

RETIREES WA (INC)

FINANCIAL REPORT

30 JUNE 2018

Retirees WA (Inc)

A.B.N. 13 989 588 483

NAPS ID: 63

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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 2018.

Board members

The board members for this financial year were:

Nita Sadler (President)

Brian Mathlin (appointment terminated 28 Feb 2018)

Stanley McFarlane (elected 18 Apr 2018)

David Sadler

Jill Pugliese

Nita Hart

Lois Jones (Vice President)

John Thompson

Judith Edwards

Candessa Ashbury

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 (Inc) Board, the financial report as set out on pages 2 to 16.

1. Presents a true and fair view of the financial position as at 30 June 2018 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

2018



Margaret Thomas
Chief Executive Officer
Chief Financial Officer

Date: 20 September

2018

RETIREES WA (INC)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

| | | 2018 | 2017 |
|--|-------------|-------------------------|-------------------------|
| | | \$ | \$ |
| | Note | | |
| Revenue from ordinary activities | 2 | 10,663,080 | 10,668,120 |
| Employee benefits expense | | (4,847,312) | (5,006,509) |
| Depreciation and amortisation expense | 3 | (704,737) | (1,021,715) |
| Aged care residents occupancy costs | | (2,212,712) | (1,953,740) |
| Property expense | | (422,306) | (44,481) |
| Insurance expense | | (168,513) | (65,594) |
| Administration expense | | (512,546) | (482,704) |
| Advertising and promotion expense | | (63,316) | (83,069) |
| Profit/(loss) from ordinary activities before income tax | | <u>1,731,638</u> | <u>2,010,308</u> |
| Income tax expense relating to ordinary activities | 1d | <u>0</u> | <u>0</u> |
| Net profit/(loss) from ordinary activities after income tax | 3 | <u>1,731,638</u> | <u>2,010,308</u> |
| Other comprehensive income | | | |
| Total comprehensive income for the year | | <u><u>1,731,638</u></u> | <u><u>2,010,308</u></u> |

RETIREES WA (INC)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

| | | 2018 | 2017 |
|---|-------------|--------------------|--------------------|
| | | \$ | \$ |
| | Note | | |
| CURRENT ASSETS | | | |
| Cash assets | 4 | 13,815,271 | 13,638,353 |
| Receivables | 5 | 146,278 | 272,472 |
| Other | 6 | 224,141 | 237,806 |
| TOTAL CURRENT ASSETS | | <u>14,185,690</u> | <u>14,148,631</u> |
| NON-CURRENT ASSETS | | | |
| Intangible assets | 7 | 2,430,000 | 2,430,000 |
| Other financial assets | 8 | 6,657,000 | 6,875,000 |
| Investment Property | 9 | 36,705,797 | 36,493,062 |
| Property, plant and equipment | 10 | 12,680,510 | 12,808,316 |
| Residents lease asset | 11 | 49,716,375 | 49,716,375 |
| TOTAL NON-CURRENT ASSETS | | <u>108,189,682</u> | <u>108,322,753</u> |
| | | <u>122,375,372</u> | <u>122,471,384</u> |
| CURRENT LIABILITIES | | | |
| Payables | 12 | 273,703 | 313,333 |
| Provisions | 13 | 397,369 | 337,619 |
| Other financial liabilities (Current) | 14 (a) | 13,128,843 | 13,373,962 |
| TOTAL CURRENT LIABILITIES | | <u>13,799,915</u> | <u>14,024,914</u> |
| NON-CURRENT LIABILITIES | | | |
| Other financial liabilities (Non-Current) | 14 (b) | 62,024,492 | 63,497,870 |
| TOTAL NON-CURRENT LIABILITIES | | <u>62,024,492</u> | <u>63,497,870</u> |
| TOTAL LIABILITIES | | <u>75,824,407</u> | <u>77,522,784</u> |
| NET ASSETS | | <u>46,550,965</u> | <u>44,948,600</u> |
| EQUITY | | | |
| Retained Equity | 16 | 46,550,965 | 44,948,600 |
| | | <u>46,550,965</u> | <u>44,948,600</u> |

**RETIREES WA (INC)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

| | 2018 | 2017 |
|--|-------------------|--------------------|
| | \$ | \$ |
| OPERATING CASH FLOWS | | |
| Receipts from Customers | 10,414,645 | 10,701,034 |
| (Payments) To Suppliers and Employees | (10,132,603) | (10,814,008) |
| Allowable Deductions From Bonds | (24,169) | (112,033) |
| Dividends Received | 0 | 0 |
| Interest Received | 248,435 | 255,489 |
| Finance (Cost) | 0 | 0 |
| Other Operating Cash Flows | 0 | 0 |
| Total Operating Cash Flow | 506,308 | 30,482 |
| INVESTING CASH FLOWS | | |
| Sales of Property, Plant and Equipment | 0 | 0 |
| (Purchase) of Property, Plant and Equipment | | |
| Residential Aged Care excl. Retirement Living | (122,684) | (150,954) |
| Other incl. Retirement Living | (666,985) | (632,886) |
| Sales of Intangible Assets | 0 | 0 |
| (Purchase) of Intangible Assets | 0 | 0 |
| Other Investment Cash Flow | (129,273) | (273,799) |
| Total Investing Cash Flow | (918,942) | (1,057,639) |
| FINANCING CASH FLOWS | | |
| Accommodation bonds/Refundable Accommodation Deposits Received | 6,860,000 | 8,806,304 |
| Accommodation bonds/Refundable Accommodation Deposits (Refunded) | (6,243,332) | (6,884,136) |
| 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 | (245,116) | (431,154) |
| Other Financial Cash Flow | 218,000 | 840,154 |
| Total Financing Cash Flow | 589,552 | 2,331,168 |
| NET CASH FLOWS | | |
| Net Increase / (Decrease) in Cash Held | 176,918 | 1,304,011 |
| Cash at the Beginning of the Financial Year | 13,638,353 | 12,334,342 |
| Cash at the End of the Financial Year | 13,815,271 | 13,638,353 |

RETIREES WA (INC)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

| | Retained Earnings | Total |
|--|------------------------------|-------------------|
| | \$ | \$ |
| Balance at 1 July 2016 | Note 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 |
| Comprehensive income | | |
| Profit for the year | 1,731,638 | 1,731,638 |
| Total comprehensive income for the year | 1,731,638 | 1,731,638 |
| Correction for reallocation of village funds | (129,273) | (129,273) |
| Balance at 30 June 2018 | 46,550,965 | 46,550,965 |

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

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 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 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.

**RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018**

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 WA (Inc) 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.

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.

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

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

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 2018

| <u>Note 2 Revenue</u> | 2018 | 2017 |
|------------------------------|-------------|-------------|
| Operating activities | \$ | \$ |
| Accommodation bond retention | 26,192 | 63,037 |
| Deferred management fees | 2,531,908 | 2,795,419 |
| Government subsidies | 4,254,471 | 3,829,421 |
| Lease income | 48,800 | 106,973 |
| Management fees | 724,991 | 814,459 |
| Membership fees | 118,019 | 107,366 |
| Profit from lease of units | 470,000 | 460,135 |
| Residence Fees | 2,116,868 | 2,148,793 |
| | <hr/> | <hr/> |
| | 10,291,249 | 10,325,603 |
| Non-operating activities | | |
| Interest received | 248,435 | 255,489 |
| Other Income | 123,396 | 87,028 |
| Total Revenue | <hr/> | <hr/> |
| | 10,663,080 | 10,668,120 |

| <u>Note 3 Items Included in Profit/(Loss) Statement</u> | 2018 | 2017 |
|---|-------------|-------------|
| Profit/(loss) from ordinary activities has been determined after: | \$ | \$ |
| Expenses | | |
| Depreciation of property, plant and equipment | 704,737 | 1,021,715 |
| Remuneration of auditor | | |
| - audit services | 22,000 | 22,000 |
| Income | | |
| Net (gain) on disposal of property, plant and equipment | 0 | 0 |
| Interest Received | 248,435 | 255,489 |

| <u>Note 4 - Cash</u> | 2018 | 2017 |
|-----------------------------|-------------|-------------|
| | \$ | \$ |
| Cash Operating Accounts | | |
| General Fund | 80,725 | 109,060 |
| Funeral Fund | 477,052 | 773,095 |
| Amelioration Fund | 22,710 | 21,218 |
| Property Account | 90,021 | 221,117 |
| Aged Care Accounts | 2,515,760 | 1,707,240 |
| Refit Account Saver | 10,561 | 310,815 |
| | <hr/> | <hr/> |
| | 3,196,829 | 3,142,545 |

| | | |
|--------------------------------------|-----------|-----------|
| Aged Care Accommodation Bonds | | |
| CBA | 8,859,818 | 8,767,713 |
| | <hr/> | <hr/> |
| | 8,859,818 | 8,767,713 |

Note 4 - Term Deposits

Funeral Fund

| | | |
|-------------------|-----------|-----------|
| ANZ Term Deposits | 978,024 | 950,000 |
| CBA Term Deposits | 677,136 | 673,655 |
| | <hr/> | <hr/> |
| | 1,655,160 | 1,623,655 |

Amelioration Fund

| | | |
|---------------------------|------------|------------|
| CBA Term Deposits | 100,000 | 100,000 |
| Sub-total - Cash at Banks | <hr/> | <hr/> |
| | 13,811,807 | 13,633,913 |

| | | |
|--------------------------|------------|------------|
| Cash on Hand | 3,464 | 4,440 |
| Total Cash Assets | <hr/> | <hr/> |
| | 13,815,271 | 13,638,353 |

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

Note 5 - Receivables

| | 2018 | 2017 |
|--------------------|----------------|----------------|
| Current | \$ | \$ |
| Other Debtors | 50,657 | 115,182 |
| Net GST Receivable | 95,621 | 157,290 |
| | <u>146,278</u> | <u>272,472</u> |

Note 6 - Other

| | 2018 | 2017 |
|----------------|----------------|----------------|
| Current | \$ | \$ |
| Loans | 224,141 | 237,806 |
| | <u>224,141</u> | <u>237,806</u> |

Note 7 - Intangible Assets

| | 2018 | 2017 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| 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

| | 2018 | 2017 |
|--|------------------|------------------|
| Non-Current | \$ | \$ |
| 1st Registered Mortgage (a) | 1,500,000 | 1,500,000 |
| Investments in unlisted corporations at cost (b) | 5,157,000 | 5,375,000 |
| | <u>6,657,000</u> | <u>6,875,000</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

| | 2018 | 2017 |
|--|--------------------------|--------------------------|
| Retirement Villages - Land and Buildings Net of Depreciation:- | \$ | \$ |
| Chessell | 1,198,272 | 1,218,592 |
| Fern | 1,708,541 | 1,725,634 |
| Skewes | 726,327 | 738,638 |
| Canna | 24,838,534 | 25,180,717 |
| Murlali | 607,253 | 617,536 |
| Geraldton | 5,329,170 | 4,734,436 |
| Total Carrying Amount of Retirement Villages at 30 June 2018 | <u>34,408,097</u> | <u>34,215,553</u> |
| Land | | |
| Crown Land at Committees Valuation | | |
| Denmark | 107,362 | 107,362 |
| Freehold Land & Buildings | | |
| Geraldton - other houses | 1,045,832 | 1,025,000 |
| Coolgardie | 102,453 | 102,453 |
| Collie | 453,380 | 453,380 |
| Bindoon | 588,673 | 589,314 |
| Total Carrying Amount of Land and Freehold Land at 30 June 2018 | <u>2,297,700</u> | <u>2,277,509</u> |
| Total Investment Property | <u><u>36,705,797</u></u> | <u><u>36,493,062</u></u> |

RETIREEES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

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 | 1,162,213 | 35,330,849 | 36,493,062 |
| Add Additions | 0 | 666,777 | 666,777 |
| Less disposals | 0 | 0 | 0 |
| Less depreciation expense | 0 | (454,042) | (454,042) |
| Carrying amount at the end of the financial year | 1,162,213 | 35,543,584 | 36,705,797 |

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

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Land, Buildings & Equipment Net of Depreciation:- Joseph Banks | 12,577,288 | 12,692,494 |
| | <u>12,577,288</u> | <u>12,692,494</u> |

Plant & Equipment

| | | |
|--|-------------------|-------------------|
| Motor vehicles - at cost | 158,535 | 158,535 |
| Less Accumulated depreciation | (84,880) | (76,696) |
| | <u>73,655</u> | <u>81,839</u> |
| Plant & Equipment - Head Office @ Cost | 371,367 | 372,759 |
| Less Accumulated depreciation | (341,800) | (338,776) |
| | <u>29,567</u> | <u>33,983</u> |
| Property, plant and equipment | <u>12,680,510</u> | <u>12,808,316</u> |

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 | 81,839 | 12,692,494 | 33,983 | 12,808,316 |
| Add Additions | 0 | 122,684 | 208 | 122,892 |
| Less disposals | 0 | 0 | 0 | 0 |
| Less depreciation expense | (8,184) | (237,890) | (4,624) | (250,698) |
| Carrying amount at the end of the financial year | 73,655 | 12,577,288 | 29,567 | 12,680,510 |

Note 11 - Residents lease asset

| | 2018 | 2017 |
|-----------------------|-------------|-------------|
| | \$ | \$ |
| Residents Lease Asset | 49,716,375 | 49,716,375 |

**RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018**

Note 12 - Payables

| | 2018 | 2017 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Trade Creditors | 143,278 | 167,927 |
| Accruals | 24,201 | 24,923 |
| Payroll Liabilities | 106,783 | 127,264 |
| Property Maintenance Liability | (559) | (6,781) |
| | <u>273,703</u> | <u>313,333</u> |

Note 13 - Provisions

| | 2018 | 2017 |
|-------------------------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Provision for employee entitlements | 397,369 | 337,619 |
| | <u>397,369</u> | <u>337,619</u> |
| Number of FTE employees at year end | 89 | 87 |

Note 14 (a) - Other Financial Liabilities (Current)

| | 2018 | 2017 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| Funeral Fund liability | <u>6,312,966</u> | <u>6,558,085</u> |
| Balance at beginning of year | 6,558,085 | 7,022,184 |
| Add Collections | 5,651,197 | 5,217,372 |
| Add Bonus Payments | 737,741 | 714,344 |
| | 12,947,023 | 12,953,900 |
| Administration fees (Less) | (474,843) | (10,744) |
| | 13,421,866 | 12,964,644 |
| Less Funeral payments | 6,650,495 | 6,017,792 |
| Less Cemeteries Board Transfers | 59,817 | 36,855 |
| Less Refunds | 398,588 | 351,912 |
| | <u>6,312,966</u> | <u>6,558,085</u> |
| Balance at end of year | 6,312,966 | 6,558,085 |

The funeral fund contract was renegotiated with the Funeral Directors Association during the year and the increased cost of between \$50 and \$103 per contract, inclusive of GST, became operative from 1 July 2018.

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 | 2,065,877 | 2,065,877 |
| Commonwealth Bank Loan | 450,000 | 450,000 |
| Accommodation bonds & RAD's (liquidity provision) | 4,300,000 | 4,300,000 |
| Other Financial Liabilities (Current) | <u>13,128,843</u> | <u>13,373,962</u> |

Note 14 (b) - Other Financial Liabilities (Non-Current)

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Residents lease Obligation | 43,318,510 | 45,384,387 |
| Accommodation bonds & RAD's | 18,705,982 | 18,113,483 |
| Other Financial Liabilities (Non-Current) | <u>62,024,492</u> | <u>63,497,870</u> |

RETIREES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

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 |
|-------------------------------|--|---|--|----------|-------------------|
| 2018 | | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Cash | 0-1% | 3,196,829 | 0 | 0 | 3,196,829 |
| Short term deposits | 1% - 3% | 10,614,978 | 0 | 0 | 10,614,978 |
| Other financial assets | 3% - 6% | 0 | 0 | 0 | 0 |
| Other financial asset | 7% - 8% | 0 | 0 | 0 | 0 |
| Receivables | | 0 | 0 | 0 | 0 |
| Total financial assets | | 13,811,807 | 0 | 0 | 13,811,807 |

Financial liabilities

| | | | | | |
|--|--|---|---|-------------------|-------------------|
| Payables | | 0 | 0 | 273,703 | 273,703 |
| Other Liabilities - Refundable Deposits (RAD) / Accommodation Bonds Payable | | 0 | 0 | 23,005,982 | 23,005,982 |
| Residents Lease Liability | | 0 | 0 | 45,384,387 | 45,384,387 |
| Bank Loan | | 0 | 0 | 450,000 | 450,000 |
| Funeral Fund | | 0 | 0 | 6,312,966 | 6,312,966 |
| | | | | 75,427,038 | 75,427,038 |

| | 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 assets | 7% - 8% | 0 | 0 | 0 | 0 |
| Receivables | | 0 | 0 | 0 | 0 |
| Total financial assets | | 13,638,353 | 0 | 0 | 13,638,353 |

Financial liabilities

| | | | | | |
|--|--|---|---|-------------------|-------------------|
| Payables | | 0 | 0 | 313,333 | 313,333 |
| Other Liabilities - Refundable Deposits (RAD) / Accommodation Bonds Payable | | 0 | 0 | 22,413,483 | 22,413,483 |
| Residents Lease Liability | | 0 | 0 | 47,450,264 | 47,450,264 |
| Bank Loan | | 0 | 0 | 450,000 | 450,000 |
| Funeral fund | | 0 | 0 | 6,558,085 | 6,558,085 |
| | | | | 77,185,165 | 77,185,165 |

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

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.

| <u>Note 16 - Accumulated Funds</u> | 2018 | 2017 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Funeral Fund | | |
| Balance at 1 July 2017 | 2,860,941 | 2,782,411 |
| Add Surplus/(Deficit) for the year | (171,591) | 78,530 |
| Balance 30 June 2018 | <u>2,689,350</u> | <u>2,860,941</u> |
| Amelioration Fund | | |
| Balance at 1 July 2017 | 121,218 | 121,567 |
| Add Surplus/(Deficit) for the year | 1,492 | (349) |
| Balance 30 June 2018 | <u>122,710</u> | <u>121,218</u> |
| General Operations | | |
| Balance at 1 July 2017 | 41,966,441 | 40,308,113 |
| Add Surplus/(Deficit) for the year | | |
| General | (221,188) | (293,476) |
| Aged Care | 270,356 | (138,751) |
| Property | 1,852,569 | 2,364,354 |
| Equity Adjustments | (129,273) | (273,799) |
| Balance 30 June 2018 | <u>43,738,905</u> | <u>41,966,441</u> |
| Total Accumulated Funds 30 June 2018 | <u>46,550,965</u> | <u>44,948,600</u> |

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.

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 18 - Contingent Liabilities

There are no contingent liabilities to the Association

| 2018 | 2017 |
|-------------|-------------|
| \$ | \$ |
| <u>0</u> | <u>0</u> |

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

Note 19 - Commitments

(a) Operating Lease Commitments

Being for radio advertising and promotion

Payable:

- not later than 1 year

- later than 1 year but not later than 5 years

| 2018 | 2017 |
|--------|--------|
| \$ | \$ |
| 54,600 | 54,600 |
| 0 | 0 |
| 54,600 | 54,600 |
| 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 2017 amounts to \$54,600 payable in monthly instalments of \$4,550

(b) Operating Lease Commitment

Being for rent of office

Payable:

- not later than 1 year

- later than 1 year but not later than 5 years

- later than 5 years

| 2018 | 2017 |
|---------|---------|
| \$ | \$ |
| 108,228 | 108,228 |
| 0 | 108,228 |
| 0 | 0 |
| 108,228 | 216,456 |
| 108,228 | 216,456 |

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 including variable outgoings.

Note 20 - 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)

Note 21 - 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 (Inc) 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 (Inc).

The effect on the current period:

| | 2018 | 2017 |
|----------------------------|--------------|--------------|
| | \$ | \$ |
| Residents Lease Asset | 49,716,375 | 49,716,375 |
| Residents Lease Obligation | (45,384,387) | (47,450,264) |
| | (45,384,387) | (47,450,264) |

RETIRES WA (INC)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2018

Note 22 - 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.
- Samson Homes Pty Ltd - Entity controlled by a spouse of Key Management.

Note 23 - 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



T (08) 6165 4090 F (08) 6165 4067
A 18 Sangiorgio Court Osborne Park WA 6017
P Locked Bag 4 Osborne Park DC WA 6916
E info@armada.com.au

strength in numbers

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 2018, 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, 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 2018 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.

TAX & ACCOUNTING | AUDITING | BUSINESS MANAGEMENT | BUSINESS CONSULTING | FINANCIAL PLANNING | LENDING

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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 2018, 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 2018

Armada Audit Services Pty Ltd



.....
GRAEME WOVODICH CPA

Registered Company Auditor Reg. No. 13421



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A 18 Sangiorgio Court Osborne Park WA 6017
P Locked Bag 4 Osborne Park DC WA 6916
E info@armada.com.au

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**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 2018 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 Services Pty Ltd

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

Dated this 20th day of September 2018 at Perth, Western Australia

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