

ECH INC.

ABN: 32 930 142 652

FINANCIAL REPORT

30 JUNE 2016

**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$'000	2015 \$'000
Revenue	3	48,881	52,260
Other income	3	750	5,380
Employee benefits expense	4	(23,671)	(26,154)
Depreciation and amortisation expense	4	(1,765)	(2,366)
Other expenses	4	(10,460)	(10,976)
Profit for the year		13,735	18,144
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		(6,764)	2,924
Total other comprehensive income for the year		(6,764)	2,924
Total comprehensive income for the year		6,971	21,068

The accompanying notes form part of these financial statements

ASSETS	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	5	369	404
Trade and other receivables	6	11,143	8,041
Financial assets	7	21,507	41,904
Inventories	2(ix)	104	101
Total current assets		33,123	50,450
Non-current assets			
Financial assets	7	137,157	123,056
Property, plant and equipment	8	32,639	28,424
Investment property	9	192,853	178,113
Total non-current assets		362,649	329,593
Total assets		395,772	380,043
LIABILITIES			
Current liabilities			
Trade and other payables	10	2,696	1,646
Amounts payable to residents	11	69,792	64,128
Provision for workers compensation	2(xiv)	310	155
Short term provisions	12	3,024	2,859
Other liabilities	13	2,876	1,216
Total current liabilities		78,698	70,004
Non-current liabilities			
Provision for workers compensation	2(xiv)	633	578
Long term provisions	12	449	440
Total non-current liabilities		1,082	1,018
Total liabilities		79,780	71,022
NET ASSETS		315,992	309,021
EQUITY			
Retained earnings		319,832	306,097
Reserves		(3,840)	2,924
TOTAL EQUITY		315,992	309,021

The accompanying notes form part of these financial statements

ECH INC.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

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	Retained Earnings	Share Revaluation Reserve	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2014	287,953	-	287,953
Profit for the year	18,144	-	18,144
Total other comprehensive income for the year	-	2,924	2,924
Balance at 30 June 2015	306,097	2,924	309,021
Profit for the year	13,735	-	13,735
Total other comprehensive income for the year	-	(6,764)	(6,764)
Balance at 30 June 2016	319,832	(3,840)	315,992

The accompanying notes form part of these financial statements

**ECH INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

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	Note	2016 \$'000	2015 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		31,854	45,158
Payments to suppliers and employees		(31,032)	(37,815)
Investment income received		8,603	4,285
Net cash provided by operating activities	14	9,425	11,628
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(16,942)	(5,335)
Payments for other financial assets		(1,143)	(29,828)
Proceeds from sale of property, plant and equipment		2,590	17,263
Net cash (used in) investing activities		(15,495)	(17,900)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds of loans from residents		11,295	9,941
Refunds of loans to residents		(5,260)	(4,016)
Net cash provided by financing activities		6,035	5,925
Net (decrease) in cash held		(35)	(347)
Cash and cash equivalents at beginning of the year		404	751
Cash and cash equivalents at end of the year	5	369	404

The accompanying notes form part of these financial statements

1. INTRODUCTION

ECH Inc. (ECH) is an Association incorporated in South Australia under the Associations Incorporation Act 1985 (SA). ECH is also registered as a charity under the Australian Charities and Not-for-profits Commission Act 2012.

Operations and principal activities

Promotes self-determination and enables people to have the best lives possible as they age.

Registered office

174 Greenhill Road, Parkside, South Australia, 5063.

Authorisation of financial report

The financial report was authorised for issue on the 29th September 2016 by the Board of Directors of ECH.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(i) Overall policy

The principal accounting policies adopted by ECH are stated in order to assist in a general understanding of the financial report.

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Interpretations of the Australian Accounting Standard Board and the Australian Charities and Not-for-profits Commission Act 2012. ECH is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (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.

(ii) 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.

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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Financial instruments (continued)

(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. They are subsequently measured at fair value with any remeasurements 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.

Derecognition

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.

(iii) 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.

(iv) 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.

(v) 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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) Income taxes

In accordance with the provisions of the Australian Income Tax Assessment Act, the entity is exempt from income tax.

(vii) 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.

(viii) 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.

(ix) 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.

(x) Property, plant & 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 & 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 2016 was \$4.7 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 (xi) and Note 9.

Furniture, fittings, motor vehicles and equipment

Furniture, fittings 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.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Buildings	2.5%
Plant and equipment	10.0% - 20.0%
Computer equipment	33.3%
Motor vehicles	20.0%

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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xi) 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 three 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 derecognition of an investment property are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.

(xii) 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.

(xiii) 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 wages, salaries and sick leave. 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. 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 remeasurement 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.

(xiv) 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.

(xv) 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.

(xvi) Comparative figures

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

(xvii) 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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xviii) 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.

(xix) New and revised accounting standards

Financial Instruments

AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

The key changes that may affect the entity on initial application of AASB 9 and associated Amending Standards include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the entity anticipates that the adoption of AASB 9 may have an impact on the entity's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

Leases

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- (i) recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- (ii) depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- (iii) variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- (iv) by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- (v) additional disclosure requirements.

Although the entity anticipates that the adoption of AASB 16 may have an impact on the entity's financial statements it is impracticable at this stage to provide a reasonable estimate of such impact.

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 2016.

3. REVENUE

	2016 \$'000	2015 \$'000
Revenue		
Bequests and donations	39	113
Government subsidies	21,503	25,165
Investment income	9,905	9,415
Residents' contributions	16,316	16,704
Sale of goods	6	11
Other revenue	1,112	852
	48,881	52,260
Other income		
Net gain on disposal		
Property, plant and equipment	750	3,234
Net gain on revaluation		
Investment property	-	2,146
	750	5,380
Total revenue	49,631	57,640

4. PROFIT

Additional information on the nature of expenses

Employee benefits expense	23,671	26,154
Depreciation:		
Buildings	433	851
Plant and equipment	1,332	1,515
	1,765	2,366
Dietary, medical and housekeeping supplies	511	858
Utilities	3,294	3,332
Repairs and maintenance	1,682	1,842
Other expenses	4,973	4,944
Total other expenses	10,460	10,976
Total expenditure	35,896	39,496

5. CASH AND CASH EQUIVALENTS

	2016 \$'000	2015 \$'000
Cash on hand	59	220
Cash at bank	310	184
Total cash and cash equivalents	369	404

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.

6. TRADE AND OTHER RECEIVABLES

Trade receivables	1,185	818
Sundry receivables	2,871	1,514
Prepayments	233	158
Accrued interest	127	126
Accrued dividends	6,727	5,425
Total trade and other receivables	11,143	8,041

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 2016 (2015: Nil)

7. FINANCIAL ASSETS

Current financial assets

Interest bearing term deposits maturing within 12 months with an average interest rate of 3.01% (2015 : 3.32%)	21,507	41,904
Total current financial assets	21,507	41,904

Non-current financial assets

Available for sale financial assets		
Income securities and property trusts	137,157	123,056
Total non-current financial assets	137,157	123,056
Total financial assets	158,664	164,960

8. PROPERTY, PLANT AND EQUIPMENT

	Gross carrying amount		Accumulated depreciation and impairment losses		Net carrying amount	
	2016	2015	2016	2015	2016	2015
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land and buildings	31,382	32,976	(4,917)	(9,831)	26,465	23,145
Motor vehicles, plant and equipment	17,699	17,326	(13,679)	(13,189)	4,020	4,137
Work in progress	2,154	1,142	-	-	2,154	1,142
Total property, plant and equipment	51,235	51,444	(18,596)	(23,020)	32,639	28,424

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	MV, plant & equipment	Work in progress	TOTAL
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2014	42,535	4,350	1,438	48,323
Additions	-	2,086	3,248	5,334
Disposals / capitalisation	(18,539)	(784)	-	(19,323)
Depreciation expense	(851)	(1,515)	-	(2,366)
Reclassification to Investment Property	-	-	(3,544)	(3,544)
Carrying amount at 30 June 2015	23,145	4,137	1,142	28,424

	Land & buildings	MV, plant & equipment	Work in progress	TOTAL
	\$'000	\$'000	\$'000	\$'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 / capitalisation	(1,547)	(294)	-	(1,841)
Depreciation expense	(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

9. INVESTMENT PROPERTY

	2015
	\$'000
Balance at beginning of year	172,423
Reclassification from Work in progress	3,544
Revaluation increment recognised in profit and loss	2,146
Balance at end of year	178,113
	2016
	\$'000
Balance at beginning of year	178,113
Acquisitions	5,618
Reclassification from Work in progress	9,122
Revaluation increment recognised in profit and loss	-
Balance at end of year	192,853

10. TRADE AND OTHER PAYABLES

	2016 \$'000	2015 \$'000
Trade payables	129	22
Other payables	54	69
Accrued expenses	2,513	1,555
Total trade and other payables	2,696	1,646

11. AMOUNTS PAYABLE TO RESIDENTS

Amounts payable to residents	Note		
Amounts payable to individual residents under the Retirement Villages Act 1987			
- Expected to be paid within one year	2(xii)	4,740	3,815
- Expected to be paid after one year	2(xii)	65,052	60,313
Total amounts payable to residents		69,792	64,128

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.

12. PROVISIONS

Current		
Provision for employee entitlements	3,024	2,859
Total current provisions	3,024	2,859
Non-current		
Provision for employee entitlements	449	440
Total non-current provisions	449	440
Total provisions	3,473	3,299

13. OTHER LIABILITIES

	2016 \$'000	2015 \$'000
Deferred revenue	2,779	1,212
Grants received to be applied to capital expenditure	97	4
Total other liabilities	2,876	1,216

14. CASH FLOW INFORMATION

Reconciliation of cash flow from operations with profit after tax

Profit after tax	13,735	18,144
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Cash flows excluded from profit attributable to operating activities

Non-cash flows in profit:

- net (gain) on disposal of assets	(750)	(3,234)
- net (gain) on revaluation of investment property	-	(2,146)
- depreciation	1,765	2,366

Changes in assets and liabilities:

- (increase) / decrease in receivables and prepayments	(3,103)	2,318
- (increase) / decrease in inventories	(2)	1
- (decrease) in payables, other liabilities and provisions	(2,220)	(5,821)
	9,425	11,628

15. SUBSIDIARIES

ECH does not have any subsidiaries.

16. COMMITMENTS FOR EXPENDITURE

Capital expenditure commitments

Expected date of settlement

Within 12 months	2,293	2,323
Total commitments for expenditure	2,293	2,323

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 \$830,000 for 2015/16 (\$2,173,000 for 2014/15). Based upon the actuarial report for 30 June 2016 this guarantee will be increased to \$1,014,000.

18. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to the reporting date.

19. RELATED PARTY DISCLOSURES

Key management personnel compensation

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

The totals of remuneration paid to key management personnel of ECH during the year are as follows:

	2016 \$'000	2015 \$'000
Short-term employee benefits	1,555	1,580
Post employment benefits	157	271
Total key management personnel compensation	1,712	1,851

Directors of ECH

The following individuals held office as Directors of ECH during the year:

T Stubbs (Chair)	R Hislop (Appointed on 1 March 2016)
A Heard (Deputy Chair)	J Richter (Appointed on 1 March 2016)
S Daw	S Laidlaw (Resigned on 31 January 2016)
C Bryson (Appointed on 1 July 2015)	C Gaston (Retired on 29 February 2016)
P Siebels (Appointed on 1 March 2016)	J Jeffreys (Retired on 30 June 2016)

Board Changes

The following changes occurred after the reporting date:

T Stubbs (Retired on 31 August 2016)	S Vardon (Appointed on 1 August 2016)
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20. AUDITORS REMUNERATION

Audit of financial reports	23	24
Total auditors remuneration	23	24

ECH INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

21. Information about business segments

Industry segments	Residential Care		Community Services		Independent Living		Other Operations		Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Operating revenue										
Government subsidies	-	2,606	20,031	21,267	1,312	1,271	160	21	21,503	25,165
Resident / Client contributions	-	871	3,039	2,990	13,277	12,843	-	-	16,316	16,704
Other income	-	66	31	45	562	278	11,219	15,382	11,812	15,771
Total revenue	-	3,543	23,101	24,302	15,151	14,392	11,379	15,403	49,631	57,640
Employee benefits expense	-	2,309	15,582	15,861	2,740	1,790	5,349	6,194	23,671	26,154
Dietary, medical and housekeeping supplies	-	352	496	489	15	17	-	-	511	858
Other expenses	-	420	3,082	4,294	3,407	4,213	3,460	1,191	9,949	10,118
Depreciation	-	283	250	298	591	584	924	1,201	1,765	2,366
Net profit from ordinary activities	-	179	3,691	3,360	8,398	7,788	1,646	6,817	13,735	18,144
Segment current assets	-	-	359	185	2,300	1,805	30,464	48,460	33,123	50,450
Segment non-current assets	-	-	3,320	2,707	194,585	180,743	164,744	146,143	362,649	329,593
Segment assets	-	-	3,679	2,892	196,885	182,548	195,208	194,603	395,772	380,043
Segment current liabilities	-	-	3,809	2,594	71,300	64,899	3,589	2,511	78,698	70,004
Segment non-current liabilities	-	-	274	281	90	78	718	659	1,082	1,018
Segment liabilities	-	-	4,083	2,875	71,390	64,977	4,307	3,170	79,780	71,022
Segment net assets	-	-	(404)	17	125,495	117,571	190,901	191,433	315,992	309,021

ECH operates in the aged care industry within South Australia. Reportable segments are based on the operational divisions within ECH as follows:

- (i) Residential Care: On 1 November 2014, ECH divested its Tiwi Residential Care Centre in the Northern Territory to Regis Aged Care Pty Ltd.
- (ii) Community Services: This includes the provision of community services to older people.
- (iii) Independent Living: This includes the provision of retirement village living accommodation.
- (iv) Other Operations: This includes the investment income, donations and other income of a non-operational nature.

22. FINANCIAL RISK MANAGEMENT

ECH's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2016 \$'000	2015 \$'000
Financial assets			
Cash and cash equivalents	5	369	404
Trade and other receivables	6	11,143	8,041
Other financial assets	7	158,664	164,960
Total financial assets		170,176	173,405
Financial liabilities			
Trade and other payables	10	2,696	1,646
Amounts payable to residents	11	69,792	64,128
Total financial liabilities		72,488	65,774

Financial risk management policies

An Investment Committee consisting of members of the Board of Directors attended by the Chief Executive and Chief Finance Officer is responsible for, among other issues, monitoring and managing the financial risk exposures of the entity. The Committee monitors the entity's transactions and reviews the effectiveness of controls relating to credit risk, financial risk and interest rate risk. Discussions on monitoring and managing the financial risk exposures are held quarterly and minuted at the Investment Committee.

The Investment Committee's overall risk management strategy seeks to ensure that ECH meets its financial targets whilst minimising the potential adverse effects of cash flow shortfalls.

The Investment Committee operates under policies approved by the Board. Risk management policies are approved and reviewed by the Committee on a regular basis. These include the use of credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks that ECH is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and equity price risk.

(a) Credit risk

Exposure to credit risk relating to the financial assets arises from the potential of non-performance by counterparties of their contractual obligations that could lead to a financial loss to ECH.

Credit risk is managed through maintaining procedures (such as utilisation of systems for the approval, granting and removal of credit limits, regular monitoring of exposure against such limits and monitoring of the financial stability of significant customers and counterparties) ensuring, to the extent possible, that members and counterparties to the transactions are of sound credit worthiness.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the Investment Committee has otherwise cleared as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by each class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Statement of Financial Position.

There is no collateral held by ECH securing trade and other receivables.

Trade or other receivables that are neither past due nor impaired are considered to be of a high credit quality.

ECH has no significant concentration of credit risk with any single counterparty or group of counterparties.

(b) Liquidity risk

Liquidity risk arises from the possibility that the entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to its financial liabilities. The entity manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- only investing surplus cash with major financial institutions; and
- proactively monitoring the recovery of unpaid accounts.

The tables below reflect an undiscounted contractual maturity analysis of its financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

22. FINANCIAL RISK MANAGEMENT (Continued)

Financial instrument composition and maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities due for payment								
Trade and other payables	2,696	1,646	-	-	-	-	2,696	1,646
Amounts payable to residents	4,740	3,815	30,314	29,212	34,738	32,207	69,792	64,128
Total financial liabilities	7,436	5,461	30,314	29,212	34,738	32,207	72,488	65,774
Financial assets - cash flows realisable								
Cash and cash equivalents	369	404	-	-	-	-	369	404
Term deposits	21,507	41,904	-	-	-	-	21,507	41,904
Trade and other receivables	11,143	8,041	-	-	-	-	11,143	8,041
Investments	-	-	71,965	53,767	65,192	69,289	137,157	123,056
Total financial assets	33,019	50,349	71,965	53,767	65,192	69,289	170,176	173,405

(c) Market risk

i. Interest rate risk

Exposure to interest rate risk arises on the financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows.

ii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices of the securities held.

(d) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the entity holds financial instruments which are other than the AUD functional currency of the entity.

With instruments being held in overseas operations, fluctuations in the US dollar, Euro and other currencies may impact on the entity's financial results unless those exposures are appropriately hedged.

The following table shows the foreign currency risk on unhedged financial assets of the entity's operations denominated in currencies other than the functional currency of the operations.

Net Financial Assets in AUD	US dollar	Euro	Japanese Yen	Other	Total AUD
(\$'000)					
	12,164	7,622	1,716	2,877	24,379

Sensitivity analysis

The following table illustrates sensitivities in ECH's exposures to changes in interest rates and equity prices. The table indicates the effect on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit \$'000	Equity \$'000
Year ended 30 June 2016		
+/- 2% in interest rates	+/- 430	+/- 430
+/- 10% in listed investments	+/- 5,486	+/- 13,716
Year ended 30 June 2015		
+/- 2% in interest rates	+/- 838	+/- 838
+/- 10% in listed investments	+/- 4,922	+/- 12,306

22. FINANCIAL RISK MANAGEMENT (Continued)

Net fair values

Fair value estimation

The fair values of the financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the Statement of Financial Position. Fair values are those amounts at which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in the assumptions may have a material effect on the amounts estimated. Areas of judgment and the assumptions used have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded.

		Net Carrying Value 2016 \$'000	Net Fair Value 2016 \$'000	Net Carrying Value 2015 \$'000	Net Fair Value 2015 \$'000
Note					
Financial assets					
Cash and cash equivalents ⁽ⁱ⁾		369	369	404	404
Term deposits ⁽ⁱ⁾		21,507	21,507	41,904	41,904
Trade and other receivables ⁽ⁱ⁾		11,143	11,143	8,041	8,041
Available-for-sale financial assets	23	137,157	137,157	123,056	123,056
Total financial assets		170,176	170,176	173,405	173,405
Financial liabilities					
Trade and other payables ⁽ⁱ⁾		2,696	2,696	1,646	1,646
Amounts payable to residents ⁽ⁱⁱ⁾		69,792	69,792	64,128	64,128
Total financial liabilities		72,488	72,488	65,774	65,774

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, term deposits, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to their fair value. Trade and other payables exclude amounts provided for relating to annual leave, which is not considered a financial instrument.
- (ii) Amounts payable to residents include resident loans. The value is determined by individual contracts under the Retirement Villages Act 1987.

23. FAIR VALUE MEASUREMENTS

The entity measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Available-for-sale financial assets.
- Investment property.

AASB 13 requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categorises fair value measurements into one of three possible levels based on the lowest level that a significant input can be categorised into. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Refer to Note 2 (xi) which describes the valuation techniques and inputs used to determine the Level 2 fair value of Investment property. There were no changes to the valuation techniques used to determine Level 2 fair values.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2016				
Assets				
Available-for-sale financial assets	137,157	-	-	137,157
Investment property	-	192,853	-	192,853
Total assets recognised at fair value	137,157	192,853	-	330,010
2015				
Assets				
Available-for-sale financial assets	123,056	-	-	123,056
Investment property	-	178,113	-	178,113
Total assets recognised at fair value	123,056	178,113	-	301,169

There were no transfers between levels during the reporting period.

In accordance with a resolution of the Board of Directors of ECH, in the opinion of the Board of Directors:

- (a) the accompanying financial statements of ECH are drawn up so as to give a true and fair view of the results of ECH for the year ended 30 June 2016 and the state of affairs of ECH as at 30 June 2016, and have been prepared in accordance with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (b) at the date of this statement there are reasonable grounds to believe that ECH will be able to pay its debts as and when they fall due.

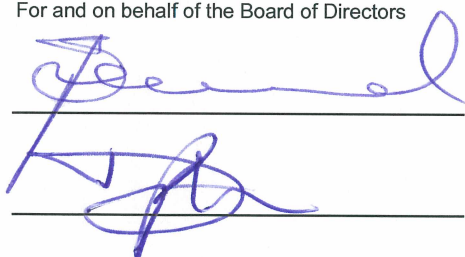
In accordance with a resolution of the Board of Directors of ECH, the Board of Directors submit the following report for the financial year ended 30 June 2016 under subsection 35(5) of the Associations Incorporation Act 1985 as follows:

- (a)
 - (i) no member of the Board of Directors of ECH,
 - (ii) no firm in which a member of the Board of Directors is a member, and
 - (iii) no body corporate in which a member of the Board of Directors has a substantial financial interest

has during the financial year received or become entitled to receive a benefit as a result of a contract between the member of the Board of Directors, firm or body corporate and ECH outside of normal contractual arrangements.

- (b) no member of the Board of Directors of ECH has during the financial year ended 30 June 2016 received directly or indirectly from ECH any payment or other benefit of a pecuniary value outside of normal contractual arrangements.

For and on behalf of the Board of Directors



29.9.2016

Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ECH INC.

Report on the Financial Report

We have audited the accompanying financial report of ECH Inc. ("the association"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by the board of directors.

The Board of Director's Responsibility for the Financial Report

The Board of 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 and the Australian Charities and Not-for-profits Commission Act 2012 and for such internal control as the Board of Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial report.

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

CHARTERED ACCOUNTANTS & ADVISORS

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ECH INC. (CONTINUED)**

Auditor's Opinion

In our opinion, the accompanying financial report of ECH Inc. is 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 2016 and of its performance and cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

William Buck

William Buck
ABN: 38 280 203 274



G.W. Martinella
Partner

Dated this 29th day of September, 2016.

**CHARTERED ACCOUNTANTS
& ADVISORS**

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