date. Fair value is determined by reference to market-based evidence, which is the amount for which the asset could be exchanged between a willing buyer and a willing seller in an arm's length transaction. The Association values the leased assets based on recent sales evidence for each village. Refer to Note 9 for further disclosures.

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 fair value based on the recent sales of the village units. Residents Lease Obligations are derecognised when the obligation under the operating lease is discharged. The revaluation of the unit has similar estimates and assumptions as discussed under the resident leased asset (see Note 1 (o)). Resident Lease Obligations are non-interest bearing loans made by the village residents upon entering. The resident lease obligation has been classified as a current liability under AASB 101. Refer to Note 13 (Liquidity Risk Note for the expected repayment of these liabilities)

q) Significant Accounting Estimates and Judgements

The Association's financial report is subject to the following key accounting estimates and judgements:

- (a) Fair value of resident lease obligation and retirement village assets measured at fair value (Note 1 (o) and Note 1 (p) and Note 20) and Note 9
- (b) Fair value of DMF Receivable Note 5 (a) - Critical estimate as the value of the DMF is based on the sale value of the units hence this is a significant accounting estimate and judgement

q) Impact of new standards - Effective 1 July 2019

AASB 16 Leases (Including the lease accounting policy) - AASB 16 Leases (AASB 16) introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. Consequently, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability and classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows (AASB 107). The finance cost is charged to the profit and loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liability for each reporting period. The adoption of AASB 16 resulted in a \$347,479 leased asset and lease liability on date of initial recognition. Refer to Note 7 for Right of Use Assets and Note 13 for Lease Liabilities. Furthermore the Association as the lessor recognises rental income from the independent living units on a straight line basis over the occupancy period of the tenants. There has been no change to this treatment under the adoption of AASB 16.

Initial Measurement and Subsequent Measurement:

(i) Measurement of Lease Liability:

The Association initially measures the lease liability as the present value of the fixed and variable lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application by applying a single discount rate from a portfolio of leases with similar characteristics. The Association has assessed that the incremental borrowing rate is 7%.

(ii) Measurement of Right-of-Use Asset:

The Right of Use Asset is initially measured at cost comprising the initial measurement of the lease liability. Subsequent to initial recognition the right of use asset is amortised over the shorter of the assets useful life and the lease term on a straight line basis.

AASB 15 Revenue from Contracts with Customers - AASB 15 is effective for not for profit entities effective 1 July 2019. AASB 15 stipulates how and when revenue is recorded, requiring entities to provide users of financial statements with more information and reporting disclosures. Its core principle is the recognition of revenue for the transfer of goods or services, at a value that reflects the consideration to which the entity expects to be entitled, in return for meeting performance obligations. Management is currently assessing the impact of this standard. AASB 15 did not have a material impact on the Associations financial report. The Association has two primary revenue sources aged care revenue being subsidies and resident fees and deferred management fees from the retirement villages. (a) Revenue from aged care subsidies and resident fees are recognised over time as the care is delivered to the resident. The Association as the lessor recognises deferred management fees (DMF) from the independent living units and rental flats on a straight line basis over the occupancy period of the tenants. The DMF revenue is under the scope of AASB 16 and hence scoped out of AAS 15. Therefore the adoption of AASB 15 did not have a material impact on the financial report in current and prior years.

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2020

AASB 1058 - In addition to AASB 15, not-for-profit entities need to consider and apply AASB 1058 Income of Not-For-Profit Entities. An asset received by a not-for-profit (NFP) entity is initially recognised at its fair value where the consideration paid for the asset is significantly less than fair value and that difference is principally to enable the entity to further its objectives. Such assets include physical, intangible and financial assets - whether acquired, donated or granted. In the prior year the Salter Point land was held at nominal values. The land was gifted to the Association. AASB 1058 requires such transactions to be accounted for at fair value. Management obtained an independent valuation for the land being \$7,800,000. The adjustment was recorded against equity on 1 July 2019. The Association has adopted the standard under the modified retrospective approach and therefore the prior period financials have not been restated. The adjustment was recognised in equity on 1 July 2019. Refer to Note 10 of the financial report for further disclosures.

Note 2 Revenue

Operating activities

	2020	2019
	\$	\$
Accommodation bond retention	0	4,634
Deferred management fees	2,065,061	2,251,784
Government subsidies	4,652,652	4,947,688
Lease income	33,230	19,200
Management fees	738,488	748,636
Membership fees	101,200	112,246
Profit from lease of units	400,000	230,000
Residence Fees	2,178,448	1,983,685
	10,169,079	10,297,873

Non-operating activities

Interest received	151,625	180,566
Other Income	93,199	85,472
Total Revenue	10,413,903	10,563,911

Note 3 Items Included in Profit/(Loss) Statement

Profit/(loss) from ordinary activities has been determined after:

	2020	2019
	\$	\$
Expenses		
Depreciation of property, plant and equipment	847,410	753,946
Remuneration of auditor		
- audit services	23,246	23,246
Income		
Net loss/(gain) on disposal of property, plant and equipment	0	131,505
Interest Received	151,625	180,566

Note 4 - Cash

	2020	2019
	\$	\$
Cash Operating Accounts		
General Fund	44,464	47,664
Funeral Fund	38,300	160,928
Amelioration Fund	110,505	20,966
Property Account	2,720	1,354
Aged Care Accounts	1,279,757	2,200,895
Refit Account Saver	143,140	429,490
	1,618,886	2,861,297

Aged Care Accommodation Bonds

CBA	7,419,588	8,942,187
	7,419,588	8,942,187

Note 4 - Term Deposits

Funeral Fund

ANZ Term Deposits	200,000	200,000
ANZ Term Deposits	809,285	791,708
CBA Term Deposits	617,897	703,696
	1,627,182	1,695,404

Amelioration Fund

CBA Term Deposits	5,000	100,000
Sub-total - Cash at Banks	10,670,656	13,598,888

Cash on Hand	3,464	3,464
Total Cash Assets	10,674,120	13,602,352

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2020

Note 5 - Receivables

Current

	2020 \$	2019 \$
Other Debtors	105,517	25,296
Net GST Receivable	25,612	45,729
	<u>131,129</u>	<u>71,025</u>

Note 5 (a) - Deferred Management Fee Receivable (DMF)

Non-Current

Deferred Management fees

	<u>7,952,131</u>	<u>6,212,586</u>
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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. Deferred Management Fees (DMF) is charged to out-going residents at the point of resale of the unit. The fee is charged based on a percentage of the outgoing sale price. The percentage is determined by the number of days the outgoing resident has occupied the accommodation prior to the termination of the lease. The DMF is based on year end fair values and brought into account on balance date.

Note 6 - Other

Current

Loans

	2020 \$	2019 \$
	150,000	150,117
	<u>150,000</u>	<u>150,117</u>

Note 7 - Right of Use Assets

Right to use Assets

Less Amortisation

	2020 \$	2019 \$
	347,479	-
	(86,870)	-
	<u>260,609</u>	<u>-</u>

(u) Measurement of Right-of-Use Asset:

The Right of Use Asset is initially measured at cost comprising the initial measurement of the lease liability. Subsequent to initial recognition the right of use asset is amortised over the shorter of the assets useful life and the lease term on a straight line basis. The Right of Use Asset was recognised on 1 July 2019 on transition to AASB 16 Leases. The Right of Use Asset relates to the office lease at 915 Albany Highway, East Victoria Park is leased for 3 years with a further 3 year option at \$9,483 per month including variable outgoings.

Note 8 - Other Financial Assets

Non-Current

1st Registered Mortgage (a)

Investments in unlisted corporations at cost (b)

	2020 \$	2019 \$
	1,500,000	1,500,000
	4,841,000	5,059,000
	<u>6,341,000</u>	<u>6,559,000</u>

(a) 1st Registered Mortgage

A 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. The loan is held for the purposes of collecting interest and cash flows (SPPI) hence the loan is classified and measured at amortised cost.

(b) Cost value of Redeemable Preference Shares in Retirement Village Developments Pty Ltd

The redeemable preference shares were issued for the purpose of building the retirement units in Geraldton. The amount accrues of \$12,000 per residential building. The Preference Shares have been reported at cost.

Note 9 - Retirement Village Assets (Investment Properties)

Retirement Villages - Land and Buildings Net of Depreciation:-

	2020 \$	2019 \$
Chessell	6,158,673	1,178,311
Fern	1,675,203	1,691,732
Skewes	2,052,318	714,222
Canna	24,152,085	24,482,209
Geraldton	5,746,282	5,594,962
Total Carrying Amount of Retirement Village land and buildings at 30 June 2020	<u>39,784,561</u>	<u>33,661,436</u>

Resident Leased Assets (Retirement Village Units) at Fair value

	<u>39,726,354</u>	<u>49,716,375</u>
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Total Retirement Village Assets

	<u>79,510,915</u>	<u>83,377,811</u>
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The retirement village assets consist of land, buildings and infrastructure and the resident leased assets (retirement village) units at the following sites (a) Canna (b) Fern (c) Chessell (d) Skewes and (d) Geraldton. Land. The land and buildings are valued at historical cost whereas the leased assets are valued at the recent selling prices. The residents paid an ingoing based on the building costs of the homes which entitles them to permanency of occupancy. Management has classified these assets as investment properties under AASB 140 as the assets are held for earning rental income in form of the DMF. The valuation of the retirement village assets is classified a critical accounting estimate due to the judgement involved in determining the fair value of the assets.

Note 9 (b) Other Land and Buildings at Cost

Land

Crown Land at Committees Valuation

Denmark

	107,362	107,362
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Freehold Land & Buildings

Geraldton - other houses

	1,011,262	1,028,402
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Coolgardie

	102,453	102,453
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Collie

	453,380	453,380
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Total Carrying Amount of Land and Freehold Land at 30 June 2020

	<u>1,674,457</u>	<u>1,691,597</u>
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Total Other Land and Buildings

	<u>1,674,457</u>	<u>1,691,597</u>
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RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2020

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

Retirement Village Asset	Other Land and Buildings	Retirement Villages Land and Buildings \$
Carrying amount at the beginning of financial year	1,691,597	83,377,811
Add Additions		603,039
Less fair value adjustment on retirement village leased assets*		(4,039,952)
Less depreciation expense	(17,140)	(429,983)
Carrying amount at the end of the financial year	1,674,457	79,510,915

The \$4,039,952 fair value adjustment for the retirement village assets has been offset against the fair value of the resident lease obligations, Refer to Note 20 for further details.

Note 10 - Property, Buildings, Plant & Equipment

	2020 \$	2019 \$
Land, Buildings & Equipment Net of Depreciation:-		
- Joseph Banks Aged Care Facility	12,409,621	12,392,963
- Salter Point	8,517,563	84,797
	20,927,184	12,477,760
Plant & Equipment		
Motor vehicles - at cost	158,535	158,535
Less Accumulated depreciation	(98,875)	(92,246)
	59,660	66,289
Plant & Equipment - Head Office @ Cost	434,119	431,655
Less Accumulated depreciation	(390,040)	(385,465)
	44,079	46,190
Property, plant and equipment	21,030,923	12,590,239

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	66,289	12,477,760	46,190	12,590,239
Add Additions		952,689	2,465	955,154
AASB 1058 Adjustment*		7,800,000		7,800,000
Less disposals				-
Less depreciation expense	(6,629)	(303,265)	(4,576)	(314,470)
Carrying amount at the end of the financial year	59,660	20,927,184	44,079	21,030,923

*In the prior year the Salter Point land was held at nominal values. The land was gifted to the Association. AASB 1058 requires such transactions to be accounted for at fair value. Management obtained an independent valuation for the land being \$7,800,000. The adjustment was recorded against equity on 1 July 2019.

Note 11 - Payables

	2020 \$	2019 \$
Current		
Trade Creditors	195,645	114,986
Accruals	17,600	25,080
Payroll Liabilities	93,999	109,830
Property costs recovered	8,530	-
	315,774	249,896

Note 12 - Provisions

	2020 \$	2019 \$
Current		
Provision for employee entitlements	535,927	453,255
	535,927	453,255

Number of FTE employees at year end

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2020

Note 13 - Other Financial Liabilities (Current)

	2020 \$	2019 \$
Funeral Fund liability	7,999,608	8,407,141
Balance at beginning of year	8,407,141	6,312,966
Collections Less Payments & Administration Fees	(299,508)	(213,077)
Add Adjustment to Cash Value of Funeral Funds	(108,025)	2,307,252
Balance at end of year	7,999,608	8,407,141
The funeral fund contract was renegotiated with the Funeral Directors Association during the year and the increased cost of between \$52 and \$69.50 per contract, inclusive of GST, became operative from 1 July 2019.		
Lease Liability (AASB 16)	269,485	
Residents lease Obligation** (Expected to be paid with 12 months)	2,700,000	2,700,000
Residents lease Obligation** (Expected to be after 12 months)	42,975,375	47,016,375
Commonwealth Bank Loan	450,000	450,000
Total	46,394,860	50,166,375
Refundable Deposits Payable / Accommodation Bonds Payable *		
Amount Due and Payable	915,760	1,892,856
Amount Expected to be Payable within 12 months	4,300,000	4,300,000
Amount Expected to be payable after 12 months	15,712,363	16,401,838
Total Refundable Deposits Payable / Accommodation Bonds Payable (current)	20,928,123	22,594,694
Total Other Financial Liabilities (Current including Funeral Fund)	75,322,591	81,168,210

Refundable Deposits Payable (RAD) / Accommodation Bonds Payable* - As there is no unconditional right to defer payment for 12 months, the entire balance of RAD liabilities are recorded as current liabilities in accordance with AASB 101. The RAD liability is spread across a large portion of the resident population and therefore the repayment of individual balances that make up the current balance will be dependent upon the actual tenure of individual residents. Usually (but not always) in practice the Bonds and RADs that are repaid are replaced by RADs from incoming residents in a short time frame.

Resident Lease Obligations** These are non-interest bearing loans made by the village residents upon entering the village. the entire balance of RAD liabilities are recorded as current liabilities in accordance with AASB 101. However, the resident lease obligations have = management expects that only a part of the liability being \$2,700,000 to be paid within 12 months based on the historical turn over of the units over the past years. The obligation is discharged once the resident vacates the premises and the unit is sold to another incoming resident.

Note 14 - 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:

a. Interest Rate Risk

	Weighted average effective interest rate	Assets with a Floating Interest Rate	Total
2020		\$	
Financial assets			
Cash	0-1%	1,622,350	1,622,350
Short term deposits	1% - 3%	9,051,770	9,051,770
Total financial assets		10,674,120	10,674,120
Financial liabilities			
Bank Loan		450,000	450,000
		450,000	450,000
Net Exposure		10,224,120	10,224,120
	Weighted average effective interest rate	Assets with a Floating Interest Rate	Total
2019		\$	
Financial assets			
Cash	0-1%	2,861,297	2,861,297
Short term deposits	1% - 3%	10,737,591	10,737,591
Total financial assets		13,598,888	13,598,888
Financial liabilities			
Bank Loan		450,000	450,000
		450,000	450,000
Net Exposure		13,148,888	13,148,888

At the reporting date being 30 June 2020 the following sensitivity analysis is noted in relation to the statement of profit and loss and equity for changes in the interest rate by 100 basis points

	Profit and Loss Impact for movement interest rates by 100 basis points	Equity Impact for movement interest rates by 100 basis points
	2020 \$	2019 \$
1% (100 basis points)	102,241	131,489
(1)% (100 basis points)	(102,241)	(131,489)

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2020

Note 14 - 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.

b. 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 exposure to credit risk is noted below

		2020	2019
Bank and Cash	Note 4	10,674,120	13,602,352
Loans (Non-Current)	Note 8	1,500,000	1,500,000
Trade Receivables	Note 5	131,129	71,025
Loans Current	Note 6	150,000	150,117
DMF Receivable	Note 5 (a)	7,952,131	6,212,586
		20,407,380	21,536,080

c. Liquidity Risk

Liquidity Risk is the risk that the Association will encounter difficulty in meeting its financial obligations. This risk is controlled through monitoring of the Associations cash flow forecast and ensuring adequate access to financial assets that are readily convertible to cash. As part of the Association's compliance with the User Rights Principles 1997. The Association maintains a liquidity management strategy that ensures that it has sufficient liquidity to enable it to refund the RAD and Bond that are expected to fall due at least 12 months from the reporting date.

The following table shows the undiscounted cash flow payments for the respective upcoming financial years. The maturity analysis of the financial assets and liabilities is disclosed below.

2020		1-12 Months	2 to 5 years	Total
		\$		
Financial assets	Note			
Cash	4	10,674,120		10,674,120
Loans	6 & 8	150,000	1,500,000	1,650,000
DMF Receivable	5 (a)		7,952,131	7,952,131
Investments	8		4,841,000	4,841,000
Trade Receivables	5	131,129		131,129
Total financial assets		10,955,249	14,293,131	25,248,380
Financial Liabilities				
Refundable Deposits Payable*	13	(5,215,760)	(15,712,363)	(20,928,123)
Trade Payables	11	(315,774)		(315,774)
Bank Loan	13	(450,000)		(450,000)
Resident Lease Obligations*	13	(2,700,000)	(42,975,375)	(45,675,375)
Funeral Fund	13	(299,508)	(7,700,100)	(7,999,608)
Leases	13	(269,485)		(269,485)
Total Financial Liabilities		(9,250,527)	(66,387,838)	(75,638,365)
2019		1-12 Months	2 to 5 years	Total
Cash	4	13,602,352		13,602,352
Loans	6 & 8	150,117	1,500,000	1,650,117
DMF Receivable	5 (a)		6,212,586	6,212,586
Investments	8		5,059,000	5,059,000
Trade Receivables	5	71,025		71,025
Total financial assets		13,823,494	12,771,586	26,595,080
Financial Liabilities				
Refundable Deposits Payable**	13	(6,192,856)	(16,401,838)	(22,594,694)
Trade Payables	11	(249,896)		(249,896)
Bank Loan	13	(450,000)		(450,000)
Funeral Fund	13	(641,690)	(7,765,451)	(8,407,141)
Resident Lease Obligations*	13	(2,700,000)	(47,016,375)	(49,716,375)
Total Financial Liabilities		(10,234,442)	(71,183,664)	(81,418,106)

Refundable Deposits Payable*** - As there is no unconditional right to defer payment for 12 months, RAD liabilities are recorded as current liabilities in accordance with AASB 101. The RAD liability is spread across a large portion of the resident population and therefore the repayment of individual balances that make up the current balance will be dependent upon the actual tenure of individual residents. In the liquidity risk management have disclosed the expected repayment of the RAD's based on prior year history.

Resident Lease Obligations* - Refer to note 20 for disclosure regarding the resident lease obligations & resident leased assets. These are non-interest bearing loans made by the village residents upon entering the village. the entire balance of RAD liabilities are recorded as current liabilities in accordance with AASB 101. Management expects that only a part of the liability being \$2,700,000 to be paid within 12 months based on the historical turn over of the units over the past years. The obligation is discharged once the resident vacates the premises and the unit is sold to another incoming resident.

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2020

d. Fair Value Disclosures - AASB 13 Fair Value requires fair values of assets and liabilities to be disclosed based on the following levels

Level 1 - Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 - Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Level 3 inputs are unobservable inputs for the asset or liability.

The table below discloses the financial assets and liabilities reported at fair value

2020	Note	Level 1	Level 2	Level 3
DMF Receivable	Note 5 (a)			7,952,131
Investment in Unlisted Corporations	Note 8			4,841,000

2019

DMF Receivable	Note 5 (a)			6,212,586
Investment in Unlisted Corporations	Note 8			5,059,000

Refer to note 20 for disclosure regarding the fair value of resident lease obligations & resident leased assets

Note 15 - 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.

Retirees WA (Inc.) is classified by the Department of Health as "Type B" for the purpose of the Residential Care Segment Note. **No segment note is required from the General Purpose Financials Statement.**

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(a).

Note 16 - Contingent Liabilities

There are no contingent liabilities to the Association

2020	2019
\$	\$
-	-

Note 17 - Reconciliation of Cash flows from Operating Activities to Net Profit

	2020	2019
	\$	\$
Net profit/(loss) from ordinary activities after income tax	1,283,452	749,305
Add Back Depreciation	847,410	753,946
Add Back other non Operating Cash	107,081	611,979
Movements in Working Capital		
Movement in prepayment	(23,733)	(137,233)
Movement in Trade Debtors	(60,104)	96,199
Movement in DMF Receivable/Other Assets	(2,207,748)	(1,880,588)
Movement in Trade Creditors & Other Liabilities	74,754	(23,807)
Movement in Provisions	82,672	58,344
Net Cash Flow From Operating Activities	103,784	228,145

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2020

Note 18 - Commitments

(a) Commitments

Being for radio advertising and promotion

Payable:

- not later than 1 year

- later than 1 year but not later than 5 years

	2020	2019
	\$	\$
- not later than 1 year	54,600	54,600
- later than 1 year but not later than 5 years	-	-
	<u>54,600</u>	<u>54,600</u>

The Association has a commitment with Curtin Radio in which the Association benefits from radio advertising and promotion. The commitment to 30 June 2020 amounts to \$54,600 payable in monthly instalments of \$4,550

Note 19 - 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:

Note 20 - Resident's Lease Liability & Assets

The resident leased assets and liabilities are reported at fair value in accordance with AASB 13 *Fair Value*. The value is based on the recent sales evidence of the units.

		2020	2019
		\$	\$
Residents Lease Obligation on 1 July		(49,716,375)	(43,503,789)
Fair value movement as a result of reduction in resident leased assets	Note 9	4,041,000	
Amount reclassified to DMF Receivable	See Note 5 (a)		(6,212,586)
Residents Lease Obligation at 30 June		<u>(45,675,375)</u>	<u>(49,716,375)</u>

Net Exposure

Resident Lease Obligations & Assets* - Residents Lease Obligation represents the ingoing contributions (non-interest bearing) paid by Residents and are treated as financial liabilities in the statement of financial position. The liability is measured at fair value based on the recent sales of the village units. For the purposes of AASB 13 *Fair Value*, The resident leased assets and liabilities are classified as a Level 3 Fair Value. The fair value of the leased assets and resident lease obligations is based on the recent selling prices of the units. The changes in the value of the Resident Leased Asset as disclosed in Note 9 have been offset against the fair value of the resident lease liability.

Note 21 - Related Party Disclosure

Related Parties

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

Key Management / Relationships:

- Working for Retirees WA - relative of Key Management.

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

(Over 55 Lifestyle Villages Pty Ltd)

- 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)

Qualified Opinion

We have audited the financial report of Retirees WA (Inc) ("the Entity") which comprises the Statement of financial position as at 30 June 2020, 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 members of the board.

In our opinion, "Except For" the material matters described in the "*Basis for Qualified Opinion*" Section of our audit report, the accompanying financial report of the Retirees WA (Inc) 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 2020 and of its financial performance and cash flows for the year then ended; and
- b) Complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Qualified Opinion

(a) Valuation of Retirement Village Assets

As disclosed in Note 9 in the financial report the Entity has Retirement Village Assets of \$79,510,915 at 30 June 2020. The retirement village assets consist of the retirement village units (i.e. resident leased assets), land and buildings & infrastructure owned by the Association. The valuation of the retirement village assets is based on an internal committee valuations at 30 June 2020. The Entity has measured the land and buildings (including building infrastructure) at historical cost less depreciation and the value of resident leased assets is reported at market value based on the selling price of the units. *AASB 140 Investment Properties*, requires the entire balance of the retirement village assets (including the land, buildings and retirement village units) to be measured and reported at fair value in accordance with *AASB 13 Fair Value*.

In the absence of an independent third party valuation for the combined retirement village assets (i.e. land, buildings and the retirement village units) we were unable to obtain sufficient and appropriate audit evidence in relation to the valuation of the retirement village assets at 30 June 2020. Consequently, we were unable to determine if any material audit adjustments were required to the fair value of the retirement village assets. Due to the assets being material to the financial report, our audit report has been qualified in relation to the valuation of the retirement village assets 30 June 2020.

(b) Valuation of Redeemable Preference Shares

As disclosed in Note 8 of the financial (Other Financial Assets), the Entity has an investment in the form of redeemable preference Shares in Retirement Village Developments Pty Ltd of 4,841,000. The Entity measures and reports the preference shares at cost as disclosed in Note 1(h) and Note 8 of the financial report. *AASB 9 Financial Instruments*, requires the redeemable preference shares to be measured at fair value in accordance with *AASB 13 Fair Value Measurement*. In the absence of an independent valuation were unable to obtain sufficient and appropriate audit evidence in relation to the valuation and recoverability of the preference shares in Retirement Village Developments Pty Ltd. Consequently, we were unable to determine if any adjustments were required to the valuation and recoverability of the redeemable preference shares at 30 June 2020. Therefore our audit report has been qualified in respect of this matter.

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 qualified opinion.

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 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of auditor's report.

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ARMADA AUDIT & ASSURANCE PTY LTD



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NIGEL DIAS
DIRECTOR

Dated Perth: 18 day of September 2020

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER DIVISION 60 OF THE AUSTRALIAN CHARTIES AND NOT FOR
PROFITS COMMISSIONS ACT 2012
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 2020 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

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Nigel Dias
Director

Dated this 18 day of September 2020 at Perth, Western Australia