



# **RETIREEES WA (INC)**

A.B.N. 13 989 588 483

## **FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2021**

Retirees WA (Inc)  
30 June 2021 Financial Report

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Retirees WA (Inc)  
30 June 2021 Financial Report

**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 2021.

**Board members**

The board members for this financial year were:

Lois Jones ( President)

Stanley McFarlane

Candessa Ashbury (Vice President)

Judith Edwards

Jill Pugliese

Nita Hart

Anthony Santoro

**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; and
- 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 17.

1. Presents a true and fair view of the financial position as at 30 June 2021 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 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.

  
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Lois Jones  
**President**

Date: 15<sup>th</sup> September 2021

  
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Margaret Thomas  
**Chief Executive Officer**  
**Chief Financial Officer**

Date:

15<sup>th</sup> September 2021

Retirees WA (Inc)  
30 June 2021 Financial Report

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
Revenue from ordinary activities	2	10,550,070	10,413,903
Employee benefits expense		(5,220,291)	(5,205,291)
Depreciation and amortisation expense	3	(863,185)	(847,410)
Aged care residents occupancy costs		(2,185,553)	(2,314,088)
Property expense		(261,552)	(227,841)
Insurance expense		(226,652)	(240,943)
Administration expense		(241,562)	(220,554)
Advertising and promotion expense		(72,867)	(74,324)
<b>Profit/(loss) from ordinary activities before income tax</b>		<b>1,478,408</b>	<b>1,283,452</b>
Income tax expense relating to ordinary activities	1d	-	-
<b>Net profit/(loss) from ordinary activities after income tax</b>		<b>1,478,408</b>	<b>1,283,452</b>
<b>Other comprehensive income</b>			
<b>Total comprehensive income for the year</b>		<b>1,478,408</b>	<b>1,283,452</b>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Retirees WA (Inc)  
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**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021**

	Note	2021 \$	2020 \$
<b>CURRENT ASSETS</b>			
Cash Assets	4	5,749,782	10,674,120
Receivables	5	1,167,320	131,129
Prepayments & Other Assets		95,057	161,083
Other Financial Assets	6	150,000	150,000
<b>TOTAL CURRENT ASSETS</b>		<b>7,162,159</b>	<b>11,116,332</b>
<b>NON-CURRENT ASSETS</b>			
Deferred Management Fee Receivable	5 (a) and 20	8,950,335	7,952,131
Right of Use Assets	7	173,739	260,609
Other Financial Assets	8	6,341,000	6,341,000
Retirement Village Assets	9 (a)	47,518,979	79,510,915
Land and Buildings	9 (b)	1,657,602	1,674,457
Property, Plant and Equipment	10	25,389,427	21,030,923
<b>TOTAL NON-CURRENT ASSETS</b>		<b>90,031,082</b>	<b>116,770,035</b>
<b>TOTAL ASSETS</b>		<b>97,193,241</b>	<b>127,886,367</b>
<b>CURRENT LIABILITIES</b>			
Payables	11	705,122	315,774
Provisions	12	555,751	535,927
Other Financial Liabilities (Current)	13	78,272,116	75,322,591
<b>TOTAL CURRENT LIABILITIES</b>		<b>79,532,989</b>	<b>76,174,292</b>
<b>TOTAL LIABILITIES</b>		<b>79,532,989</b>	<b>76,174,292</b>
<b>NET ASSETS</b>		<b>17,660,252</b>	<b>51,712,075</b>
<b>EQUITY</b>			
Non-Distributable Reserves		(27,730,232)	7,799,999
Retained Equity		45,390,484	43,912,076
<b>TOTAL EQUITY</b>		<b>17,660,252</b>	<b>51,712,075</b>

The above Statement of Financial Position should be read in conjunction with the with the accompanying notes.

Retirees WA (Inc)  
30 June 2021 Financial Report

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
<b>OPERATING CASH FLOWS</b>			
Receipts from Customers		8,424,922	7,994,426
(Payments) To Suppliers and Employees		(7,361,021)	(8,042,267)
Interest Received		90,753	151,625
<b>Total Cash Flow from Operating Activities</b>	17	<b>1,154,654</b>	<b>103,784</b>
<b>INVESTING CASH FLOWS</b>			
Purchase of Property, Plant and Equipment		(4,684,634)	(955,151)
<b>Total Cash Flow used in Investing Activities</b>		<b>(4,684,634)</b>	<b>(955,151)</b>
<b>FINANCING CASH FLOWS</b>			
Accommodation bonds/Refundable Accommodation Deposits Received		4,469,301	4,885,486
Accommodation bonds/Refundable Accommodation Deposits (Refunded)		(5,813,786)	(6,545,807)
Other Financial Repayments		-	(309,464)
Repayment of Office Lease Liabilities		(83,416)	(107,080)
Other Financial Cash Flow		33,543	-
<b>Total Cash Flow used in Financing Activities</b>		<b>(1,394,358)</b>	<b>(2,076,865)</b>
Net Increase / (Decrease) in Cash Held		(4,924,338)	(2,928,232)
Cash at the Beginning of the Financial Year		10,674,120	13,602,352
<b>Cash at the End of the Financial Year</b>	4	<b>5,749,782</b>	<b>10,674,120</b>

The above Statement of Cash Flows should be read in conjunction with the with the accompanying notes.

Retirees WA (Inc)  
30 June 2021 Financial Report

**STATEMENT OF CHANGES IN EQUITY  
AS AT 30 JUNE 2021**

	Note	Retained Earnings \$	Non- Distributable Reserves \$	Total \$
<b>Balance at 1 July 2019</b>		42,628,624	7,799,999	50,428,623
<b>Comprehensive income</b>				
Profit for the year		1,283,452	-	1,283,452
<b>Total comprehensive income for the year</b>		1,283,452	-	1,283,452
<b>Balance at 30 June 2020</b>		<b>43,912,076</b>	<b>7,799,999</b>	<b>51,712,075</b>
<b>Balance at 1 July 2020</b>		43,912,076	7,799,999	51,712,075
<b>Comprehensive income</b>				
Profit for the year		1,478,408	-	1,478,408
Adjustment to reserves – Market value correction of retirement village assets (Refer to Note 9a)		-	(31,558,606)	(31,558,606)
Adjustment to reserves – Market value correction of retirement village liabilities (Note 20)		-	(3,971,625)	(3,971,625)
<b>Total comprehensive income for the year</b>		1,478,408	(35,530,231)	(34,051,823)
<b>Balance at 30 June 2021</b>		<b>45,390,484</b>	<b>(27,730,232)</b>	<b>17,660,252</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

### **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 2021 of \$22,723,830 (Excluding Resident Lease Obligations of \$49,647,000). This position arises as the Refundable Deposits Payable (RADS) of \$19,562,147, Funeral Fund liability of \$8,033,052 and Resident lease obligations of \$49,647,000 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.

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1 - Statement of Significant Accounting Policies (continued)**

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.

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### **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 formula 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

#### **c) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1 - Statement of Significant Accounting Policies (continued)**

#### **d) 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.

#### **e) 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.

#### **f) Revenue**

To determine whether and when to recognise revenue, the Association follows a 5-step process:

- (1) Identifying the contract with a customer;
- (2) Identifying the performance obligations;
- (3) Determining the transaction price;
- (4) Allocating the transaction price to the performance obligations; and
- (5) Recognising revenue when/as the performance obligation(s) are satisfied.

The Association's main revenue sources and accounting policies are listed below:

- Membership revenue is recognised over the service period.
- 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 over time as the services (aged care) is provided to the resident.
- Interest revenue is recognised on an accrual basis.
- 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.
- 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).

#### **g) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1 - Statement of Significant Accounting Policies (continued)**

#### **h) Funeral Fund**

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

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

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

#### **i) 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.

#### **j) 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.

#### **k) 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.

#### **l) Comparatives**

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

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1 - Statement of Significant Accounting Policies (continued)**

#### **m) 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.

#### **n) 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.

#### **o) Residents Lease Obligation**

Residents Lease Obligation represents the ongoing 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)

#### **p) Significant Accounting Estimates and Judgements**

The preparation of financial statements in conformity with AASB requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

1. **Fair value of resident lease obligation and retirement village assets measured at fair value (Note 1 (o) and Note 1 (n) and Note 20) and Note 9.** The fair value of retirement village assets and liabilities are subject to the following significant accounting estimates:
  - a. Market value of properties;
  - b. Recent sales evidence;
  - c. Growth Rates;
  - d. Discount Rates.

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1 - Statement of Significant Accounting Policies (continued)**

2. **Fair value of DMF Receivable Note 5 (b)** - 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 judgements. The key estimates and judgements involved including the recent selling prices of the village units.
3. **Impairment of Non-Financial Assets:** The Association assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Association and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.
4. **Provision for expected credit losses:** The Associations' policy for allowance for doubtful receivables is based on the simplified approach permitted by AASB 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables and considers an assessment of recoverability and ageing analysis of outstanding accounts and management's estimates. The Board of Directors believe that all trade receivables are recoverable.
5. **Coronavirus (COVID-19) pandemic:** Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Association based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Association operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements at the reporting date.

#### **q) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when:

- (i) it is expected to be realised or intended to be sold or consumed in normal operating cycle; or
- (ii) it is held primarily for the purpose of trading; or
- (iii) it is expected to be realised within twelve months after the reporting period; or
- (iv) the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- (i) it is expected to be settled in normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1 - Statement of Significant Accounting Policies (continued)**

#### **r) Financial Instruments**

##### **(i) Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Association commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to the Statement of Profit or Loss and Other Comprehensive Income immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15 paragraph 63.

##### **(ii) Classification and Subsequent Measurement**

##### **Financial Liabilities:**

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

The Association does not measure any financial liabilities at fair value through profit or loss except for the resident lease obligations on the retirement villages (Refer to Note 1p). All other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in the Statement of Profit or Loss and Other Comprehensive Income over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount of initial recognition. A financial liability cannot be reclassified.

##### **Financial Assets:**

Financial assets are subsequently measured at:

- amortised cost, and;
- fair value through profit or loss,

based on the two primary criteria, being:

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

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

- the financial asset is managed solely to collect contractual cash flows; and
- it gives rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1 - Statement of Significant Accounting Policies (continued)**

The Association has financial assets that are measured at amortised cost including trade and other receivables and cash at bank (including term deposits). The Association also has financial assets at fair value being the deferred management fee receivable.

#### (iii) De-recognition

##### Financial Liabilities:

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

##### Financial Assets:

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for de-recognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Association no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

#### (iv) Impairment

The Association recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due, and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument. The Association uses the simplified approach to impairment, as applicable under AASB 9.

### **s) New or Amended Accounting Standards and Interpretations Adopted**

The Association has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1 - Statement of Significant Accounting Policies (continued)**

#### **t) New, revised or amending Accounting Standards and Interpretations not yet adopted**

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. This Standard applies to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. Management of the Association has assessed that this standard is unlikely to have a material impact on the financial report.

Other than the above management assessment indicates that there are no other new Australian Accounting Standards that have been issued but are not yet effective with an expected material impact on the Association's financial report in the period of initial application.

### **Note 2 - Revenue**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Deferred management fees	2,423,748	2,065,061
Government subsidies	5,345,539	4,652,652
Lease income	19,200	33,230
Management fees	352,713	738,488
Membership fees	91,962	101,200
Profit from lease of units	30,000	400,000
Residence Fees	2,095,172	2,178,448
	<u>10,358,334</u>	<u>10,169,079</u>
<b>Non-operating activities</b>		
Interest received	90,753	151,625
Other Income	100,983	93,199
<b>Total Revenue</b>	<u><b>10,550,070</b></u>	<u><b>10,413,903</b></u>

### **Note 3 - Items Included in Profit/(Loss) Statement**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) from ordinary activities has been determined after:		
<u>Expenses</u>		
Depreciation and amortisation of property, plant and equipment	863,185	847,410
Remuneration of auditor - audit services	22,000	23,246
<u>Income</u>		
Interest Received	90,753	151,625

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**NOTES TO THE FINANCIAL STATEMENTS**

**Note 4 – Cash Assets**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Operating Accounts</b>		
General Fund	43,960	44,464
Funeral Fund	32,996	38,300
Amelioration Fund	86,110	110,505
Property Account	252,838	2,720
Aged Care Accounts	1,645,374	1,279,757
 <b>Units Refurbishment</b>		
Refit Account Saver	29,656	143,140
	<u>2,090,934</u>	<u>1,618,886</u>
 <b>Aged Care Accommodation Bonds</b>		
CBA	<u>2,018,325</u>	<u>7,419,588</u>
 <b>Term Deposits:</b>		
<b>Funeral Fund</b>		
ANZ Term Deposits	200,000	200,000
ANZ Term Deposits	811,211	809,285
CBA Term Deposits	<u>620,848</u>	<u>617,897</u>
	1,632,059	1,627,182
 <b>Amelioration Fund</b>		
CBA Term Deposits	<u>5,000</u>	<u>5,000</u>
Sub-total - Cash at Banks	<u>5,746,318</u>	<u>10,670,656</u>
 Cash on Hand	<u>3,464</u>	<u>3,464</u>
<b>Total Cash Assets</b>	<u><b>5,749,782</b></u>	<u><b>10,674,120</b></u>

**Note 5 - Receivables**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Current</b>		
Other Debtors	1,066,629	105,517
Net GST Receivable	<u>100,691</u>	<u>25,612</u>
	<u><b>1,167,320</b></u>	<u><b>131,129</b></u>
 <b>(b) Deferred Management Fee Receivable (DMF)</b>		
<b>Non-Current</b>		
Deferred Management fees	<u><b>8,950,335</b></u>	<u><b>7,952,131</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 5 – Receivables (continued)**

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 formula 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 Financial Assets**

	2021	2020
	\$	\$
Current		
Loans	150,000	150,000
<b>Total Other Financial Assets</b>	<b>150,000</b>	<b>150,000</b>

### **Note 7 - Right of Use Assets**

Right to Use Assets – balance at beginning of year	260,609	347,479
Less Amortisation	(86,870)	(86,870)
<b>Total Right of Use Assets</b>	<b>173,739</b>	<b>260,609</b>

(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. 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**

	2021	2020
	\$	\$
Non-Current		
1st Registered Mortgage (a)	1,500,000	1,500,000
Investments in unlisted corporations at cost (b)	4,841,000	4,841,000
	<b>6,341,000</b>	<b>6,341,000</b>

#### **(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.

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 8 - Other Financial Assets (continued)**

#### **(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 (a) Retirement Village Assets (Investment Properties at fair value)**

	2021	2020
	\$	\$
<b>Retirement Villages - Land and Buildings (at cost)</b>		
Chessell	6,139,361	6,158,673
Fern	1,658,949	1,675,203
Skewes	2,040,613	2,052,318
Canna	23,827,464	24,152,085
Geraldton	5,684,843	5,746,282
<b>Retirement Villages - Land and Buildings (at cost)</b>	<b>39,351,230</b>	<b>39,784,561</b>
Fair Value Adjustments	8,167,749	39,726,354
<b>Total Retirement Village Assets at fair value</b>	<b>47,518,979</b>	<b>79,510,915</b>

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 (e) Geraldton. Land. 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. The assets have been measured at fair value in accordance with AASB 13 *Fair Value*. Management has obtained independent valuations for the largest village being Cana which was valued using the income approach. Management has valued the remaining asset values for the other villages based on recent selling prices of the units. The updated valuations resulted in fair value adjustment of the adjustment of \$31,558,606 has been recorded in the reserves.

### **Note 9 (b) Land and Buildings at Cost**

	2021	2020
	\$	\$
<b>Land</b>		
Crown Land at Committees Valuation		
Denmark	107,362	107,362
<b>Freehold Land &amp; Buildings</b>		
Geraldton - other houses	994,407	1,011,262
Coolgardie	102,453	102,453
Collie	453,380	453,380
<b>Total Carrying Amount of Land and Buildings at 30 June</b>	<b>1,657,602</b>	<b>1,674,457</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

Retirement Village Asset	Land and Buildings	Retirement Villages Land and Buildings
	\$	\$
<b>Carrying amount at the beginning of financial year</b>		
Add Additions	1,674,457	79,510,915
Less fair value adjustment on retirement village leased assets*	-	(31,558,606)
Less depreciation expense	(16,855)	(433,330)
<b>Carrying amount at the end of the financial year</b>	<b>1,657,602</b>	<b>47,518,979</b>

During the year, there was an adjustment of \$31,558,606 for the retirement village assets. \$3,971,625 has been offset against the fair value of the resident lease obligations. The total amount of \$35,530,231 was offset against the Non-Distributable Reserves.

### **Note 9 (b) Land and Freehold Land and Buildings at Cost (continued)**

### **Note 10 - Property, Buildings, Plant & Equipment**

	2021	2020
	\$	\$
Land, Buildings & Equipment Net of Depreciation:-		
- Joseph Banks Aged Care Facility	12,483,875	12,409,621
- Salter Point	12,806,039	8,517,563
	<u>25,289,914</u>	<u>20,927,184</u>
<b><u>Plant &amp; Equipment</u></b>		
Motor vehicles - at cost	158,535	158,535
Less Accumulated depreciation	(104,841)	(98,875)
	<u>53,694</u>	<u>59,660</u>
 Plant & Equipment - Head Office @ Cost	 441,613	 434,119
Less Accumulated depreciation	(395,794)	(390,040)
	<u>45,819</u>	<u>44,079</u>
<b>Property, plant and equipment</b>	<u><u>25,389,427</u></u>	<u><u>21,030,923</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**Note 10 - Property, Buildings, Plant & Equipment (continued)**

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	59,660	20,927,184	44,079	21,030,923
Add Additions	-	4,677,139	7,494	4,684,633
Less disposals	-	-	-	-
Less depreciation expense	(5,966)	(314,409)	(5,754)	(326,129)
Carrying amount at the end of the financial year	<b>53,694</b>	<b>25,289,914</b>	<b>45,819</b>	<b>25,389,427</b>

**Note 11 - Payables**

	2021	2020
	\$	\$
<b>Current</b>		
Trade Creditors	248,734	195,645
Lease of Units	250,000	-
Other Payables	113,222	-
Accruals	26,600	17,600
Payroll Liabilities	74,060	93,999
Property costs recovered	(7,494)	8,530
	<b>705,122</b>	<b>315,774</b>

**Note 12 - Provisions**

	2021	2020
	\$	\$
<b>Current</b>		
Provision for employee entitlements	555,751	535,927
	<b>555,751</b>	<b>535,927</b>

**Note 13 - Other Financial Liabilities (Current)**

	2021	2020
	\$	\$
Funeral Fund liability	8,033,052	7,999,608
Balance at beginning of year	7,999,608	8,407,141
Collections Less Payments & Administration Fees	33,444	(299,508)
Add Adjustment to Cash Value of Funeral Funds	-	(108,025)
<b>Balance at end of year</b>	<b>8,033,052</b>	<b>7,999,608</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 13 - Other Financial Liabilities (Current) (continued)**

	2021	2020
	\$	\$
Lease Liability (AASB 16)	186,069	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)	46,947,000	42,975,375
Commonwealth Bank Loan	450,000	450,000
Bank Loan	393,848	-
<b>Total Refundable Deposits Payable / Accommodation Bonds Payable *</b>	<b>50,676,917</b>	<b>46,394,860</b>
Amount Due and Payable	870,000	915,760
Amount Expected to be Payable within 12 months	4,300,000	4,300,000
Amount Expected to be payable after 12 months	14,392,147	15,712,363
<b>Total Refundable Deposits Payable / Accommodation Bonds Payable (current)</b>	<b>19,562,147</b>	<b>20,928,123</b>
<b>Total Other Financial Liabilities (Current including Funeral Fund)</b>	<b>78,272,116</b>	<b>75,322,591</b>

**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 turnover 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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
<b>2020</b>			
<b>Financial assets</b>			
Cash	0-1%	1,622,350	1,622,350
Short term deposits	1% - 3%	9,051,770	9,051,770
Other financial assets	3% - 6%	-	-
Other financial assets	7% - 8%	-	-
Receivables		-	-
Total financial assets		<b>10,674,120</b>	<b>10,674,120</b>
<b>Financial liabilities</b>			
Bank Loan		(450,000)	(450,000)
<b>Net Exposure</b>		<b>10,224,120</b>	<b>10,224,120</b>
	Weighted average effective interest rate	Assets with a Floating Interest Rate \$	Total
<b>2021</b>			
<b>Financial assets</b>			
Cash	0-1%	2,094,398	2,094,398
Short term deposits	1% - 3%	3,655,384	3,655,384
Other financial assets	3% - 6%	-	-
Other financial assets	7% - 8%	-	-
Receivables		-	-
Total financial assets		<b>5,749,782</b>	<b>5,749,782</b>
<b>Financial liabilities</b>			
Bank Loan		(843,848)	(843,848)
<b>Net Exposure</b>		<b>4,905,934</b>	<b>4,905,934</b>

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 14 - Financial instruments (continued)**

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
	2021 \$	2020 \$
1% (100 basis points)	49,059	102,241
(1)% (100 basis points)	(49,059)	(102,241)

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 in conjunction with the financial statements. The exposure to credit risk is noted below

	Note	2021 \$	2020 \$
Bank and Cash	4	5,749,782	10,674,120
Loans (Non-Current)	8	1,500,000	1,500,000
Trade Receivables	5	1,167,320	131,129
Loans Current	6	150,000	150,000
DMF Receivable	5 (a)	8,950,335	7,952,131
		<b>17,517,437</b>	<b>20,407,380</b>

#### **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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**Note 14 - Financial instruments (continued)**

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.

<b>2020</b>		<b>1-12 Months</b>	<b>2 to 5 years</b>	<b>Total</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>	
<b>Financial assets</b>				
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
<b>Total financial assets</b>		<b>10,955,249</b>	<b>14,293,131</b>	<b>25,248,380</b>
<b>Financial Liabilities</b>				
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)
<b>Total Financial Liabilities</b>		<b>(9,250,527)</b>	<b>(66,387,838)</b>	<b>(75,638,365)</b>
<b>2021</b>				
		<b>1-12 Months</b>	<b>2 to 5 years</b>	<b>Total</b>
Cash	4	5,749,782	-	5,749,782
Loans	6 & 8	150,000	1,500,000	1,650,000
DMF Receivable	5 (a)	-	8,950,335	8,950,335
Investments	8	-	4,841,000	4,841,000
Trade Receivables	5	1,167,320	-	1,167,320
<b>Total financial assets</b>		<b>7,067,102</b>	<b>15,291,335</b>	<b>22,358,437</b>
<b>Financial Liabilities</b>				
Refundable Deposits Payable**	13	(5,170,000)	(14,392,147)	(19,562,147)
Trade Payables	11	(705,122)	-	(705,122)
Bank Loan	13	(843,848)	-	(843,848)
Funeral Fund	13	(299,508)	(7,733,544)	(8,033,052)
Resident Lease Obligations*	13	(2,700,000)	(46,947,000)	(49,647,000)
Leases	13	(186,069)	-	(186,069)
<b>Total Financial Liabilities</b>		<b>(9,904,547)</b>	<b>(69,072,691)</b>	<b>(78,977,238)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 14 - Financial instruments (continued)**

**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 turnover 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.

#### **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

<b>2020</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
DMF Receivable	5 (a)	-	-	7,952,131
Investment in Unlisted Corporations	8	-	-	4,841,000
<b>2021</b>				
DMF Receivable	5 (a)	-	-	8,950,335
Investment in Unlisted Corporations	8	-	-	4,841,000

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

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**NOTES TO THE FINANCIAL STATEMENTS**

**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**

	2021	2020
	\$	\$
There are no contingent liabilities to the Association	-	-

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

<b>Net profit/(loss) from ordinary activities after income tax</b>	1,478,408	1,283,452
Add Back Depreciation and Amortisation	776,315	847,410
Add Back other non-Operating Cash	86,870	107,081
<b>Movements in Working Capital</b>		
Movement in Prepayment	66,026	(23,733)
Movement in Trade Debtors	(1,036,191)	(60,104)
Movement in DMF Receivable/Other Assets	(998,204)	(2,207,748)
Movement in Trade Creditors & Other Liabilities	761,606	74,754
Movement in Provisions	19,824	82,672
<b>Net Cash Flow From Operating Activities</b>	<b>1,154,654</b>	<b>103,784</b>

**Note 18 – Commitments**

	2021	2020
	\$	\$
<b>(a) Commitments</b>		
Being for radio advertising and promotion		
Payable:		
- not later than 1 year	54,600	54,600
- later than 1 year but not later than 5 years	-	-
	<b>54,600</b>	<b>54,600</b>

The Association has a commitment with Curtin Radio in which the Association benefits from radio advertising and promotion. The commitment to 30 June 2021 amounts to \$54,600 payable in monthly instalments of \$4,550

## NOTES TO THE FINANCIAL STATEMENTS

### 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, its 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. The value of amount repayable is set off against the deferred management fee owed by the resident.

	Note	2021 \$	2020 \$
Residents Lease Obligation on 1 July		(45,675,375)	(49,716,375)
Fair value movement	9	(3,971,625)	4,041,000
<b>Gross Resident Lease Liability</b>		<b>(49,647,000)</b>	<b>(45,675,375)</b>
Less Deferred Management Fee Receivable owing from resident*	5(a)	8,950,335	7,952,131
<b>Residents Lease Obligation at 30 June</b>		<b>(40,696,665)</b>	<b>(37,723,244)</b>

\*On exit the Association will repay the resident lease obligations less the value of the Deferred management fee

**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.

### Note 21 - Related Party Disclosure

#### Related Parties

The association's 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 paid \$75,000 interest to the loan of \$4,841,000 from Retirees' Funeral Fund.

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

On 30 June 2021, the balance of the loan to Samson Homes Pty Ltd for the construction of the Salter Point Age Care is \$1,322,804.

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**NOTES TO THE FINANCIAL STATEMENTS**

- one George Street Pty Ltd - Entity controlled by a spouse of Key Management.

On 30 June 2021, the balance of the loan to one George Street Pty Ltd is \$1,500,000. The loan has been secured by Retirees against the property 930 Albany Highway.

**Note 22 - 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 ON THE FINANCIAL REPORT TO MEMBERS OF RETIREES WA (INC)

### Qualified Opinion

We have audited the financial report of Retirees WA (Inc) ("the Association"), which comprises the statement of financial position as at 30 June 2021, 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 Association's financial position as at 30 June 2021 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) Accounting Treatment on the of Fair Value Adjustments for Retirement Village Assets and Liabilities

As disclosed in Note 9 (a) in the financial report, the Association has Retirement Village Assets reported at fair value of \$47,518,979. For the year ended 30 June 2021 management have valued the retirement village assets as required by AASB 140 *Investment Properties* in accordance with AASB 13 *Fair Value*. The basis of the valuation has been disclosed in Note 9 (a) in the financial statements. The valuation in the 2021 financial year resulted in a fair value write down of \$31,558,606 related to the retirement village assets and an adjustment of \$3,971,625 for the retirement village liabilities. The Association has classified the total fair value adjustment of \$35,530,231 in non-distributable reserves (i.e. in equity). The retirement village properties are classified as investment properties at fair value in accordance with AASB 140. This accounting standard requires all fair value adjustments to be classified and recorded in the statement of profit and loss. Therefore, the Association's accounting treatment of the fair value adjustment is not in accordance with Australian Accounting Standard AASB 140. Due to the material nature of this adjustment, our audit report is qualified in relation to the classification of the fair value adjustment for the year ended 30 June 2021.

## Basis for Qualified Opinion (Continued)

### (b) Valuation and Recoverability of Redeemable Preference Shares

As disclosed in Note 8 of the financial (Other Financial Assets), the Association has an investment in the form of redeemable preference Shares in Retirement Village Developments Pty Ltd of \$4,841,000. The Association 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 we 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 2021. Therefore, our audit report has been qualified in respect to the valuation and recoverability of this asset.

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 Association 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 to the directors 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

The Directors are 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 the directors determine 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, the directors are responsible for assessing the Association'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 intends to liquidate the Association or to cease operations or have no realistic alternative but to do so. The directors are responsible for overseeing the Association's financial reporting process.



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*strength in numbers*

### 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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of the auditor's report.

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& Assurance*

**ARMADA AUDIT & ASSURANCE PTY LTD**

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NIGEL DIAS  
DIRECTOR  
Dated Perth: 17 day of September 2021

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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER DIVISION 60 OF THE AUSTRALIAN CHARITIES 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 2021, 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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& Assurance*

**Armada Audit & Assurance Pty Ltd**



Nigel Dias  
Director

Dated this 17 day of September 2021 at Perth, Western Australia

