

RETIREES WA (INC)
A.B.N. 13 989 588 483
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

Retirees WA (Inc)
30 June 2023 Financial Report

| Contents | Page |
|---|-------------|
| Statement by Members of the Board of Retirees WA (Inc) | 3 |
| Statement of Comprehensive Income | 4 |
| Statement of Financial Position | 5 |
| Statement of Cash Flows | 6 |
| Statement of Changes in Equity | 7 |
| Notes to the Financial Statements | 8-27 |
| Auditor's Independence Declaration | 28 |
| Independent Audit Report to the Members | 29 |

Retirees WA (Inc)
30 June 2023 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 2023.

Board members

The board members for this financial year were:

Lois Jones (President)

Candessa Ashbury (Vice President)

Judith Edwards

Jill Pugliese

Nita Sadler

Stanley McFarlane

Nita Hart

Anthony Santoro

Brian Mathlin

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 29.

1. Presents a true and fair view of the financial position as at 30 June 2023 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.



Lois Jones
President



Margaret Thomas
Chief Executive Officer
Chief Financial Officer

Date: 15th September 2023

Retirees WA (Inc)
30 June 2023 Financial Report

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

| | Note | 2023 \$ | 2022 \$ |
|--|------|------------------|------------------|
| Revenue from ordinary activities | 2 | 11,854,975 | 11,860,500 |
| Employee benefits expense | | (6,112,170) | (5,669,763) |
| Depreciation and amortisation expense | 3 | (776,203) | (867,438) |
| Aged care resident occupancy costs | | (2,830,788) | (3,242,100) |
| Property expense | | (370,756) | (272,601) |
| Insurance expense | | (278,338) | (113,523) |
| Administration expense | | (393,725) | (297,309) |
| Advertising and promotion expense | | (75,393) | (76,047) |
| Profit/(loss) from ordinary activities before income tax | | 1,017,602 | 1,321,719 |
| Income tax expense relating to ordinary activities | 1d | 0 | 0 |
| Net profit/(loss) from ordinary activities after income tax | | 1,017,602 | 1,321,719 |
| Other comprehensive income | | | |
| Total comprehensive income for the year | | 1,017,602 | 1,321,719 |

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

Retirees WA (Inc)
30 June 2023 Financial Report

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

| | Note | 2023 \$ | 2022 \$ |
|---------------------------------------|--------------|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash Assets | 4 | 7,721,315 | 7,786,264 |
| Receivables | 5 (a) | (173,163) | 844,815 |
| Prepayments & Other Assets | | - | - |
| Other Financial Assets | 6 | 80,000 | 80,000 |
| TOTAL CURRENT ASSETS | | 7,628,152 | 8,711,079 |
| NON-CURRENT ASSETS | | | |
| Deferred Management Fee Receivable | 5 (b) and 20 | 1,082,856 | 10,141,862 |
| Right of Use Assets | 7 | 173,739 | 86,869 |
| Other Financial Assets | 8 | 5,104,735 | 5,358,358 |
| Retirement Village Assets | 9 (a) | 41,196,542 | 88,989,008 |
| Land and Buildings | 9 (b) | 1,624,732 | 1,641,029 |
| Property, Plant and Equipment | 10 | 49,360,707 | 30,904,806 |
| TOTAL NON-CURRENT ASSETS | | 98,543,313 | 137,121,932 |
| TOTAL ASSETS | | 106,171,465 | 145,833,011 |
| CURRENT LIABILITIES | | | |
| Payables | 11 | 277,882 | 139,285 |
| Provisions | 12 | 646,521 | 615,801 |
| Other Financial Liabilities (Current) | 13 | 63,122,640 | 94,295,079 |
| TOTAL CURRENT LIABILITIES | | 64,047,043 | 95,050,165 |
| TOTAL LIABILITIES | | 64,047,043 | 95,050,165 |
| NET ASSETS | | 42,124,422 | 50,782,846 |
| EQUITY | | | |
| Non-Distributable Reserves | | 2,897,846 | 2,897,846 |
| Retained Equity | | 39,226,576 | 47,885,000 |
| TOTAL EQUITY | | 42,124,422 | 50,782,846 |

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

Retirees WA (Inc)
30 June 2023 Financial Report

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 2023 \$ | 2022 \$ |
|--|-----------|---------------------|--------------------|
| OPERATING CASH FLOWS | | | |
| Receipts from Customers | | 21,854,158 | 10,567,042 |
| (Payments) To Suppliers and Employees | | (4,507,260) | (2,783,457) |
| Interest Received | | 77,801 | 4,436 |
| Total Cash Flow from Operating Activities | 17 | 17,424,699 | 7,788,021 |
| INVESTING CASH FLOWS | | | |
| Purchase of Property, Plant and Equipment | | (19,488,746) | (6,279,374) |
| Total Cash Flow used in Investing Activities | | (19,488,746) | (6,279,374) |
| FINANCING CASH FLOWS | | | |
| Accommodation bonds/Refundable Accommodation Deposits Received | | 8,813,393 | 6,796,728 |
| Accommodation bonds/Refundable Accommodation Deposits (Refunded) | | (6,540,222) | (5,348,950) |
| Other Financial Repayments | | | |
| Repayment of Office Lease Liabilities | | | - |
| Other Financial Cash Flow | | (274,074) | (919,943) |
| Total Cash Flow used in Financing Activities | | 1,999,097 | 527,835 |
| Net Increase / (Decrease) in Cash Held | | (64,950) | 2,036,482 |
| Cash at the Beginning of the Financial Year | | 7,786,264 | 5,749,782 |
| Cash at the End of the Financial Year | 4 | 7,721,314 | 7,786,264 |

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

Retirees WA (Inc)
30 June 2023 Financial Report

**STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2023**

| Note | Retained Earnings \$ | Non- Distributable Reserves \$ | Total \$ |
|--|----------------------------|---|-------------------|
| Balance at 1 July 2021 | 45,390,484 | (27,730,232) | 17,660,252 |
| Comprehensive income | | | |
| Profit for the year | 1,321,719 | - | 1,321,719 |
| Adjustment to reserves – Market value correction of retirement village assets (Refer to Note 9a) | - | 24,395,078 | 24,395,078 |
| Adjustment to reserves – Market value correction of retirement village liabilities (Note 20) | - | 6,233,000 | 6,233,000 |
| Correction per revaluation of assets | 1,172,797 | - | 1,172,797 |
| Total comprehensive income for the year | 2,494,516 | 30,628,078 | 33,042,594 |
| Balance at 30 June 2022 | 47,885,000 | 2,897,846 | 50,702,846 |
| Balance at 1 July 2022 | 47,885,000 | 2,897,846 | 50,702,846 |
| Comprehensive income | | | |
| Profit for the year | 1,017,602 | - | 1,017,602 |
| Adjustment to reserves – DMF correction (Refer to Note 5b) | (10,171,483) | - | (10,171,483) |
| Adjustment to reserves – Redeemable Preference shares (Note 8) | (253,621) | - | (253,621) |
| Correction per revaluation of assets | 658,418 | - | 658,418 |
| Total comprehensive income for the year | 39,226,576 | 2,897,846 | 42,124,422 |
| Balance at 30 June 2023 | 39,226,576 | 2,897,846 | 42,124,422 |

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 2023 of \$28,524,158 (Excluding Resident Lease Obligations of \$5,741,420). This position arises as the Refundable Deposits Payable (RADS) of \$23,185,210. Funeral Fund liability of \$6,882,554 and Resident lease obligations of \$5,741,420 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 is 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.

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 Funeral Fund balance held.

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 independent sworn valuer for the year 2022 valued the leased assets based on the DMF value method 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 (n) and Note 1 (o) and Note 9) and Note 20).** 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 (a)** - Critical estimate as the value of the DMF is based on the sale value of the units while having a DMF agreement in place. 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. It should be noted that a new pandemic could arise at any time in the future and Retirees will act in accordance with the appropriate medical advice at the time.

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) 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

| | 2023 | 2022 |
|---------------------------------|--------------------------|--------------------------|
| Operating activities | \$ | \$ |
| Deferred management fees | 2,265,308 | 2,471,374 |
| Government subsidies | 6,461,870 | 5,693,064 |
| Lease income | 19,200 | 20,800 |
| Management fees | 316,509 | 310,825 |
| Membership fees | 110,536 | 104,862 |
| Profit from lease of units | 60,000 | 160,000 |
| Residence Fees | 2,111,324 | 2,561,699 |
| | <u>11,344,747</u> | <u>11,322,624</u> |
| Non-operating activities | | |
| Interest received | 111,947 | 4,436 |
| Other Income | 398,281 | 113,440 |
| Total Revenue | <u><u>11,854,975</u></u> | <u><u>11,440,500</u></u> |

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

| | 2023 | 2022 |
|---|-----------|-----------|
| Profit/(loss) from ordinary activities has been determined after: | \$ | \$ |
| <u>Expenses</u> | | |
| Depreciation and amortisation of property, plant and equipment | 776,203 | 867,438 |
| Remuneration of auditor - audit services | 33,000 | 17,670 |
| <u>Income</u> | | |
| Interest Received | 111,947 | 4,436 |

Retirees WA (Inc)
30 June 2023 Financial Report

NOTES TO THE FINANCIAL STATEMENTS

Note 4 – Cash Assets

| | 2023 | 2022 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Cash Operating Accounts | | |
| General Fund | 78,208 | 27,256 |
| Funeral Fund | 268,176 | 308,214 |
| Amelioration Fund | 102,378 | 103,501 |
| Property Account | 2,625 | 142,345 |
| Aged Care Accounts | 2,151,039 | 1,568,451 |
| Units Refurbishment | | |
| Refit Account Saver | 407,257 | 973,726 |
| | <u>3,009,683</u> | <u>3,123,493</u> |
| Aged Care Accommodation Bonds | | |
| CBA | 3,049,558 | 3,020,932 |
| Term Deposits: | | |
| Funeral Fund | | |
| ANZ Term Deposits | 200,000 | 200,000 |
| ANZ Term Deposits | 833,104 | 812,028 |
| CBA Term Deposits | 621,703 | 620,848 |
| | <u>1,654,807</u> | <u>1,632,876</u> |
| Amelioration Fund | | |
| CBA Term Deposits | 5,000 | 5,000 |
| Sub-total - Cash at Banks | <u>7,719,048</u> | <u>7,782,301</u> |
| Cash on Hand | 2,267 | 3,963 |
| Total Cash Assets | <u><u>7,721,315</u></u> | <u><u>7,786,264</u></u> |

Note 5 - Receivables

(a) Current

| | 2023 | 2022 |
|--------------------|-------------------------|-----------------------|
| | \$ | \$ |
| Other Debtors | (85,500) | 499,795 |
| Net GST Receivable | (90,663) | 345,020 |
| | <u><u>(173,163)</u></u> | <u><u>844,815</u></u> |

(b) Deferred Management Fee Receivable (DMF)

Non-Current

| | | |
|--------------------------|-------------------------|--------------------------|
| Deferred Management fees | <u><u>1,082,856</u></u> | <u><u>10,141,862</u></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

| | 2023 | 2022 |
|-------------------------------------|---------------|---------------|
| Current | \$ | \$ |
| Loans | 80,000 | 80,000 |
| Total Other Financial Assets | 80,000 | 80,000 |

Note 7 - Right of Use Assets

| | | |
|--|----------------|---------------|
| Right to Use Assets – balance at beginning of year | 173,739 | 173,739 |
| Less Amortisation | - | (86,870) |
| Total Right of Use Assets | 173,739 | 86,869 |

(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

| | 2023 | 2022 |
|--|------------------|------------------|
| Non-Current | \$ | \$ |
| 1st Registered Mortgage (a) | 1,500,000 | 1,500,000 |
| Funeral Fund Investments – Redeemable Shares at cost (b) | 3,604,735 | 3,858,358 |
| | 5,104,735 | 5,358,358 |

(a) 1st Registered Mortgage - One George Street

A loan has been made by the funeral fund to One George Street Pty Ltd for the amount of \$1,500,000. This loan is documented with security over the property opposite Retirees in Albany Highway. The property was going to have a building constructed on the property to become the office for Retirees. Subsequently the building at Salter Point is now going to incorporate offices for Retirees.

The Property at Albany Highway is now no longer needed and has been put on the market and listed with property agents Harcourts for \$1,900,000

Once the property is sold the Loan of \$1,500,000 will be repaid to the funeral fund

NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Other Financial Assets (continued)

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

Impairment analysis during my testing of the investment by the Funeral fund to Retirement Village Developments Pty Ltd being an arm's length company holding the Redeemable preference shares on behalf of the Retirees Funeral Fund.

These funds have been on lent by RVD to Retirees as a loan with security held over the land and buildings at Joseph Banks. The security held is in excess of the amount of the redeemable shares.

I noted that management's analysis and explanation of this facility adequately supported the that the transaction was utilised fully for the expansion of the building assets of Retirees and to be for the benefit for aged, retired persons.

It is my conclusion that valuing the shares as \$1.00 each is estimated to be at fair value.

The reason for this conclusion is that RVD is continuing to redeem these preference shares and each of the repayments have been recognised at a value of \$1.00 per share. Based on the recognition by all of the parties involved that the Value for the Preference shares is at \$1.00 I have therefore concluded that it is reasonable that these shares continue to be recorded by the Funeral Fund and valued at \$1.00 per share. There has also been no indication, that I am aware off, that the preference shares will not continue to be paid off at a value of \$1.00

It is important that Retirees continue to repay the loan so that the shares can be fully redeemed at \$1.00 each for all of the shares until the shares have been fully redeemed.

| Note 9 (a) Retirement Village Assets (Investment Properties at fair value) | | 2023 | 2022 |
|---|------------------------------|-------------------|-------------------|
| Retirement Villages - Land and Buildings | | \$ | \$ |
| Canna (at Cost) | | 24,124,489 | 23,508,253 |
| Kempton (at Cost) | | 9,060,633 | 7,330,755 |
| Retirement Villages - Land and Buildings | | 33,185,122 | 30,839,008 |
| Fair Value Adjustments | - Residents Lease Obligation | 5,741,420 | 58,880,000 |
| Sworn Independent Valuations | - Chessell | 1,120,000 | 1,120,000 |
| | - Fern Village | 700,000 | 700,000 |
| | - Skewes Village | 450,000 | 450,000 |
| Total Retirement Village Assets at fair value | | 41,196,542 | 88,989,008 |

Valuations used for other Villages owned by Retirees WA Inc.

For the year ended 30 June 2023 the Valuation made by the Board of Retirees for following villages have been calculated using the same method that the independent valuer used for Chessell, Fern and Skewes.

Canna \$4,363,195

Kempton \$1,378,225

These amounts have been recorded in the financial statements of Retirees as at 30 June 2023.

The effect on the value of the village assets has therefore been reduced from a value of \$55,880,000 (2022) an amount of \$5,741,420 (2023)

This adjustment to the valuation does not have any material effect to the overall equity position of Retirees as the liability to offset this amount has been reduced by the same amount accordingly.

Retirees WA (Inc)
30 June 2023 Financial Report

Sworn Independent Valuations

Sworn Independent Valuations were obtained by retirees during the 2022 financial year for the following properties

- Chessell Retirement Village
- Fern Retirement Village
- Skewes Retirement village

These valuations have been entered into the financial statements for the year ended 30 June 2022 and carried forward at the same value for 2023

Management should continue to ensure the estimate of these properties are at fair value and is thoroughly documented and supported with by the use of either, external valuations (i.e., appraisal or broker opinion of value) or internal valuation of fair value.

| <u>Note 9 (b) Land and Buildings at Cost</u> | 2023 | 2022 |
|---|------------------|------------------|
| Land | \$ | \$ |
| Crown Land at Committees Valuation | | |
| Denmark | 107,362 | 107,362 |
| Freehold Land & Buildings | | |
| Geraldton - other houses | 961,537 | 977,834 |
| Coolgardie | 102,453 | 102,453 |
| Collie | 453,380 | 453,380 |
| Total Carrying Amount of Land and Buildings at 30 June | 1,624,732 | 1,641,029 |

These assets have been carried at cost and there has been no independent valuation for these assets

Movement in carrying amounts for each class of land and buildings between the beginning and end of the current financial year is \$16,297.

Retirees WA (Inc)
30 June 2023 Financial Report

NOTES TO THE FINANCIAL STATEMENTS

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

| Retirement Village Asset | Land and Buildings | Retirement Villages Land and Buildings |
|---|-----------------------|--|
| | \$ | \$ |
| Carrying amount at the beginning of financial year | 1,641,029 | 88,989,008 |
| Add Additions | | 2,757,472 |
| Less fair value adjustment on retirement village leased assets* | | (50,138,580) |
| Less depreciation expense | (16,297) | (414,358) |
| Carrying amount at the end of the financial year | <u>1,624,732</u> | <u>41,196,542</u> |

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 and an amount of \$35,530,231 was offset against the Non-Distributable Reserves. Refer to Note 20 for further details.

Note 10 - Property, Buildings, Plant & Equipment

Land, Buildings & Equipment Net of Depreciation:-

- Joseph Banks Aged Care Facility
- Salter Point

| 2023 | 2022 |
|-------------------|-------------------|
| \$ | \$ |
| 12,073,569 | 12,250,200 |
| 37,199,149 | 18,566,155 |
| <u>49,272,718</u> | <u>30,816,355</u> |

Plant & Equipment

Motor vehicles - at cost

Less Accumulated depreciation

| | |
|---------------|---------------|
| 158,535 | 158,535 |
| (115,043) | (110,210) |
| <u>43,492</u> | <u>48,325</u> |

Plant & Equipment - Head Office @ Cost

Less Accumulated depreciation

| | |
|---------------|---------------|
| 451,306 | 441,613 |
| (406,809) | (401,487) |
| <u>44,497</u> | <u>40,126</u> |

Property, plant and equipment

| | |
|-------------------|-------------------|
| <u>49,360,707</u> | <u>30,904,806</u> |
|-------------------|-------------------|

Retirees WA (Inc)
30 June 2023 Financial Report

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 | 48,325 | 30,816,355 | 40,126 | 30,904,806 |
| Add Additions | - | 18,794,937 | 9,693 | 18,804,630 |
| Less disposals | - | - | - | - |
| Less depreciation expense | (4,833) | (338,574) | (5,322) | (348,729) |
| Carrying amount at the end of the financial year | <u>43,492</u> | <u>49,272,718</u> | <u>44,497</u> | <u>49,360,707</u> |

Note 11 - Payables

| | 2023 | 2022 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Trade Creditors | 231,893 | 255,773 |
| Lease of Units | - | - |
| Other Payables | (337,601) | (328,371) |
| Accruals | 33,000 | 22,500 |
| DMF Loan to Funeral fund | 253,623 | - |
| Payroll Liabilities | 76,017 | 169,433 |
| Property costs recovered | 20,950 | 19,950 |
| | <u>277,882</u> | <u>139,285</u> |

Note 12 - Provisions

| | 2023 | 2022 |
|-------------------------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Provision for employee entitlements | 646,521 | 615,801 |
| | <u>646,521</u> | <u>615,801</u> |

Note 13 - Other Financial Liabilities (Current)

| | 2023 | 2022 |
|---|------------------|------------------|
| | \$ | \$ |
| Funeral Fund liability | 6,585,412 | 7,113,109 |
| Balance at beginning of year | 7,113,109 | 8,033,052 |
| Collections Less Payments & Administration Fees | (527,697) | (919,943) |
| Add Adjustment to Cash Value of Funeral Funds | | |
| Balance at end of year | <u>6,585,412</u> | <u>7,113,109</u> |

Retirees WA (Inc)
30 June 2023 Financial Report

NOTES TO THE FINANCIAL STATEMENTS

The funeral fund contract was renegotiated with the Funeral Directors Association during the year and the increased cost of between \$150 and \$194 per contract, inclusive of GST, will become operative from 1 July 2023.

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

| | 2023 \$ | 2022 \$ |
|---|-------------------|-------------------|
| Lease Liability (AASB 16) | | - |
| Loan from Retirement Village Development | 3,591,752 | 3,845,375 |
| Residents lease Obligation** (Expected to be paid with 12 months) | - | 2,600,000 |
| Residents lease Obligation** (Expected to be after 12 months) | 5,741,420 | 53,280,000 |
| Commonwealth Bank Loan | 450,000 | 450,000 |
| Provision for Sales - Kempton | 1,260,000 | - |
| Bank Loan – Salter Point | 22,308,846 | 6,011,408 |
| Total Other Financial Liability (Residents Lease Obligation incl. **) | 33,352,018 | 66,186,783 |
| Amount Due and Payable | - | 460,000 |
| Amount Expected to be Payable within 12 months | 4,300,000 | 4,300,000 |
| Amount Expected to be payable after 12 months | 18,885,210 | 16,235,187 |
| Total Refundable Deposits Payable / Accommodation Bonds Payable *(current) | 23,185,210 | 20,995,187 |
| Total Other Financial Liabilities (Current including Funeral Fund) | 63,122,640 | 94,295,079 |

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 funds made by the village residents upon entering the village as a payment upon entering the village. This entitles the resident to occupy the unit until they choose to sell. 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

| | Assets with a Floating Interest Rate | Total |
|----------------------------------|---|---------------------|
| 2023 | \$ | |
| Financial assets | | |
| Cash | 2,604,692 | 2,604,692 |
| Short term deposits | 5,116,622 | 5,116,622 |
| Other financial assets | - | - |
| Other financial assets | - | - |
| Receivables | - | - |
| Total financial assets | 7,721,314 | 7,721,314 |
| Financial liabilities | | |
| Bank Loan – Salter Point | (22,308,846) | (22,308,846) |
| Bank Loan | (450,000) | (450,000) |
| Net Exposure | (15,037,532) | (15,037,532) |

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 | 2023 | 2022 |
|---------------------|-------------|-------------------|-------------------|
| | | \$ | \$ |
| Bank and Cash | 4 | 7,721,314 | 7,786,264 |
| Loans (Non-Current) | 8 | 1,500,000 | 1,500,000 |
| Trade Receivables | 5 | 909,693 | 844,815 |
| Loans Current | 6 | 80,000 | 80,000 |
| DMF Receivable | 5 (a) | 1,082,856 | 10,141,862 |
| | | 11,293,863 | 20,352,941 |

NOTES TO THE FINANCIAL STATEMENTS

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.

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 funds made by the village residents upon entering the village. 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

| 2023 | Note | Level 1 | Level 2 | Level 3 |
|----------------------------------|-------|---------|---------|-----------|
| DMF Receivable | 5 (a) | - | - | 1,082,856 |
| Funeral Fund – Preference Shares | 8 | - | - | 3,604,735 |

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

Retirees WA (Inc)
30 June 2023 Financial Report

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

There are no contingent liabilities to the Association

| 2023 | 2022 |
|------|------|
| \$ | \$ |
| - | - |

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

| | | |
|--|-------------------|------------------|
| Net profit/(loss) from ordinary activities after income tax | 1,017,601 | 1,321,719 |
| Add Back Depreciation and Amortisation | 776,203 | 780,568 |
| Add Back other non-Operating Cash | - | 86,870 |
| Movements in Working Capital | | |
| Movement in Prepayment | 7,444,246 | 95,057 |
| Movement in Trade Debtors | 1,017,977 | 322,505 |
| Movement in DMF Receivable | 9,059,006 | (1,191,527) |
| Movement in Trade Creditors & Other Liabilities | (368,648) | 6,312,779 |
| Movement in Provisions | 30,720 | 60,051 |
| Net Cash Flow From Operating Activities | 17,424,699 | 7,788,022 |

Note 18 – Commitments

(a) Commitments

Being for radio advertising and promotion

Payable:

| | | |
|--|----------|---------------|
| - not later than 1 year | - | 54,600 |
| - later than 1 year but not later than 5 years | - | - |
| | - | 54,600 |

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

Retirees WA (Inc)
30 June 2023 Financial Report

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 | 2023 \$ | 2022 \$ |
|---|----------|--------------------|---------------------|
| Residents Lease Obligation on 1 July | | (55,880,000) | (49,647,000) |
| Fair value movement | | 50,138,580 | (6,233,000) |
| Gross Resident Lease Liability | 9 | (5,741,420) | (55,880,000) |
| Less Deferred Management Fee Receivable owing from resident* | 5(a) | 1,082,856 | 10,141,862 |
| Residents Lease Obligation at 30 June | | (4,658,564) | (45,738,138) |

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

As at the 30 June 2023, the balance of the advanced deposit to Samson Homes Pty Ltd for the construction of the Salter Point Aged Care is \$1,413,967

Retirees WA (Inc)
30 June 2023 Financial Report

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

John D Pascoe, FCPA

Certified Practising Accountant

Registered Tax Agent

Registered Company Auditor

ABN: 64 724 120 246

John D Pascoe
Unit 487, 118 Monash Avenue
Nedlands, WA 6009

ABN 64 724 120 246
Email: johnjill@westnet.com.au
Mob: 0406 380 215

Dear Board members

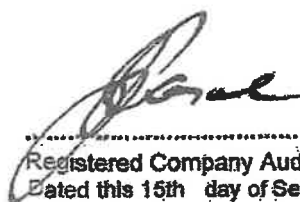
**FINANCIAL REPORT OF RETIREES WA INC. 30TH JUNE 2023
AUDITOR'S INDEPENDENCE DECLARATION**

In accordance with the Australian Charities and Not-for-profits Commission Act 2012, I am pleased to provide the following declaration of independence to the Board 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 2023, 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.

John D Pascoe FCPA



Registered Company Auditor No 13479
Dated this 15th day of September 2023 at Perth, Western Australia

Liability is limited by a scheme approved under Professional Standards Legislation.

John D Pascoe, FCPA

Certified Practising

Accountant

Registered Tax

Agent Registered

Company

Auditor

ABN: 64 724 120 246

John D Pascoe
Unit 487, 118 Monash Avenue
Nedlands, WA 6009

ABN 64 724 120 246
Email: johnjill@westnet.com.au
Mob: 0406 380 215

Independent auditor's report to the members of Retirees WA Inc.

Report on the Audit of the Financial Report for the year ended 30 June 2023

I have audited the financial statements of Retirees WA Inc. for the year ending 30th June 2023 and have raised the following items as Matters of Emphasis

Matter of emphasis - Valuation of property assets

During the 2022-year Retirees engaged the services of Property Valuation & Advisory (WA) Pty Ltd to provide independent valuations of the villages known as Chessell, Fern and Skewes.

Retirees WA (Inc.) engaged the independent sworn valuer who was requested to value Retirees interest in the 3 villages as the owners for the purpose of obtaining a valuation and for the purpose of being able to calculate the Value of the 3 Villages and to bring them to account in the balance sheet using the Deferred Management Fees (DMF) method.

The Valuer valued the property under the fair value measurement established in AASB 13 as instructed using a DMF assessment.

The following is provided for further information.

Fair Value is defined by the Australian Accounting Standards Board (AASB 13) as follows:

"Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

In relation to the independent living units which form part of an operating retirement village, the valuer was of the opinion that there is an active market for the units within the village and the value of the deferred interest in the land and buildings (represented by the Deferred Management Fee (DMF)) and the Income Approach is the most relevant to use.

The Income Approach was defined by the valuer as follows:

"The income approach converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts."

Basis of Valuation

The Valuer conceded it appropriate to use the Discounted Cash Flow approach for the income stream going forward derived from the deferred management fees and share of capital growth, with explanation of the DCF following.

VALUATION CALCULATIONS DMF includes all of the valuer's assumptions included in the valuation summary.

VALUATION CALCULATIONS DMF gives the value for the owners' interest in the property (what Retirees WA would be able to sell for if the village was placed on the market). This equates to the value of both the land and the buildings.

The value that was previously utilised from the valuation reports is the current market value that the Valuer placed on each unit for utilisation in our cashflow to determine the DMF you receive when the unit rolls over. It is not what the valuer considered that a purchaser would pay if the village was sold.

Previously the values used in the past prior to 2022 appears to be based on the cost approach (depreciated buildings and land value).

Upon receiving the sworn valuation from the Valuer, the values to be raised in the Balance Sheet based on a Deferred Management Fee cash flow valuation were as follows for the 2022 year.

- Chessell \$1,120,000.00
- Fern \$ 700,000.00
- Skewes \$ 450,000.00

These values have been used again in the financial statements for the 2023 year as Retirees considered that there had not been any change in these valuations since 2022.

Matter of Emphasis - Valuations used for other Villages owned by Retirees WA Inc.

For the year ended 30 June 2023 the Valuation made by the Board of Retirees for the following villages have been calculated using the same method that the Independent valuer used for Chessell, Fern and Skewes.

| | |
|---------|----------------|
| Canna | \$4,363,195.00 |
| Kempton | \$1,378,225.00 |

These amounts have been recorded in the financial statements of Retirees as at 30 June 2023

The effect on the value of the village assets has therefore been reduced from a value of \$55,880,000.00 to an amount of \$5,741,420.00 in the year 2023.

This adjustment to the valuation does not have any material effect on the overall Equity position of Retirees as the liability to offset this amount has been reduced by the same amount accordingly.

Matter Of Emphasis – Funeral Fund's Redeemable Preference Shares

As at the 30 June 2023 the funeral fund had a portion of its funds invested in Redeemable Preference shares to the sum of \$3,604,735.36 (2022 \$3,858,358.29). The funds are currently invested with Retirement Village Developments Pty Ltd (RVD) a Pty Ltd company who has no other function but to collect the repayment of the loan funds previously loaned to Retirees WA (Inc) and in turn redeem the preference shares held by the Funeral Fund. RVD is only a private company which holds a first mortgage over the property and building known as Joseph Banks.

The repayment of the loan funds and the redeeming of the preference shares rely entirely on the ability of Retirees WA (Inc) to be able to repay the loan fund owed to RVD.

Matter of Emphasis – Funeral fund loan to One George Street Pty Ltd

The Funeral Fund has made a loan to One George Street Pty Ltd for the amount of \$1,500,000.00 which is controlled by a related party. The purpose of the loan was for the purchasing of vacant land in Albany Highway in Victoria Park for the purpose of housing the office of the administration departments of Retirees.

The sole asset of One George Street Pty Ltd was the Albany Highway property which was being held as security for the loan from the Funeral Fund.

Subsequent to the purchase Retirees decided to take up office space in the new retirement premises being built at Salter Point. As the Albany Highway property was no longer needed for the offices of Retirees the property was placed on the market for sale. The proceeds from the sale of the Albany Highway Property will be used to repay the loan from the Funeral Fund

Matter of emphasis – Related Parties

Key Management relationships

The CEO of Retirees and the Director of Samson Homes Pty Ltd are related parties.

Samson Homes has completed major building contracts on behalf of Retirees and is currently constructing the buildings at Geraldton and Salter point.

As at the 30th June 2023, the balance of the advanced deposit to Samson Homes Pty Ltd for the construction of the Salter Point Aged Care facility is \$1,413,967

One George Street Pty Ltd is an entity controlled by a related party to the Retirees CEO.

A loan was made by Retirees Funeral Fund to One George Street of \$1,599,000 to Purchase a property in Victoria Park across the road from the Retirees offices for the purpose of building new offices for Retirees. Subsequently Retirees decided to take up offices in the new building at Salter Point and the construction at One George Street became unnecessary and the property has been put on the market for sale and the loan will be repaid to the Funeral Fund.

Opinion

I have audited the financial report of Retirees WA Inc., which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2023 notes to the financial statements, including a summary of significant accounting policies and the Statement By the Members of the Board.

In my opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of Retirees WA Inc. as at 30 June 2023, and its financial performance and its cash flows for the year ended on that date in accordance with the Australian Accounting Standards.

I declare that management's use of the going concern basis in the preparation of the financial statements of the Reporting Entity is appropriate.

Basis for Opinion

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

The Board is responsible for the other information provided in the financial statements. The other information provided by the board has been included to provide further clarification of the financial statements.

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

Responsibilities of the Board for the Financial Report

The Board of the Reporting Entity is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Companies Act, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the Reporting 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 the Board either intend to liquidate the Reporting Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objective is 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my 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 Reporting Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board'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 Reporting Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Reporting 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.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Reporting Entity to express an opinion on the financial report. I am responsible for the direction, supervision, and performance of the Reporting Entity audit. I remain solely responsible for my audit opinion.

I communicate with the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Electronic publication of the audited financial reports

It is my understanding that the Reporting Entity intends to electronically present the audited financial report and auditor's report on its internet website. The responsibility for the electronic presentation of the financial report on the website is that of Committees of Management. The security and controls over information on the website should be addressed by the Reporting Entity to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial report(s) on the Reporting Entity's website is beyond the scope of the audit of the financial report.

I declare that I am an auditor registered under the Companies Act.

John D Pascoe, FCPA


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Registered Company Auditor
Registered number: 13479

Dated at Perth this 15th day of September 2023