

ECH INC.

ABN: 32 930 142 652

**FINANCIAL REPORT
for the Year Ended
30 June 2020**

ECH INC.
Financial Report for the Year Ended 30 June 2020
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ECH INC.
Financial Report for the Year Ended 30 June 2020
Board Report

The Board Members present their report on the Financial Statements of ECH Incorporated for the year ended 30 June 2020.

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

S Vardon	S Daw (resigned on 29 August 2019)
R Hislop	M Makrid
C Bryson	P Siebels
S Christley	L Steel

Principal Activities

ECH, Enabling Confidence at Home, is a not-for-profit organisation registered with the Australian Charities and Not-for-Profits Commission (ACNC), committed to helping older South Australians to have the best life possible as they age and to remain living confidently and independently at home, including a respectful death, if that is their wish.

With over 109 retirement villages across metropolitan Adelaide, including the Adelaide Hills, Victor Harbor and Ardrossan, ECH is one of the largest integrated providers of retirement village accommodation and ageing care services in South Australia. ECH services are provided by a team of over 600 staff, with a wide range of skills, who embrace our values of empathy, integrity and respect in the delivery of services. The team includes home support staff, care coordinators, health professionals, customer service staff, maintenance staff, administrators, marketing, finance and human resources professionals. ECH is also privileged to be supported by numerous volunteers who give their time freely to help ECH clients.

ECH services include Retirement Village Accommodation, At-Home Services, Short Stay and Respite Care, Allied Health Services, Exercise and Fitness, Social Engagement, Information and Advocacy, Care Management, Clinical Services.

Significant Changes

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

Operating Result

The deficit 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 (prior to adjustments of extraordinary items, incl. property valuation adjustment) for the year ended 30 June 2020 amounted to \$5,521K (prior year surplus \$3,458K). The one-off extraordinary items of \$24,644K have resulted a deficit of \$19,123K.

After Balance Date Events

The Novel Coronavirus ('COVID-19') was declared a pandemic in March 2020. Subsequent to the end of the 30 June 2020 financial year, there continues to be considerable economic impacts in Australia, and globally, as a result of the outbreak. The Board members do not consider that the impact is likely to compromise the ability of the Association to continue operating for the foreseeable future.

On 1 July 2020, ECH acquired the assets of Billy Care Pty Ltd. The Business Sale Agreement was executed on 2 July 2020.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Association, the results of those operations or the state of affairs of the Association in future financial years.

ECH INC.**Financial Report for the Year Ended 30 June 2020****Statement of Profit or Loss and Other Comprehensive Income**

	Note	2020 \$'000	2019 \$'000
Revenue	3	62,423	56,418
Other income	3	144	162
Employee benefits expense	4	(35,717)	(34,352)
Depreciation and amortisation expense	4	(4,319)	(2,781)
Loss on Billy Care Pty Ltd Investment		(4,988)	-
Loss on investment properties valuation		(17,574)	-
Other expenses	4	<u>(19,092)</u>	<u>(15,989)</u>
Surplus/ (Deficit) for the year		(19,123)	3,458
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met;</i>			
Unrealised gain/ (loss) on revaluation of investment securities		<u>(8,359)</u>	<u>2,376</u>
Total other comprehensive income/ (loss) for the year		(8,359)	2,376
Total comprehensive income/ (loss) for the year		<u>(27,482)</u>	<u>5,834</u>

The accompanying notes form part of these financial statements

ECH INC.
Financial Report for the Year Ended 30 June 2020
Statement of Financial Position

	Note	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	828	4,586
Trade and other receivables	6	7,649	6,193
Financial assets	7	25	25
Inventories	2(vii)	134	126
Total current assets		8,636	10,930
Non-current assets			
Financial assets	7	111,878	136,077
Property, plant and equipment	8	49,932	57,660
Right-of-use assets	9	1,958	-
Investment property	10	301,610	251,711
Total non-current assets		465,378	445,448
Total assets		474,014	456,378
LIABILITIES			
Current liabilities			
Trade and other payables	11	2,191	2,567
Amounts payable to residents	12	111,941	81,594
Provision for workers compensation	2(xii)	334	484
Short term provisions	13	4,208	3,630
Lease liabilities	9	750	-
Other liabilities	14	11,284	9,111
Total current liabilities		130,708	97,386
Non-current liabilities			
Provision for workers compensation	2(xii)	310	438
Lease liabilities	9	1,106	-
Long term provisions	13	845	539
Borrowings	15	18,012	7,500
Total non-current liabilities		20,273	8,477
Total liabilities		150,981	105,863
NET ASSETS		323,033	350,515
EQUITY			
Retained earnings		324,506	343,629
Reserves		(1,473)	6,886
TOTAL EQUITY		323,033	350,515

The accompanying notes form part of these financial statements

ECH INC.
Financial Report for the Year Ended 30 June 2020
Statement of Changes in Equity

	Retained Earnings	Share Revaluation Reserve (i)	Asset Revaluation Reserve (ii)	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2018	340,171	(5,220)	9,730	344,681
Surplus for the year	3,458	-	-	3,458
Total other comprehensive income for the year	-	2,376	-	2,376
Balance as at 30 June 2019	343,629	(2,844)	9,730	350,515
Deficit for the year	(19,123)	-	-	(19,123)
Total other comprehensive loss for the year	-	(8,359)	-	(8,359)
Balance as at 30 June 2020	324,506	(11,203)	9,730	323,033

(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 2020
Statement of Cash Flows

	Note	2020 \$'000	2019 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		46,499	44,082
Payments to suppliers and employees		(50,675)	(51,728)
Net cash (used in) operating activities	16	(4,176)	(7,646)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(12,665)	(20,657)
Payments for investment properties		(20,711)	(15,817)
Proceeds from other financial assets		13,500	12,258
Investment income received		3,115	12,147
Proceeds from sale of property, plant and equipment		102	570
Net cash (used in) provided by investing activities		(16,659)	(11,499)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceed of loans from financial institutions		10,512	7,500
Proceeds of loans from residents		13,099	13,962
Refunds of loans to residents		(5,816)	(4,957)
Payment for lease liabilities		(718)	-
Net cash provided by financing activities		17,077	16,505
Net (decrease) in cash held		(3,758)	(2,640)
Cash and cash equivalents at the beginning of the year		4,586	7,226
Cash and cash equivalents at the end of the year	5	828	4,586

The accompanying notes form part of these financial statements

ECH INC.
Financial Report for the Year Ended 30 June 2020
Notes to and Forming Part of the Financial Statements

Note 1: Introduction

The financial report was authorised for issue on the 24 September 2020 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 the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

(a) Financial liabilities

Financial liabilities are subsequently measured at either amortised cost or fair value through profit or loss. A financial liability is measured at fair value through profit or loss if the financial liability is held for

ECH INC.

Financial Report for the Year Ended 30 June 2020

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

Note 2: Summary of Significant Accounting Policies (continued)

(a) Financial liabilities (continued)

trading or initially designated as at fair value through profit or loss. All other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income. A financial liability cannot be reclassified.

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

(b) Financial assets

Financial assets are subsequently measured at either amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Measurement is on the basis of two primary criteria:

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

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

- (i) the financial asset is managed solely to collect contractual cash flows; and
- (ii) the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- (i) the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- (ii) the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

ECH INC.**Financial Report for the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Statements (continued)****Note 2: Summary of Significant Accounting Policies (continued)****(b) Financial assets (continued)**

The entity initially designates a financial instrument as measured at fair value through profit or loss if:

- (i) it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- (ii) it is in accordance with the documented risk management or investment strategy and information about the entity's holdings is documented appropriately, so the performance of the financial liability that is part of a portfolio of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- (iii) it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

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

All the following criteria need to be satisfied for the derecognition of a financial asset:

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

(c) Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the entity made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investments will still be recognised in profit or loss. Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the entity's accounting policy.

Impairment

The entity recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income; lease receivables; contract assets (e.g. amount due from customers under construction contracts); loan commitments that are not measured at fair value through profit or loss; and financial guarantee contracts that are not measured at fair value through profit or loss. Loss allowance is not recognised for financial assets measured at fair value through profit or loss; or equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The entity uses the general approach to impairment, as applicable under AASB 9 *Financial Instruments*.

ECH INC.**Financial Report for the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Statements (continued)****Note 2: Summary of Significant Accounting Policies (continued)****General approach**

Under the general approach, at each reporting period, the entity assesses whether the financial instruments are credit impaired, and:

- (i) if the credit risk of the financial instrument increased significantly since initial recognition, the entity measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- (ii) if there was no significant increase in credit risk since initial recognition, the entity measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income. The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset. Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period. For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

(ii) Revenue recognition**(a) Revenue from contracts with customers**

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Association expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

- (i) identify the contract with the customer
- (ii) identify the performance obligations
- (iii) determine the transaction price
- (iv) allocate the transaction price to the performance obligations
- (v) recognise revenue as and when control of the performance obligations is transferred

(b) Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Association are:

Provision of services - government subsidies and residents' contributions

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

- Dividend revenue

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

- 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.

- Interest revenue

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

- 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 2020

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

Note 2: Summary of Significant Accounting Policies (continued)

(b) Specific revenue streams (continued)

- Operating grant revenue

When the Association receives operating grant revenue, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15. When both these conditions are satisfied, the Association:

- (i) identifies each performance obligation relating to the grant;
- (ii) recognises a contract liability for its obligations under the agreement; and
- (iii) recognises revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Association:

- (i) recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (eg AASB 9, AASB 16, AASB 116 and AASB 138);
- (ii) recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer);
- (iii) recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the Association recognises income in profit or loss when or as it satisfies its obligations under the contract.

- Capital grant revenue

When the Association receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) recognised under other Australian Accounting Standards. The Association recognises income in profit or loss when or as the Association satisfies its obligations under the terms of the grant.

(iii) 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.

(iv) Income taxes

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

(v) 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.

(vi) 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.

ECH INC.**Financial Report for the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Statements (continued)****Note 2: Summary of Significant Accounting Policies (continued)****(vii) 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.

(viii) 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.

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 2020 was \$15.2 Million. ECH has chosen to revalue corporate owned property in line with accounting standards and ECH policy to revalue every 5 years.

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 (ix) and Note 10.

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%

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 2020****Notes to and Forming Part of the Financial Statements (continued)****Note 2: Summary of Significant Accounting Policies (continued)****(ix) 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 2020 by Equity & Advisory Ltd for the year ended 30 June 2020. The result was a valuation of \$272.0M. 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.

(x) 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.

(xi) 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 2020****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.

(xii) 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.

(xiii) 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.

(xiv) Comparative figures

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

(xv) 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 2020

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

Note 2: Summary of Significant Accounting Policies (continued)

(xvi) 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.

(xvii) 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.

(xviii) Leases

At the lease commencement, the Association recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Association believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Association's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exception to lease accounting

The Association has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Association recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Adoption of new and revised accounting standards

Initial application of AASB 16

The Association has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated.

The Association has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low value leases recognised as operating leases under AASB 117: Leases where the Entity is the lessee). The lease liabilities are measured at the present value of the remaining lease payments. The Association's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

ECH INC.

Financial Report for the Year Ended 30 June 2020

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

Note 2: Summary of Significant Accounting Policies (continued)

Adoption of new and revised accounting standards (continued)

The right-of-use assets for equipment were measured at its carrying amount as if AASB 16: Leases had been applied since the commencement date, but discounted using the Association's incremental borrowing rate per lease term as at 1 July 2019.

The right-of-use assets for the remaining leases were measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability, prepaid- and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Association in applying AASB 16 for the first time:

- (i) for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied;
- (ii) leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases;
- (iii) applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application; and
- (iv) not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

Initial application of AASB 15 and AASB 1058

The Association has applied AASB 15: Revenue from Contracts with Customers and AASB 1058: Income of Not-for-Profit Entities. The adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Association.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted for the year ended 30 June 2020.

(xviii) Investments in Associates

An associate is an entity over which the entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the entity's share of net assets of the associate. In addition, the entity's share of the profit or loss and other comprehensive income of the associate is included in the consolidated financial statements.

When the entity's share of losses in an associate equals or exceeds its interest in the associate, the entity discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Upon the associate subsequently making profits, the entity will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

The requirements of AASB 139: Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136: Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair

ECH INC.

Financial Report for the Year Ended 30 June 2020

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

Note 2: Summary of Significant Accounting Policies (continued)

(xviii) Investments in Associates (continued)

value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Impairment of \$5.0M has been recognised on the Billy Care Pty Ltd investment during the financial year.

Except for the above, no other impairment loss on the investment in associate has been recognised during the financial year due to the immaterial nature of the loss.

ECH INC.
Financial Report for the Year Ended 30 June 2020
Notes to and Forming Part of the Financial Statements (continued)

Note 3: REVENUE

	2020 \$'000	2019 \$'000
Revenue		
Bequests and donations	-	38
Government subsidies	32,150	28,963
Investment income	7,071	6,933
Residents' contributions	20,370	18,750
Sale of goods	8	8
Other revenue	2,824	1,726
	62,423	56,418
Other income		
Net gain on disposal of property, plant and equipment	144	162
	144	162
Total revenue	62,567	56,580

Note 4: SURPLUS

Additional information on the nature of expenses

Employee benefits expense	35,717	34,352
Depreciation:		
Buildings	899	293
Plant and equipment	3,420	2,488
	4,319	2,781
Other expenses		
Dietary, medical and housekeeping supplies	3,087	2,307
Utilities	3,405	3,527
Repairs and maintenance	2,081	2,199
Written-off property, plant and equipment	2,083	-
Other expenses	8,436	7,956
	19,092	15,989
Total expenditure	59,128	53,122

ECH INC.**Financial Report for the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Statements (continued)****Note 5: CASH AND CASH EQUIVALENTS**

	2020 \$'000	2019 \$'000
Cash on hand	38	77
Cash at bank	790	4,509
Total cash and cash equivalents	828	4,586

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.

Note 6: TRADE AND OTHER RECEIVABLES

Trade receivables	117	347
Sundry receivables	1,147	846
Prepayments	625	522
Accrued dividends	5,760	4,478
Total trade and other receivables	7,649	6,193

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 2020 (2019: Nil).

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

Interest bearing term deposits maturing within 12 months with an average interest rate of 0.68% (2019 : 2.24%)	25	25
Total current financial assets	25	25

Non-current financial assets

Equity instruments	111,878	136,077
Total non-current financial assets	111,878	136,077
Total financial assets	111,903	136,102

ECH INC.**Financial Report for the Year Ended 30 June 2020****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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Consolidated						
Land and buildings	40,248	39,817	(5,713)	(5,147)	34,535	34,670
Motor vehicles, plant and equipment	22,131	19,425	(8,489)	(5,640)	13,642	13,785
Work in progress	1,755	9,205	-	-	1,755	9,205
Total property, plant and equipment	64,134	68,447	(14,202)	(10,787)	49,932	57,660

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 2018	44,832	9,884	7,199	61,915
Additions	20,160	6,282	9,863	36,305
Disposals	-	(471)	-	(471)
Depreciation	(684)	(1,910)	-	(2,594)
Reclassification to Investment Property	(29,638)	-	(7,857)	(37,495)
Carrying amount at 30 June 2019	34,670	13,785	9,205	57,660

	Land & Buildings \$'000	MV, plant & equipment \$'000	Work in Progress \$'000	TOTAL \$'000
Carrying amount at 1 July 2019	34,670	13,785	9,205	57,660
Additions	431	2,818	21,802	25,051
Disposals	-	(113)	(2,083)	(2,196)
Depreciation	(566)	(2,848)	-	(3,414)
Reclassification to Investment Property	-	-	(27,169)	(27,169)
Carrying amount at 30 June 2020	34,535	13,642	1,755	49,932

ECH INC.**Financial Report for the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Statements****(continued)****Note 9: LEASES**

	Right of Use assets (RoA) \$'000	Accum Depn \$'000	Lease Liability (current) \$'000	Lease Liability (non- current) \$'000	Depn Expense \$'000	Interest Expense \$'000
Balance as at 30 June 2019	-	-	-	-	-	-
Leased property	1,429	(394)	341	569	(394)	(27)
Leased motor vehicle	62	(23)	23	18	(23)	(1)
Leased ICT	1,272	(388)	386	519	(388)	(28)
Balance as at 30 June 2020	2,763	(805)	750	1,106	(805)	(56)

The Australian Accounting Standards Board ("AASB") has issued AASB 16 Leases. The new standard is applied for annual periods beginning on or after 1 January 2019. ECH has adopted the new standard for the year commencing 1 July 2019. The modified retrospective approach has been adopted.

The undiscounted maturity analysis of lease liabilities are as follows:

	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	Total undiscounted lease liabilities \$'000	Lease liabilities included in the Statement of Financial Position \$'000
2020					
Lease liabilities	787	1,129	-	1,917	1,856
Total	787	1,129	-	1,917	1,856

Note 10: INVESTMENT PROPERTY

	2020 \$'000	2019 \$'000
Balance at beginning of the year (1 July)	251,711	214,013
Acquisitions	39,831	-
Adjustment from prior year	(354)	204
Fair value movement	(16,747)	-
Reclassification from Work in Progress	27,169	7,856
Reclassification from Land	-	29,638
Balance at end of the year (30 June)	301,610	251,711
Development land measured at cost	29,638	29,638
Retirement villages measured at fair value	251,047	222,073
Retirement villages under development/ refurbishment measured at cost	20,925	-
Total Investment Property	301,610	251,711

Note 11: TRADE AND OTHER PAYABLES

Trade payables	177	121
Other payables	50	1
Accrued expenses	1,964	2,445
Total trade and other payables	2,191	2,567

ECH INC.**Financial Report for the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Statements (continued)****Note 12: AMOUNTS PAYABLE TO RESIDENTS**

		2020 \$'000	2019 \$'000
Expected to be paid within one year	2(xi)	5,885	4,558
Expected to be paid after one year	2(xi)	106,056	77,036
Total amounts payable to residents		<u>111,941</u>	<u>81,594</u>

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 13: PROVISIONS**Current**

Provision for employee entitlements	4,208	3,630
Total current provisions	<u>4,208</u>	<u>3,630</u>

Non-current

Provision for employee entitlements	655	539
Make good provision	190	-
Total non-current provisions	<u>845</u>	<u>539</u>

Total provisions	<u>5,053</u>	<u>4,169</u>
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Note 14: OTHER LIABILITIES**Current**

Deferred revenue	10,354	8,648
Provision for maintenance funds	930	463
Total current other liabilities	<u>11,284</u>	<u>9,111</u>

Note 15: BORROWINGS**Non-current**

Borrowings	18,012	7,500
Total non-current Borrowings	<u>18,012</u>	<u>7,500</u>

The unused loan facility with BankSA as at 30 June 2020 was \$12.0M.

ECH INC.**Financial Report for the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Statements (continued)****Note 16: CASH FLOW INFORMATION**

	2020 \$'000	2019 \$'000
<i>Reconciliation of cash flow from operations with surplus after tax</i>		
Surplus/ (Deficit) for the year	(19,123)	3,458
Cash flows excluded from surplus attributable to operating activities		
- Investment Income received	(7,071)	(6,933)
Non-cash flows in surplus:		
- net (gain) on disposal of assets	(144)	(162)
- net loss on Billy Care Pty Ltd Investment	4,988	-
- net loss on investment property revaluation	17,574	-
- written off property, plant and equipment	2,083	-
- depreciation	4,319	2,781
Changes in assets and liabilities:		
- (increase) in receivables and prepayments	(174)	(41)
- (increase) in inventories	(7)	(21)
- (decrease) in payables, other liabilities and provisions	(6,621)	(6,728)
	<u>(4,176)</u>	<u>(7,646)</u>

Note 17: SUBSIDIARIES

ECH does not have any subsidiaries.

Note 18: COMMITMENTS FOR EXPENDITURE**Capital expenditure commitments**

Expected date of settlement within 12 months	29,423	3,068
Expected date of settlement in the second year to fifth year	2,545	428
Total commitments for capital expenditure	<u>31,968</u>	<u>3,496</u>

Note 19: 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 \$1,311,000 for 2019/20 (\$1,503,000 for 2018/19).

ECH INC.**Financial Report for the Year Ended 30 June 2020****Notes to and Forming Part of the Financial Statements (continued)****Note 20: EVENTS AFTER THE REPORTING DATE**

The Novel Coronavirus ('COVID-19') was declared a pandemic in March 2020. Subsequent to the end of the 30 June 2020 financial year, there continues to be considerable economic impacts in Australia, and globally, as a result of the outbreak. The Board members do not consider that the impact is likely to compromise the ability of the Association to continue operating for the foreseeable future.

On 1 July 2020, ECH acquired the assets of Billy Care Pty Ltd. The Business Sale Agreement was executed on 2 July 2020.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Association, the results of those operations or the state of affairs of the Association in future financial years.

Note 21: AUDITORS REMUNERATION

	2020 \$'000	2019 \$'000
Audit of the financial report	<u>26</u>	<u>25</u>
Total auditors remuneration	<u>26</u>	<u>25</u>

Note 22: RELATED PARTY DISCLOSURES*Key Management Personnel Compensation*

Short-term employee benefits	1,823	2,001
Post employment benefits	<u>150</u>	<u>159</u>
Total key management personnel compensation	<u>1,973</u>	<u>2,160</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 2020
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 2020:

(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 as at 30 June 2020 and its performance for the year then ended 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 24 day of September 2020

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 2020, 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 2020 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.

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 2020, 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.

ACCOUNTANTS & ADVISORS

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williambuck.com

Other Information (continued)

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

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



William Buck

ABN: 38 280 203 274



G.W. Martinella

Partner

Dated this 24th day of September, 2020.

**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 2020 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.



William Buck
ABN: 38 280 203 274



G.W. Martinella
Partner

Dated this 24th day of September, 2020.

ACCOUNTANTS & ADVISORS

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