

**ECH INC.**

**ABN: 32 930 142 652**

**FINANCIAL REPORT  
for the Year Ended  
30 June 2018**

**ECH INC.**  
**Financial Report for the Year Ended 30 June 2018**  
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**ECH INC.**  
**Financial Report for the Year Ended 30 June 2018**  
**Board Report**

The Board Members present their report on the Financial Statements of ECH Incorporated for the year ended 30 June 2018.

The following persons held office as Board Members during the reporting year and up to the date of signing this report:

S Vardon  
R Hislop  
C Bryson  
S Christley  
S Daw  
A Heard (Retired 30 June 2018)  
M Makrid (Appointed 01 March 2018)  
P Siebels  
L Steel (Appointed 01 March 2018)

**Principal Activities**

ECH Inc is a profit-for-purpose organisation. Our purpose is to promote self-determination and enable people to live confidently at home and have the best possible life as they age. All of our programs and services are provided by more than 600 staff with a wide range of skills. Our team of home support workers, health professionals, maintenance teams, administrators and invaluable volunteers are committed to enabling people to live the best life possible as they age by delivering services with Integrity, Respect and Empathy.

ECH provides the following elements of care:

- Social Connections
- Home fit-for-purpose
- Member Finances
- Physical Health and Wellbeing

This includes our 104 independent retirement villages, which are located in established suburbs throughout metropolitan Adelaide, Adelaide Hills, Victor Harbor and Ardrossan.

**Significant Changes**

No significant changes in the nature of these activities occurred during the year.

**Operating Result**

The surplus for the year is disclosed in the Statement of Profit or Loss and Other Comprehensive Income and includes all sources of income for the year. The surplus from ordinary activities for the year ended 30 June 2018 amounted to \$9,284K (prior year surplus \$11,055K).

**After Balance Date Events**

No matters or circumstances have arisen since the end of the financial year, that have significantly affected or may significantly affect:

- (i) the operation of the Association;
- (ii) the results of the operation; and
- (iii) the state of affairs of the Association.

other than the purchase of 4,172 shares for a 20% interest in Billy Care Pty Ltd which occurred on 23 August 2018 (Note 18).

**ECH INC.****Financial Report for the Year Ended 30 June 2018****Statement of Profit or Loss and Other Comprehensive Income**

	<b>Note</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Revenue	3	<b>59,322</b>	55,718
Other income	3	<b>3,286</b>	29
Employee benefits expense	4	<b>(35,937)</b>	(30,115)
Depreciation and amortisation expense	4	<b>(2,511)</b>	(1,788)
Other expenses	4	<b>(14,876)</b>	(12,789)
<b>Surplus for the year</b>		<b>9,284</b>	11,055
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met;</i>			
Net gain on revaluation of investment securities		498	4,320
Net gain on revaluation of land and buildings		9,730	-
<b>Total other comprehensive income for the year</b>		<b>10,228</b>	4,320
<b>Total comprehensive income for the year</b>		<b>19,512</b>	15,375

The accompanying notes form part of these financial statements

**ECH INC.**  
**Financial Report for the Year Ended 30 June 2018**  
**Statement of Financial Position**

	<b>Note</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	<b>7,226</b>	197
Trade and other receivables	6	<b>11,366</b>	10,914
Financial assets	7	<b>24</b>	23,099
Inventories	2(viii)	<b>105</b>	112
<b>Total current assets</b>		<b>18,721</b>	<b>34,322</b>
<b>Non-current assets</b>			
Financial assets	7	<b>145,673</b>	139,651
Property, plant and equipment	8	<b>61,915</b>	35,490
Investment property	9	<b>214,013</b>	197,686
<b>Total non-current assets</b>		<b>421,601</b>	<b>372,827</b>
<b>Total assets</b>		<b>440,322</b>	<b>407,149</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	<b>3,953</b>	2,197
Amounts payable to residents	11	<b>79,514</b>	71,916
Provision for workers compensation	2(xiii)	<b>334</b>	753
Short term provisions	12	<b>3,505</b>	3,219
Other liabilities	13	<b>7,442</b>	3,432
<b>Total current liabilities</b>		<b>94,748</b>	<b>81,517</b>
<b>Non-current liabilities</b>			
Provision for workers compensation	2(xiii)	<b>397</b>	-
Long term provisions	12	<b>496</b>	463
<b>Total non-current liabilities</b>		<b>893</b>	<b>463</b>
<b>Total liabilities</b>		<b>95,641</b>	<b>81,980</b>
<b>NET ASSETS</b>		<b>344,681</b>	<b>325,169</b>
<b>EQUITY</b>			
Retained earnings		<b>340,171</b>	330,887
Reserves		<b>4,510</b>	(5,718)
<b>TOTAL EQUITY</b>		<b>344,681</b>	<b>325,169</b>

The accompanying notes form part of these financial statements

**ECH INC.****Financial Report for the Year Ended 30 June 2018****Statement of Changes in Equity**

	<b>Retained Earnings</b>	<b>Share Revaluation Reserve (i)</b>	<b>Asset Revaluation Reserve (ii)</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance as at 1 July 2016</b>	319,832	(10,038)	-	309,794
Surplus for the year	11,055	-	-	11,055
Total other comprehensive income for the year	-	4,320	-	4,320
<b>Balance as at 30 June 2017</b>	330,887	(5,718)	-	325,169
Surplus for the year	9,284	-	-	9,284
Total other comprehensive income for the year	-	498	9,730	10,228
<b>Balance as at 30 June 2018</b>	340,171	(5,220)	9,730	344,681

**(i) Share Revaluation Reserve**

The share revaluation reserve includes the cumulative net change in the fair value of available for sale instruments until the investment is derecognised.

**(ii) Asset Revaluation Reserve**

The asset revaluation reserve records the cumulative change in the valuation of non-current assets as a result of revaluations carried out.

The accompanying notes form part of these financial statements

**ECH INC.**  
**Financial Report for the Year Ended 30 June 2018**  
**Statement of Cash Flows**

	<b>Note</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		<b>42,030</b>	40,907
Payments to suppliers and employees		<b>(44,724)</b>	(42,810)
Investment income received		<b>10,674</b>	8,918
<b>Net cash provided by operating activities</b>	14	<b>7,980</b>	7,015
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		<b>(26,569)</b>	(9,482)
Proceeds from/(Payments) for other financial assets		<b>15,075</b>	(6,032)
Proceeds from sale of property, plant and equipment		<b>4,501</b>	43
<b>Net cash (used in) investing activities</b>		<b>(6,993)</b>	(15,471)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds of loans from residents		<b>9,627</b>	14,057
Refunds of loans to residents		<b>(3,585)</b>	(5,773)
<b>Net cash provided by financing activities</b>		<b>6,042</b>	8,284
<b>Net increase / (decrease) in cash held</b>		<b>7,029</b>	(172)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>197</b>	369
<b>Cash and cash equivalents at the end of the year</b>	5	<b>7,226</b>	197

The accompanying notes form part of these financial statements

**ECH INC.**  
**Financial Report for the Year Ended 30 June 2018**  
**Notes to and Forming Part of the Financial Statements**

**Note 1: Introduction**

The financial report was authorised for issue on the 27 September 2018 by the Board of Directors of ECH Inc.

ECH Inc. (ECH) is an Association incorporated under the *Associations Incorporation Act 1985* and is also a registered charity under the *Australian Charities and Not-for-profit Commission Act 2012*.

ECH's registered office is 174 Greenhill Road, Parkside, South Australia, 5063.

**Basis of Preparation**

ECH applies Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements and other applicable Australian Accounting Standards - Reduced Disclosure Requirements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profit Commission Act 2012. The Association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified (where applicable) by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts disclosed in the financial statements have been rounded to the nearest thousand dollars.

**Note 2: Summary of Significant Accounting Policies**

**(i) Financial instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets this is equivalent to the date that the entity commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments 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 profit or loss immediately.



**ECH INC.**

**Financial Report for the Year Ended 30 June 2018**

**Notes to and Forming Part of the Financial Statements (continued)**

**Note 2: Summary of Significant Accounting Policies (continued)**

**(i) Financial instruments (continued)**

**Classification and subsequent measurement**

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (i) the amount at which the financial asset or financial liability is measured at initial recognition;
- (ii) less principal repayments;
- (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**(a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which are classified as non-current assets.

**(b) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

## **ECH INC.**

### **Financial Report for the Year Ended 30 June 2018**

#### **Notes to and Forming Part of the Financial Statements (continued)**

##### **Note 2: Summary of Significant Accounting Policies (continued)**

###### **(b) Available-for-sale financial assets (continued)**

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period, which are classified as current assets.

###### **(c) Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Impairment:** At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**De-recognition:** Financial assets are derecognised where the contractual right to the receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

###### **(ii) Revenue recognition**

###### **(a) Provision of services - government subsidies and residents' contributions**

Income from the provision of services is recognised when the service is performed.

###### **(b) Dividend revenue**

Dividend revenue is recognised when the right to a dividend has been established.

###### **(c) Sale of goods**

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

###### **(d) Interest revenue**

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument.

###### **(e) Rent**

Rent for independent living units is collected in advance. The rent is recorded as deferred income until it is earned.

**ECH INC.**

**Financial Report for the Year Ended 30 June 2018**

**Notes to and Forming Part of the Financial Statements (continued)**

**Note 2: Summary of Significant Accounting Policies (continued)**

**(iii) Government grants**

Grants received are conditional on them being used in accordance with the conditions attached. Grants are recognised in the profit for the year over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis according to the conditions of the grants.

Grants related to assets are presented in the Statement of Financial Position by setting up the grant as deferred income.

**(iv) Investment securities**

ECH's investments in shares, managed portfolios, income securities and property trusts are measured at fair value determined by reference to quoted market prices.

**(v) Income taxes**

ECH is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

**(vi) Impairment of assets**

At the end of each reporting period, the entity reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(vii) Receivables**

Trade accounts, notes receivable and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful debts. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

**(viii) Inventories**

Inventories comprising food, medical supplies and refurbishing materials are valued at the lower of cost and current replacement cost. Costs have been assigned to inventory quantities on hand at reporting date using the first in first out (FIFO) basis.

**(ix) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**ECH INC.****Financial Report for the Year Ended 30 June 2018****Notes to and Forming Part of the Financial Statements (continued)****Note 2: Summary of Significant Accounting Policies (continued)****(ix) Property, plant and equipment (continued)****Land and buildings**

Land and buildings are carried at deemed cost as at 1 July 2000 and additions since that date are carried at cost.

Corporate owned facilities were valued as at 30 June 2018 by Aon Risk Services Pty Ltd. The result was a valuation of \$15.7 Million (Land: \$11.5 Million, Buildings: \$4.2 Million). The net book value of these assets at 30 June 2018 was \$6.0 Million. ECH has chosen to revalue corporate owned property in line with accounting standards and ECH policy to revalue every 5 years, recognising a gain of \$9.7 Million.

Independent Living properties has been accounted as investment property with the exception of land held for future development. The detailed disclosures are provided in Note 2 (x) and Note 9.

**Furniture, fittings, motor vehicles and equipment**

Furniture, fittings, motor vehicles and equipment are measured on a cost basis and depreciated over their useful lives.

**Work in progress**

Work in progress is measured on a cost basis and represents mainly building under construction.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

<b>Class of fixed asset</b>	<b>Depreciation rate</b>
Buildings	2.50%
Plant and equipment	10.0% to 20.0%
Computer equipment and software	20.0% to 33.3%
Motor vehicles	20.00%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**ECH INC.****Financial Report for the Year Ended 30 June 2018****Notes to and Forming Part of the Financial Statements (continued)****Note 2: Summary of Significant Accounting Policies (continued)****(x) Investment property**

Investment property, comprising the retirement village (land and building of Independent Living property), is held to generate Income from the rollover of units over time and the subsequent entitlement to a cash retention on each occasion that the unit occupancy changes. Investment property is initially measured at cost and subsequently measured at fair value. Fair Value is determined annually and any changes to fair value are recorded in the Statement of Profit or Loss and Other Comprehensive Income.

The investment property valuation is categorised as a Level 2 input under the fair value hierarchy in accordance with AASB 13: Fair Value Measurement. The level 2 fair values have been derived by an external, independent and qualified valuer using comparable market, industry and transaction data, discount rates and terminal yields. The discount rates and terminal yields used and determined by the valuer are based on observable market data.

An independent valuation of these properties was undertaken as at 30 June 2015 by S. Hickin (CPV) of the firm m3property. Internal valuation will be undertaken at least annually with formal independent valuations occurring every five years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use. Any gains or losses on de-recognition of an investment property are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period of de-recognition.

**(xi) Amounts payable**

Resident loans (Independent Living) are controlled by individual contracts and government legislation, both of which require repayment of the loan balance within a short period of time of the resident leaving the retirement unit. To recognise this repayment requirement all resident loans are recorded as a current liability. The liability covers the maximum potential repayment of each resident's contribution which is repayable at the time the resident leaves ECH.

Trade accounts and other payables represent the principal amounts outstanding at balance date plus (where applicable) any accrued interest.

**(xii) Employee benefits****Short-term employee provisions**

Provision is made for the entity's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including salaries and wages. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

**ECH INC.****Financial Report for the Year Ended 30 June 2018****Notes to and Forming Part of the Financial Statements (continued)****Note 2: Summary of Significant Accounting Policies (continued)****Other long-term employee provisions**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on Government or Australian corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the re-measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The entity's obligations for long-term employee benefits are presented as non-current employee provisions in its statement of financial position, except where the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**(xiii) Workers compensation**

ECH is self-insured with respect to workers compensation (Return to Work Corporation) within South Australia. Provision is made for ECH's liability for workers compensation claims. The amount has been determined following evaluation by an independent actuary. The assessed liability for outstanding claims includes liabilities for both reported claims and claims which may have been incurred but not reported at balance date. The provision amount allows for liabilities which may arise from the necessity to reopen a claim, unforeseen deterioration of claims and from any recoveries from third parties.

**(xiv) Events after reporting date**

Assets and liabilities are adjusted for known events occurring after the reporting date as if they had occurred within the reporting period.

**(xv) Comparative figures**

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

**(xvi) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of 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 the expense. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, except for the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is classified as part of operating cash flows. Accordingly, investing and financing cash flows are presented in the Statement of Cash Flows net of the GST that is recoverable from, or payable to, the ATO.

**ECH INC.**

**Financial Report for the Year Ended 30 June 2018**

**Notes to and Forming Part of the Financial Statements (continued)**

**Note 2: Summary of Significant Accounting Policies (continued)**

**(xvii) Critical Accounting Estimates and Judgements**

The Board evaluates estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

**(xviii) 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted for the year ended 30 June 2018.

**ECH INC.****Financial Report for the Year Ended 30 June 2018****Notes to and Forming Part of the Financial Statements (continued)****Note 3: REVENUE**

	2018 \$'000	2017 \$'000
<b>Revenue</b>		
Bequests and donations	174	36
Government subsidies	26,795	27,869
Investment income	12,415	10,013
Residents' contributions	18,453	16,937
Sale of goods	6	8
Other revenue	1,479	855
	<u>59,322</u>	<u>55,718</u>
<b>Other income</b>		
Net gain on disposal of property, plant and equipment	3,286	29
	<u>3,286</u>	<u>29</u>
<b>Total revenue</b>	<u>62,608</u>	<u>55,747</u>

**Note 4: SURPLUS**

Employee benefits expense	<u>35,937</u>	<u>30,115</u>
Depreciation:		
Buildings	426	425
Plant and equipment	2,085	1,363
	<u>2,511</u>	<u>1,788</u>
Other expenses		
Dietary, medical and housekeeping supplies	1,646	855
Utilities	3,573	3,401
Repairs and maintenance	2,125	2,014
Other expenses	7,532	6,519
	<u>14,876</u>	<u>12,789</u>
<b>Total expenditure</b>	<u>53,324</u>	<u>44,692</u>

**Note 5: CASH AND CASH EQUIVALENTS**

Cash on hand	73	72
Cash at bank	7,153	125
<b>Total cash and cash equivalents</b>	<u>7,226</u>	<u>197</u>

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less. Deposits at call but which are held for longer term investment purposes are classified as current financial assets.



**ECH INC.****Financial Report for the Year Ended 30 June 2018****Notes to and Forming Part of the Financial Statements (continued)****Note 6: TRADE AND OTHER RECEIVABLES**

	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
Trade receivables	<b>488</b>	974
Sundry receivables	<b>894</b>	1,648
Prepayments	<b>293</b>	342
Accrued interest	-	45
Accrued dividends	<b>9,691</b>	7,905
<b>Total trade and other receivables</b>	<b><u>11,366</u></b>	<b><u>10,914</u></b>

The majority of trade receivables are paid by direct debit. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment was required at 30 June 2018 (2017: Nil).

**Note 7: FINANCIAL ASSETS****Current financial assets**

Interest bearing term deposits maturing within 12 months with an average interest rate of 2.31% (2017 : 2.72%)	<b>24</b>	23,099
<b>Total current financial assets</b>	<b><u>24</u></b>	<b><u>23,099</u></b>

**Non-current financial assets**

Available for sale financial assets		
Income securities and property trusts	<b>145,673</b>	139,651
<b>Total non-current financial assets</b>	<b><u>145,673</u></b>	<b><u>139,651</u></b>

<b>Total financial assets</b>	<b><u>145,697</u></b>	<b><u>162,750</u></b>
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**ECH INC.****Financial Report for the Year Ended 30 June 2018****Notes to and Forming Part of the Financial Statements (continued)****Note 8: PROPERTY, PLANT AND EQUIPMENT**

	Gross carrying amount		Accumulated depreciation and impairment losses		Net carrying amount	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Consolidated</b>						
Land and buildings	50,507	31,289	(5,675)	(5,249)	44,832	26,040
Motor vehicles, plant and equipment	23,485	22,361	(16,668)	(14,415)	6,817	7,946
Work in progress	10,266	1,504	-	-	10,266	1,504
<b>Total property, plant and equipment</b>	<b>84,258</b>	<b>55,154</b>	<b>(22,343)</b>	<b>(19,664)</b>	<b>61,915</b>	<b>35,490</b>

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land & buildings \$'000	MV, plant & equipment \$'000	Work in Progress \$'000	TOTAL \$'000
Carrying amount at 1 July 2016	26,465	4,020	2,154	32,639
Additions	-	5,300	4,183	9,483
Revaluations	-	-	-	-
Disposals	-	(13)	-	(13)
Depreciation	(425)	(1,361)	-	(1,786)
Reclassification to Investment Property	-	-	(4,833)	(4,833)
<b>Carrying amount at 30 June 2017</b>	<b>26,040</b>	<b>7,946</b>	<b>1,504</b>	<b>35,490</b>

	Land & buildings \$'000	MV, plant & equipment \$'000	Work in Progress \$'000	TOTAL \$'000
Carrying amount at 1 July 2017	26,040	7,946	1,504	35,490
Additions	10,588	1,853	14,129	26,570
Revaluations	9,730	-	-	9,730
Disposals	(1,100)	(322)	206	(1,216)
Depreciation	(426)	(2,660)	-	(3,086)
Reclassification to Investment Property	-	-	(5,573)	(5,573)
<b>Carrying amount at 30 June 2018</b>	<b>44,832</b>	<b>6,817</b>	<b>10,266</b>	<b>61,915</b>

**Note 9: INVESTMENT PROPERTY**

	2018 \$'000	2017 \$'000
Balance at beginning of the year (1 July)	197,686	192,853
Acquisitions	10,754	-
Reclassification from Work in Progress	5,573	4,833
<b>Balance at end of the year (30 June)</b>	<b>214,013</b>	<b>197,686</b>

**ECH INC.****Financial Report for the Year Ended 30 June 2018****Notes to and Forming Part of the Financial Statements (continued)****Note 10: TRADE AND OTHER PAYABLES**

	<b>Note</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Trade payables		150	82
Other payables		25	-
Accrued expenses		3,778	2,115
<b>Total trade and other payables</b>		<b>3,953</b>	<b>2,197</b>

**Note 11: AMOUNTS PAYABLE TO RESIDENTS**

Expected to be paid within one year	2(xi)	4,928	5,669
Expected to be paid after one year	2(xi)	74,586	66,247
<b>Total amounts payable to residents</b>		<b>79,514</b>	<b>71,916</b>

Resident loans are amounts payable to individual residents under the Retirement Villages Act 1987. The repayment of the loan balance is required within a short period of time of the resident leaving the retirement unit. To recognise this repayment requirement all resident loans are recorded as a current liability as per AASB101 Presentation of Financial Statements.

The amounts expected to be paid within one year have been calculated using the average refund paid as a percentage of the total liability for the past two years.

**Note 12: PROVISIONS****Current**

Provision for employee entitlements	3,505	3,219
<b>Total current provisions</b>	<b>3,505</b>	<b>3,219</b>

**Non-current**

Provision for employee entitlements	496	463
<b>Total non-current provisions</b>	<b>496</b>	<b>463</b>

<b>Total provisions</b>	<b>4,001</b>	<b>3,682</b>
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**Note 13: OTHER LIABILITIES**

Deferred revenue	6,970	3,060
Provision for maintenance funds	472	372
<b>Total other liabilities</b>	<b>7,442</b>	<b>3,432</b>

**ECH INC.****Financial Report for the Year Ended 30 June 2018****Notes to and Forming Part of the Financial Statements (continued)**

<b>Note 14: CASH FLOW INFORMATION</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<i>Reconciliation of cash flow from operations with surplus after tax</i>		
<b>Surplus for the year</b>	<b>9,284</b>	<b>11,055</b>
<b>Cash flows excluded from surplus attributable to operating activities</b>		
<b>Non-cash flows in surplus:</b>		
- net (gain) on disposal of assets	<b>(3,286)</b>	<b>(29)</b>
- depreciation	<b>2,511</b>	<b>1,788</b>
<b>Changes in assets and liabilities:</b>		
- (increase) / decrease in receivables and prepayments	<b>(452)</b>	<b>229</b>
- (increase) / decrease in inventories	<b>7</b>	<b>(8)</b>
- (decrease) in payables, other liabilities and provisions	<b>(84)</b>	<b>(6,020)</b>
	<b><u>7,980</u></b>	<b><u>7,015</u></b>

**Note 15: SUBSIDIARIES**

ECH does not have any subsidiaries.

**Note 16: COMMITMENTS FOR EXPENDITURE****Capital expenditure commitments**

Expected date of settlement within 12 months	<b>10,542</b>	<b>1,987</b>
<b>Total commitments for capital expenditure</b>	<b><u>10,542</u></b>	<b><u>1,987</u></b>

**Leases commitments**

Expected date of settlement within 12 months	<b>384</b>	<b>494</b>
Expected date of settlement in the second to fifth year	<b>601</b>	<b>960</b>
Expected date of settlement after five years	<b>-</b>	<b>25</b>
<b>Total commitments for leases</b>	<b><u>985</u></b>	<b><u>1,479</u></b>

**Note 17: CONTINGENT LIABILITIES**

As required by the Return to Work Corporation given ECH's self-insurance status, ECH has provided a security deposit guarantee to the Return to Work Corporation in the amount of \$850,000 for 2017/18 (\$1,014,000 for 2016/17).

**Note 18: EVENTS AFTER THE REPORTING DATE**

On 23 August 2018, ECH entered into an agreement to purchase 4,172 shares of Billy Care Pty Ltd for a total consideration of \$5.0M which equates to a 20% investment into the company.

**ECH INC.****Financial Report for the Year Ended 30 June 2018****Notes to and Forming Part of the Financial Statements (continued)****Note 19: AUDITORS REMUNERATION**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit of the financial report	<b>24</b>	24
<b>Total auditors remuneration</b>	<b>24</b>	24

**Note 20: RELATED PARTY DISCLOSURES***Key Management Personnel Compensation*

Short-term employee benefits	<b>2,019</b>	1,817
Post employment benefits	<b>156</b>	157
<b>Total key management personnel compensation</b>	<b>2,175</b>	1,974

The totals of remuneration paid to key management personnel of ECH during the year are detailed above.

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of ECH.

**ECH INC.**

**Financial Report for the Year Ended 30 June 2018**

**Declaration and Report by the Board of Directors**

In accordance with a resolution of the Board of Directors of ECH Inc and in accordance with s.35 (5) of the Associations Incorporation Act (SA) 1985, the Board hereby states that during the 12 months to 30 June 2018:

(a) No officer of the Association, no firm of which the officer is a member or no body corporate in which an officer has a substantial financial interest, other than specified in part (b), has received or become entitled to receive a benefit as a result of a contract between the officer, firm or body corporate and the Association; and

(b) No officer of the Association has received directly or indirectly from the Association any payment or any other benefit of a pecuniary value other than salaries and wages as a permanent employee.

In accordance with a resolution of the Board of Directors of ECH Inc, the Board declare that:

(a) There are reasonable grounds to believe the registered entity is able to pay all of its debts, as and when they become due and payable; and

(b) The attached financial statements and notes thereto satisfy the requirements of Division 60 of the Australian Charities and Not-for-profits Commission Act 2012:

(i) giving a true and fair view of the financial position and performance of the registered entity; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements.

Signed in accordance with a resolution of the Board pursuant to Regulation 60-15 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

  
Board Member

  
Chief Executive

Dated this 27 day of September 2018

## ECH Inc.

### Independent auditor's report to members

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial report of ECH Inc. (the Association), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the statement by the board of directors.

In our opinion the financial report of ECH Inc. has been prepared 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 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Regime and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Association in accordance with the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act) and 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### CHARTERED ACCOUNTANTS & ADVISORS

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Adelaide SA 5000

GPO Box 11050  
Adelaide SA 5001

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## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Association's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

## **Responsibilities of the Directors for the Financial Report**

The directors of the Association are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Regime and the ACNC Act and for such internal control as the directors determine 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 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 the directors either intend to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Association's financial reporting process.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

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 the 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 these financial statements is located at the Auditing and Assurance Standards Board website at:

[www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf)

This description forms part of our independent auditor's report.



**William Buck**

ABN: 38 280 203 274



**G.W. Martinella**

Partner

Dated this 27<sup>th</sup> day of September, 2018.

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 60-40 OF THE  
AUSTRALIAN CHARITIES AND NOT FOR PROFITS COMMISSION ACT 2012  
TO THE DIRECTORS OF ECH INC.**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2018 there have been:

- 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
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'William Buck'.

**William Buck**  
ABN: 38 280 203 274

A handwritten signature in black ink that reads 'G. Martinella'.

**G.W. Martinella**  
Partner

Dated this 27<sup>th</sup> day of September, 2018.

**CHARTERED ACCOUNTANTS  
& ADVISORS**

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