

ECH INC.

ABN: 32 930 142 652

**FINANCIAL REPORT
for the Year Ended
30 June 2017**

ECH INC.
Financial Report for the Year Ended 30 June 2017
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ECH INC.

Financial Report for the Year Ended 30 June 2017

Board Report

The Board Members present their report on the Financial Statements of the Association for the year ended 30 June 2017.

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

S Vardon (Appointed on 1 August 2016, Chair from 27 October 2016)

R Hislop (Deputy Chair from 24 November 2016)

C Bryson

S Christley (Appointed on 1 May 2017)

S Daw

A Heard (Acting / Deputy Chair until 27 October 2016)

J Richter (Resigned on 29 June 2017)

P Siebels

T Stubbs (Retired on 31 August 2016)

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 500 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 100 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 2017 amounted to \$11,055K (prior year surplus \$13,375K).

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 sale of vacant land at Largs North which occurred on 24 July 2017. (Note 18)

ECH INC.**Financial Report for the Year Ended 30 June 2017****Statement of Profit or Loss and Other Comprehensive Income**

	Note	2017 \$'000	2016 \$'000
Revenue	3	55,718	48,881
Other income	3	29	750
Employee benefits expense	4	(30,115)	(23,671)
Depreciation and amortisation expense	4	(1,788)	(1,765)
Other expenses	4	<u>(12,789)</u>	<u>(10,460)</u>
Surplus for the year		11,055	13,735
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met;</i>			
Net gain / (loss) on revaluation of investment securities		<u>4,320</u>	<u>(12,962)</u>
Total other comprehensive income for the year		4,320	(12,962)
Total comprehensive income for the year		<u>15,375</u>	<u>773</u>

The accompanying notes form part of these financial statements

ECH INC.
Financial Report for the Year Ended 30 June 2017
Statement of Financial Position

	Note	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	197	369
Trade and other receivables	6	10,914	11,143
Financial assets	7	23,099	21,507
Inventories	2(viii)	112	104
Total current assets		34,322	33,123
Non-current assets			
Financial assets	7	139,651	130,959
Property, plant and equipment	8	35,490	32,639
Investment property	9	197,686	192,853
Total non-current assets		372,827	356,451
Total assets		407,149	389,574
LIABILITIES			
Current liabilities			
Trade and other payables	10	2,197	2,696
Amounts payable to residents	11	71,916	69,792
Provision for workers compensation	2(xiii)	753	310
Short term provisions	12	3,219	3,024
Other liabilities	13	3,432	2,876
Total current liabilities		81,517	78,698
Non-current liabilities			
Provision for workers compensation	2(xiii)	-	633
Long term provisions	12	463	449
Total non-current liabilities		463	1,082
Total liabilities		81,980	79,780
NET ASSETS		325,169	309,794
EQUITY			
Retained earnings		330,887	319,832
Reserves		(5,718)	(10,038)
TOTAL EQUITY		325,169	309,794

The accompanying notes form part of these financial statements

ECH INC.**Financial Report for the Year Ended 30 June 2017****Statement of Changes in Equity**

	Retained Earnings	Share Revaluation Reserve (i)	Total
	\$'000	\$'000	\$'000
Balance as at 1 July 2015	306,097	2,924	309,021
Surplus for the year	13,735	-	13,735
Total other comprehensive income for the year	-	(6,764)	(6,764)
Prior period adjustment (Note 7)	-	(6,198)	(6,198)
Balance as at 30 June 2016	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
Balance as at 30 June 2017	330,887	(5,718)	325,169

(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.

The accompanying notes form part of these financial statements

ECH INC.**Financial Report for the Year Ended 30 June 2017****Statement of Cash Flows**

	Note	2017 \$'000	2016 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		40,907	31,854
Payments to suppliers and employees		(42,810)	(31,032)
Investment income received		8,918	8,603
Net cash provided by operating activities	14	<u>7,015</u>	<u>9,425</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(9,482)	(16,942)
Payments for other financial assets		(6,032)	(1,143)
Proceeds from sale of property, plant and equipment		43	2,590
Net cash (used in) investing activities		<u>(15,471)</u>	<u>(15,495)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds of loans from residents		14,057	11,295
Refunds of loans to residents		(5,773)	(5,260)
Net cash provided by financing activities		<u>8,284</u>	<u>6,035</u>
Net (decrease) in cash held		(172)	(35)
Cash and cash equivalents at the beginning of the year		<u>369</u>	<u>404</u>
Cash and cash equivalents at the end of the year	5	<u>197</u>	<u>369</u>

The accompanying notes form part of these financial statements

ECH INC.
Financial Report for the Year Ended 30 June 2017
Notes to and Forming Part of the Financial Statements

Note 1: Introduction

The financial report was authorised for issue on the 28 September 2017 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 2017****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 2017****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 2017****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 2017****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 facilities were valued as at 30 June 2013 by Aon Risk Services Pty Ltd. The result was a market valuation of \$7.6 Million (Land: \$3.0 Million, Buildings: \$4.6 Million). The net book value of these assets at 30 June 2017 was \$4.4 Million. ECH has chosen to continue to use the cost model for land and buildings.

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.

Class of fixed asset**Depreciation rate**

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 2017****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.

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.

ECH INC.**Financial Report for the Year Ended 30 June 2017****Notes to and Forming Part of the Financial Statements (continued)****Note 2: Summary of Significant Accounting Policies (continued)****Other long-term employee provisions (continued)**

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.

(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.

ECH INC.

Financial Report for the Year Ended 30 June 2017

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

Note 2: Summary of Significant Accounting Policies (continued)

(xviii) New and revised accounting standards

Effects of transition to Australian Accounting Standards - Reduced Disclosure Requirements

The Association elected to change its reporting framework for the financial year ending 30 June 2017 from preparing general purpose financial statements to preparing general purpose financial statements in accordance with Australian Accounting Standards - Reduced Disclosure Requirements. There was no significant impact on the previous financial results as a result of this election.

New Accounting Standards for Application in Future Periods

An assessment of Accounting Standards and Interpretations that have been recently issued or amended by the AASB but are not yet mandatorily applicable to the entity have not been adopted by ECH for the year ended 30 June 2017.

ECH INC.**Financial Report for the Year Ended 30 June 2017****Notes to and Forming Part of the Financial Statements (continued)****Note 3: REVENUE**

	2017 \$'000	2016 \$'000
Revenue		
Bequests and donations	36	39
Government subsidies	27,869	21,503
Investment income	10,013	9,905
Residents' contributions	16,937	16,316
Sale of goods	8	6
Other revenue	855	1,112
	<u>55,718</u>	<u>48,881</u>
Other income		
Net gain on disposal		
Property, plant and equipment	29	750
	<u>29</u>	<u>750</u>
Total revenue	<u>55,747</u>	<u>49,631</u>

Note 4: SURPLUS*Additional information on the nature of expenses*

Employee benefits expense	<u>30,115</u>	<u>23,671</u>
Depreciation:		
Buildings	425	433
Plant and equipment	1,363	1,332
	<u>1,788</u>	<u>1,765</u>
Other expenses		
Dietary, medical and housekeeping supplies	855	511
Utilities	3,401	3,294
Repairs and maintenance	2,014	1,682
Other expenses	6,519	4,973
	<u>12,789</u>	<u>10,460</u>
Total expenditure	<u>44,692</u>	<u>35,896</u>

Note 5: CASH AND CASH EQUIVALENTS

Cash on hand	72	59
Cash at bank	125	310
Total cash and cash equivalents	<u>197</u>	<u>369</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 2017****Notes to and Forming Part of the Financial Statements (continued)****Note 6: TRADE AND OTHER RECEIVABLES**

	2017 \$'000	2016 \$'000
Trade receivables	974	1,185
Sundry receivables	1,648	2,871
Prepayments	342	233
Accrued interest	45	127
Accrued dividends	7,905	6,727
Total trade and other receivables	10,914	11,143

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 2017 (2016: Nil).

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

Interest bearing term deposits maturing within 12 months with an average interest rate of 2.72% (2016 : 3.01%)	23,099	21,507
Total current financial assets	23,099	21,507

Non-current financial assets

Available for sale financial assets		
Income securities and property trusts	139,651	130,959
Total non-current financial assets	139,651	130,959

Total financial assets	162,750	152,466
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In the 2016 reporting period, ECH recognised income of \$6,198K of which \$2,564K was received in cash and \$3,634K was reinvested. It came to our attention that the value of the investment has been overstated in the prior period however, there is no impact on the surplus amount in the prior period. The amendment of this error has been retrospectively applied in line with AASB 108.

The table below summarises the effect of the prior period error.

	2015/16 Previously Stated \$'000	2015/16 Adjustments \$'000	2015/16 Restated Balance \$'000
Non current financial assets	137,157	(6,198)	130,959
Reserves	(3,840)	(6,198)	(10,038)

ECH INC.**Financial Report for the Year Ended 30 June 2017****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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Consolidated						
Land and buildings	31,289	31,382	(5,249)	(4,917)	26,040	26,465
Motor vehicles, plant and equipment	22,361	17,699	(14,415)	(13,679)	7,946	4,020
Work in progress	1,504	2,154	-	-	1,504	2,154
Total property, plant and equipment	55,154	51,235	(19,664)	(18,596)	35,490	32,639

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 2015	23,145	4,137	1,142	28,424
Additions	5,300	1,509	10,134	16,943
Disposals	(1,547)	(294)	-	(1,841)
Depreciation	(433)	(1,332)	-	(1,765)
Reclassification to Investment Property	-	-	(9,122)	(9,122)
Carrying amount at 30 June 2016	26,465	4,020	2,154	32,639

	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
Disposals	-	(13)	-	(13)
Depreciation	(425)	(1,361)	-	(1,786)
Reclassification to Investment Property	-	-	(4,833)	(4,833)
Carrying amount at 30 June 2017	26,040	7,946	1,504	35,490

Note 9: INVESTMENT PROPERTY

	2017 \$'000	2016 \$'000
Balance at beginning of the year (1 July)	192,853	178,113
Acquisition	-	5,618
Reclassification from Work in Progress	4,833	9,122
Balance at end of the year (30 June)	197,686	192,853

ECH INC.**Financial Report for the Year Ended 30 June 2017****Notes to and Forming Part of the Financial Statements (continued)****Note 10: TRADE AND OTHER PAYABLES**

	Note	2017 \$'000	2016 \$'000
Trade payables		82	129
Other payables		-	54
Accrued expenses		2,115	2,513
Total trade and other payables		2,197	2,696

Note 11: AMOUNTS PAYABLE TO RESIDENTS

Amounts payable to individual residents under the Retirement Villages Act 1987

Expected to be paid within one year	2(xi)	5,669	4,740
Expected to be paid after one year	2(xi)	66,247	65,052
Total amounts payable to residents		71,916	69,792

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	3,219	3,024
Total current provisions	3,219	3,024

Non-current

Provision for employee entitlements	463	449
Total non-current provisions	463	449

Total provisions	3,682	3,473
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Note 13: OTHER LIABILITIES

Deferred revenue	3,060	2,370
Provision for maintenance funds	372	409
Grants received to be applied to capital	-	97
Total other liabilities	3,432	2,876

ECH INC.**Financial Report for the Year Ended 30 June 2017****Notes to and Forming Part of the Financial Statements (continued)****Note 14: CASH FLOW INFORMATION**

Reconciliation of cash flow from operations with surplus after tax

	2017	2016
	\$'000	\$'000
Surplus after tax	11,055	13,735

Cash flows excluded from surplus attributable to operating activities**Non-cash flows in surplus:**

- net (gain) on disposal of assets	(29)	(750)
- depreciation	1,788	1,765

Changes in assets and liabilities:

- (increase) / decrease in receivables and prepayments	229	(3,103)
- (increase) in inventories	(8)	(2)
- (decrease) in payables, other liabilities and provisions	(6,020)	(2,220)
	<u>7,015</u>	<u>9,425</u>

Note 15: SUBSIDIARIES

ECH does not have any subsidiaries.

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

Expected date of settlement within 12 months	1,987	2,293
Total commitments for capital expenditure	<u>1,987</u>	<u>2,293</u>

Leases commitments

Expected date of settlement within 12 months	494	455
Expected date of settlement in the second to fifth year	960	1,280
Expected date of settlement after five years	25	199
Total commitments for leases	<u>1,479</u>	<u>1,934</u>

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 \$1,014,000 for 2016/17 (\$830,000 for 2015/16).

Note 18: EVENTS AFTER THE REPORTING DATE

On 24 July 2017, ECH sold vacant land at Largs North for a consideration of \$4.4M resulting in a gain on sale of \$3.3M.

ECH INC.**Financial Report for the Year Ended 30 June 2017****Notes to and Forming Part of the Financial Statements (continued)****Note 19: AUDITORS REMUNERATION**

Audit of the financial report	<u>24</u>	<u>23</u>
Total auditors remuneration	<u>24</u>	<u>23</u>

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

	2017	2016
	\$'000	\$'000
Short-term employee benefits	1,817	1,555
Post employment benefits	157	157
Total key management personnel compensation	<u>1,974</u>	<u>1,712</u>

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 2017

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 2017:

(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

 (CEO)
Board Member

Dated this 28 day of September 2017

**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 2017 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 28th day of September, 2017.

**CHARTERED ACCOUNTANTS
& ADVISORS**

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Adelaide SA 5000

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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 2017, 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 2017 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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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 2017, 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



William Buck

ABN: 38 280 203 274



G.W. Martinella

Partner

Dated this 28th day of September, 2017.