



**ECH INC.**

**ABN: 32 930 142 652**

**FINANCIAL REPORT  
for the Year Ended  
30 June 2023**

**ECH INC.**  
**Financial Report for the Year Ended 30 June 2023**



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**ECH INC.**  
**Financial Report for the Year Ended 30 June 2023**  
**Board Report**



The Board Members present their report on the Financial Statements of ECH Incorporated for the year ended 30 June 2023.

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

Rosina Hislop (Chair)  
Cameron Bryson (Deputy Chair)  
Stephen Christley  
Marc Makrid

Loewn Steel  
Jennifer Ma  
Patrick Power (appointed February 2023)

**Principal activities**

ECH is one of South Australia's largest profit-for-purpose providers of independent retirement living accommodation, as well as services that promote self-determination and enable people to have the best life possible as they age. ECH is also registered with the Australian Charities and Not-for-Profits Commission (ACNC).

ECH has a Community focus and offers clients a range of services with one of the largest offerings of At Home Services, enabling our clients to live life well at home. ECH also offers innovative wellness and allied health services, social programs, short stay and respite care, social engagement, information and advocacy, care management and clinical services.

ECH offer independent retirement living accommodation across many Adelaide suburbs including beachside and city properties, as well as homes in Victor Harbor and Ardrossan. Our ECH retirement villages offer purpose-built communities, so residents are surrounded with other like-minded people and can enjoy the security and friendship this brings. Most ECH villages are close to transport, recreation and medical facilities.

**Significant changes in state of affairs**

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

**Operating results**

The surplus for the year is disclosed in the Statement of Profit or Loss and Other Comprehensive Income and includes all sources of income for the year. The surplus from ordinary activities for the year ended 30 June 2023 amounted to \$29.2m (prior year surplus \$19.1m).

**Events after the reporting date**

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 Entity, the results of those operations or the state of affairs of the Entity in future financial years.

**Statement of Profit or Loss and Other Comprehensive Income  
For the Year Ended 30 June 2023**

	<b>Note</b>	<b>2023 \$'000</b>	<b>2022 \$'000</b>
Revenue	4	<b>81,959</b>	63,848
Other income	4	<b>6,159</b>	7,665
Employee benefits expense	5	<b>(51,595)</b>	(42,908)
Depreciation and amortisation expense	5	<b>(3,592)</b>	(3,802)
Gain on fair value of investment properties	11	<b>24,940</b>	19,684
Loss on fair value of resident loan liability		<b>(1,054)</b>	(842)
Other expenses	5	<b>(26,298)</b>	(23,966)
Finance costs	5	<b>(1,282)</b>	(619)
<b>Surplus for the year</b>		<b>29,237</b>	19,060

**Other comprehensive income**

*Items that will not be reclassified subsequently to profit or loss when specific conditions are met;*

Unrealised gain/(loss) on of investment securities	1,090	(7,693)
<b>Total other comprehensive income/(loss)</b>	<b>1,090</b>	<b>(7,693)</b>
<b>Total comprehensive income for the year</b>	<b>30,327</b>	<b>11,367</b>

The accompanying notes form part of these financial statements

ECH INC,



**Statement of Financial Position  
As at 30 June 2023**

	Note	2023 \$'000	2022 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	6	7,790	7,440
Trade and other receivables	7	9,516	10,527
Financial assets	8	99,572	91,230
Inventories		146	118
Property, plant and equipment	9	43,757	45,159
Right-of-use assets	10	417	531
Investment properties	11	411,328	379,463
<b>TOTAL ASSETS</b>		<b>572,526</b>	<b>534,468</b>
<b>LIABILITIES</b>			
Trade and other payables	12	3,285	2,968
Provisions	13	9,294	7,803
Refundable loans	15	134,154	130,608
Deferred revenue	14	35,937	33,154
Borrowings	16	27,104	27,441
Lease liabilities	10	444	513
<b>TOTAL LIABILITIES</b>		<b>210,218</b>	<b>202,487</b>
<b>NET ASSETS</b>		<b>362,308</b>	<b>331,981</b>
<b>EQUITY</b>			
Retained earnings		368,662	330,580
Reserves		(6,354)	1,401
<b>TOTAL EQUITY</b>		<b>362,308</b>	<b>331,981</b>

The accompanying notes form part of these financial statements

ECH INC.



**Statement of Changes in Equity  
For the Year Ended 30 June 2023**

	Retained Earnings	Share Revaluation Reserve	Asset Revaluation Reserve	Total
	\$'000	\$'000	\$'000	\$'000
<b>2022</b>				
Balance at 1 July 2021	311,520	(636)	9,730	320,614
Surplus for the year	19,060	-	-	19,060
Other comprehensive loss for the year	-	(7,693)	-	(7,693)
<b>Balance at 30 June 2022</b>	<b>330,580</b>	<b>(8,329)</b>	<b>9,730</b>	<b>331,981</b>
<b>2023</b>				
Balance at 1 July 2022	330,580	(8,329)	9,730	331,981
Surplus for the year	29,237	-	-	29,237
Realised losses of investment securities	(885)	885	-	-
Other comprehensive income for the year	9,730	1,090	(9,730)	1,090
<b>Balance as at 30 June 2023</b>	<b>368,662</b>	<b>(6,354)</b>	<b>-</b>	<b>362,308</b>

The accompanying notes form part of these financial statements

ECH INC.



**Statement of Cash Flows**  
**For the Year Ended 30 June 2023**

	Note	2023 \$'000	2022 \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		73,643	56,447
Payments to suppliers and employees		(80,437)	(71,554)
<b>Net cash (used in) operating activities</b>	19	(6,794)	(15,107)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(2,251)	(1,999)
Payments for investment properties		(6,925)	(11,603)
Proceeds from other financial assets		-	8,000
Investment Income received		1,735	2,027
Proceeds from sale of property, plant and equipment		385	334
<b>Net cash (used in) provided by investing activities</b>		(7,056)	(3,241)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds of loans from financial institutions		3,500	1,342
Payment of loans to financial institutions		(3,837)	(7,500)
Proceeds of loans from residents		26,277	36,428
Refunds of loans to residents		(11,224)	(4,769)
Payment for lease liabilities		(516)	(830)
<b>Net cash provided by financing activities</b>		14,200	24,671
<b>Net increase in cash held</b>		350	6,323
<b>Cash and cash equivalents at the beginning of the year</b>		7,440	1,117
<b>Cash and cash equivalents at the end of the year</b>	6	7,790	7,440

The accompanying notes form part of these financial statements



ECH Inc. ('ECH' or 'the Association') is incorporated under the *Associations Incorporation Act (SA) 1985* and is a not-for-profit entity for the purpose of preparing this financial report.

The financial report was authorised for issue on the 26th October 2023 by the Board of ECH Inc.

**Note 1: BASIS OF PREPARATION**

The financial report of the Association is a general purpose financial report prepared in accordance with Australian Accounting Standards – Simplified Disclosures requirements, other authoritative pronouncements of the Australian Accounting Standards Board, the *Associations Incorporation Act (SA) 1985* and the *Australian Charities and Not-for-profits Commission Act 2012*.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected land and building, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

The functional and presentation currency of ECH is Australian dollars and the amounts are rounded to the nearest thousand dollar.

Comparatives are consistent with prior years, unless restated to make them consistent with the basis of reporting for the current year.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Revenue and other income**

**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:

- (1) identify the contract with the customer
- (2) identify the performance obligations
- (3) determine the transaction price
- (4) allocate the transaction price to the performance obligations
- (5) recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.



**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Revenue and other income**

**Specific revenue streams**

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

**Resident entry contributions**

Resident entry contributions meet the definition of a lease arrangement, therefore falls outside of the scope of AASB15 and are accounted for in accordance with AASB16 Leases. Revenue from deferred management fees (DMFs) is recognised on a straight line basis over the period of the resident's expected tenure. Resident contracts are initially recognised as a loan liability and transferred to deferred revenue in line with the contractual obligations. The majority of ECH's contracts become partly refundable or fully non refundable over a period of four years. The performance obligation is satisfied over time.

**Rent & maintenance fees**

Rent and maintenance fees for independent living units are collected in advance. They are recorded as deferred income until earned.

**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 both AASB 15 and AASB 1058. When both these conditions are satisfied, the Association:

- (1) identifies each performance obligation relating to the grant;
- (2) recognises a contract liability for its obligations under the agreement; and
- (3) recognises revenue as it satisfies its performance obligations when specific promises/deliverables are fulfilled as per the contract.

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

- (1) 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);
- (2) recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer);
- (3) 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.

**Provision of services**

Income from the provision of services (government subsidies and resident and client contributions) is recognised when the service is performed.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Revenue and other income (continued)**

**Dividend revenue**

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

**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 Entity satisfies its obligations under the terms of the grant.

**Sale of goods**

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the satisfaction of performance obligation by 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.

**Donations and other revenue**

Revenue is recognised on receipt of cash or at the time a receivable is recorded, if earlier.

**(b) Income Tax**

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

**(c) Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**(d) Volunteer services**

No amounts are included in the financial statements for services donated by volunteers.

**ECH INC.**  
**Notes to Financial Statements**  
**For the Year Ended 30 June 2023**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Land and buildings are carried at a combination at cost and deemed cost. The net book value of these deemed cost assets at 30 June 2023 was \$14.7m

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

**Depreciation**

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated remaining useful life of the asset as follows:

<b>Fixed asset class</b>	<b>Useful Life</b>
Buildings	5 - 40 years
Plant and equipment	5 - 10 years
Motor Vehicles	5 years
Computer equipment	3 - 10 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

**Work in progress**

Works in progress is measured at cost. Amounts relating to capital improvements and significant refurbishment projects are capitalised into works in progress until the completion of the project. At the end of each reporting period an assessment is made to determine amounts which should be expensed.

**ECH INC.**  
**Notes to Financial Statements**  
**For the Year Ended 30 June 2023**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision, if necessary.

**(g) Trade and other receivables**

Receivables are recognised and carried at original invoice or contract amount less any allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. All other trade and other receivables are non-interest bearing.

**(h) Investment properties**

Investment properties, comprising the retirement villages (land and buildings 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 properties are 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 properties valuation is categorised as a Level 2 input under the fair value hierarchy in accordance with AASB 13: *Fair Value Measurement*. Refer to Note 3 for further details of the assumptions used and Note 11 for details of the carrying value.

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.

**(i) Impairment of assets**

At the end of each reporting period, the Association 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.

**ECH INC.**  
**Notes to Financial Statements**  
**For the Year Ended 30 June 2023**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Financial instruments**

Financial instruments are recognised initially on the date that the Association becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs.

**Financial Assets**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification*

On initial recognition, the Association classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through other comprehensive income - equity instrument (FVOCI - equity)

Financial assets are not reclassified subsequent to their initial recognition unless the Association changes its business model for managing financial assets.

*Amortised cost*

The Association's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

*Fair value through other comprehensive income*

*Equity instruments*

The Association has a number of strategic investments in listed and unlisted entities over which they do not have significant influence nor control. The Association has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (share revaluation reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

**ECH INC.**  
**Notes to Financial Statements**  
**For the Year Ended 30 June 2023**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Financial instruments (continued)**

**Financial Assets (continued)**

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income.

*Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss basis for financial assets measured at amortised cost.

Credit losses are measured as the present value of the difference between the cash flows due to the Association in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach

*Trade receivables and contract assets*

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Association has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Association renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

*Other financial assets measured at amortised cost*

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

**Financial liabilities**

The Association measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

**ECH INC.**  
**Notes to Financial Statements**  
**For the Year Ended 30 June 2023**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**(l) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Association prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid in the month following purchase. All other trade and other payables are non interest bearing.

**(m) Employee benefits**

**Short-term employee provisions**

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

**Other long-term employee provisions**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

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.

**ECH INC.**  
**Notes to Financial Statements**  
**For the Year Ended 30 June 2023**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Resident loans**

Resident loans (Independent Living) are controlled by individual contracts and the *Retirement Villages Act 2016*, which requires 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 liability. The liability covers the maximum potential repayment of each resident's contribution which is repayable at the time the resident leaves ECH.

**(o) 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.

**(p) Leases and right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Association has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**(q) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed when incurred.



**ECH INC.**  
**Notes to Financial Statements**  
**For the Year Ended 30 June 2023**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(r) New or amended Accounting Standards and Interpretations adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods. The Association's assessment is that these new standards and interpretations will have no material impact on the financial reporting obligations of the entity when they are adopted.

**(s) Presentation of Statement of Financial Position on a liquidity basis**

The Board has taken the view that in complying with the requirements of the AASB, the treatment of refundable loans (accommodation bonds and ingoing contributions) as liabilities expected to be paid within 12 months does not reflect the true liquidity of the Association because a proportion of these liabilities are not likely to be repaid within 12 months.

Accordingly, the Board has chosen to present its statement of financial position under the liquidity presentation method (AASB 101 Presentation of Financial Statements) on the basis that it presents a more reliable and relevant view. A reconciliation of the allocation of the refundable loans is provided in note 15.

**Note 3: SUMMARY OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS'**

The Board makes estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

**Key estimates - revenue recognition**

When determining the nature, timing and amount of revenue to be recognised, the following critical estimates and judgements were applied and are considered to be those that have the most significant effect on revenue recognition.

Revenue from deferred management fees arising from resident entry contributions is recognised on a straight line basis in the Statement of Profit and Loss using the historical average of the resident tenure across the total portfolio.

**ECH INC.**  
**Notes to Financial Statements**  
**For the Year Ended 30 June 2023**

**Note 3: SUMMARY OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS' (CONTINUED)**

**Key estimates - useful lives of assets**

The Board determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

**Key estimates - fair value of investment properties**

The fair value of investment properties for the year ended June 2023 was \$411M. This was determined using a discounted cash flow model which used a number of inputs. Information about the inputs and assumptions used are listed below.

Valuation technique	Valuation input categories	2023	2022
Discounted Cash Flow Method (DCF)	Tenure	10-11 Years	10-11 Years
	Discount rate	13.5%-15.5%	13.0%-14.5%
	Avg. Capital growth rate	2.82%	2.29%
	CPI	2.50%	2.00%
	Avg. Gross rental yield	5.17%	5.17%
	Vacancy rate	5.00%	5.00%

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

**Note 3: SUMMARY OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****Critical judgements and estimations applied in assessment of equity instruments**

The Association considers whether equity instruments purchased are held for trading. The Association holds a significant value of investments in equity instruments on the Statement of Financial Position. Upon acquiring equity instruments, a determination is made whether the shares are acquired principally for the purpose of selling and repurchasing in the near term, or as a portfolio if there is evidence of a recent actual pattern of short term profit-taking and if so would be classified as held for trading. The Association does not consider any of the investments in shares at 30 June 2023 are held for trading, and are therefore able to make the irrevocable decision to hold these investments at fair value through comprehensive income.

	2023 \$'000	2022 \$'000
<b>Note 4: REVENUE</b>		
<b>Revenue</b>		
Government subsidies	57,668	42,161
Resident and client contributions	23,632	21,146
Rental revenue	536	451
Other revenue	123	90
	<u>81,959</u>	<u>63,848</u>
<b>Other income</b>		
Donations and bequests	1,831	-
Investment income	4,090	7,301
Gain on sale of assets	238	364
	<u>6,159</u>	<u>7,665</u>
All income mentioned above is generated in Australia		
<b>Disaggregated revenue from contracts with customers</b>		
<b>Type of goods or service under Resident and Client Contribution Revenue</b>		
Client contribution community service	2,728	2,300
Licence to Occupy Income	8,467	7,333
Maintenance Fee Income	9,864	8,969
Rental Income	2,463	2,414
Other Income	110	130
	<u>23,632</u>	<u>21,146</u>
<b>Timing of revenue recognition</b>		
Goods and services transferred at a point in time	65,821	48,586
Goods and services transferred over time	16,138	15,262
	<u>81,959</u>	<u>63,848</u>

**ECH INC.**  
**Notes to Financial Statements (continued)**  
**Financial Report for the Year Ended 30 June 2023**



	2023 \$'000	2022 \$'000
<b>Note 5: EXPENDITURE</b>		
<i>Additional information on the nature of expenses</i>		
Employee benefits expense	51,595	42,908
Depreciation:		
Buildings	514	513
Motor Vehicle, plant & equipment	2,599	2,459
Right-to-use assets	479	830
	<u>3,592</u>	<u>3,802</u>
Other expenses:		
Dietary, medical and housekeeping supplies	8,889	6,178
Utilities	3,310	3,362
Repairs and maintenance	2,952	2,417
Other expenses	11,147	12,009
	<u>26,298</u>	<u>23,966</u>
Finance costs:		
Bank interest	1,260	595
Lease interest	22	24
	<u>1,282</u>	<u>619</u>
	<u>82,767</u>	<u>71,295</u>

**Note 6: CASH AND CASH EQUIVALENTS**

Cash on hand	5	8
Cash at bank	7,785	7,432
	<u>7,790</u>	<u>7,440</u>

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

**ECH INC.**  
**Notes to Financial Statements (continued)**  
**Financial Report for the Year Ended 30 June 2023**



	2023 \$'000	2022 \$'000
<b>Note 7: TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	4,440	2,832
Prepayments	718	582
GST receivable	285	260
Accrued dividends	2,990	6,429
Accrued income	1,050	378
Sundry receivables	33	46
	<u>9,516</u>	<u>10,527</u>

These receivables are assessed for recoverability and an allowance for expected credit losses is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment was required at 30 June 2023 (2022: Nil).

**Note 8: FINANCIAL ASSETS**

Term deposit	25	25
Equity investments - at cost	105,901	99,534
Equity investments - revaluation	(6,354)	(8,329)
	<u>99,547</u>	<u>91,205</u>
	<u>99,572</u>	<u>91,230</u>

**Note 9: PROPERTY, PLANT AND EQUIPMENT**

**Land and Buildings**

At cost	35,601	40,247
Accumulated Depreciation	(2,582)	(6,739)
	<u>33,019</u>	<u>33,508</u>

**Motor Vehicle, Plant & Equipment**

At cost	21,994	26,053
Accumulated Depreciation	(11,369)	(15,249)
	<u>10,625</u>	<u>10,804</u>

**Work in progress**

	113	847
	<u>43,757</u>	<u>45,159</u>

# ECH INC.

## Notes to Financial Statements (continued) Financial Report for the Year Ended 30 June 2023

### Note 9: PROPERTY, PLANT AND EQUIPMENT

#### (a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year.

	Land & Building	MV, plant & equipment	Work in progress	TOTAL
	\$'000	\$'000	\$'000	\$'000
<b>2022</b>				
Balance at the beginning of year	34,021	11,175	959	46,155
Additions	-	2,112	12,254	14,366
Disposals	-	(24)	(763)	(787)
Depreciation expense	(513)	(2,459)	-	(2,972)
Transfer	-	-	(11,603)	(11,603)
<b>Balance at end of year</b>	<b>33,508</b>	<b>10,804</b>	<b>847</b>	<b>45,159</b>
<b>2023</b>				
Balance at the beginning of year	33,508	10,804	847	45,159
Additions	25	1,665	561	2,251
Disposals	-	(147)	(393)	(540)
Depreciation expense	(514)	(2,599)	-	(3,113)
Transfer	-	902	(902)	-
<b>Balance at end of year</b>	<b>33,019</b>	<b>10,625</b>	<b>113</b>	<b>43,757</b>

**ECH INC.**  
**Notes to Financial Statements (continued)**  
**Financial Report for the Year Ended 30 June 2023**



	2023 \$'000	2022 \$'000		
<b>Note 10: LEASES</b>				
<b>Right-of-use assets</b>				
<b>Buildings</b>				
At cost	2,122	1,594		
Accumulated depreciation	<u>(1,863)</u>	<u>(1,302)</u>		
	259	292		
<b>Motor Vehicles</b>				
At cost	302	177		
Accumulated depreciation	<u>(170)</u>	<u>(91)</u>		
	132	86		
<b>ICT Equipment</b>				
At cost	411	1,315		
Accumulated depreciation	<u>(385)</u>	<u>(1,162)</u>		
	26	153		
	<u>417</u>	<u>531</u>		
	<b>Buildings \$'000</b>	<b>Motor Vehicles \$'000</b>	<b>ICT Equipment \$'000</b>	<b>TOTAL \$'000</b>
<b>2023</b>				
Balance at the beginning of year	292	86	153	531
Disposals	(313)	-	(885)	(1,198)
Write back on disposal	306	-	839	1,145
Depreciation expense	(323)	(53)	(103)	(479)
Modifications	297	99	22	418
<b>Balance at end of year</b>	<u>259</u>	<u>132</u>	<u>26</u>	<u>417</u>

**Lease liabilities**

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 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
<b>2023</b>					
Lease liabilities	231	226	-	457	444
<b>2022</b>					
Lease liabilities	441	81	-	522	513

There was no short-term rent expenses during the year. The incremental borrowing rate of 2.5% was used in the calculation of lease balances.

**ECH INC.**  
**Notes to Financial Statements (continued)**  
**Financial Report for the Year Ended 30 June 2023**



	2023 \$'000	2022 \$'000
<b>Note 11: INVESTMENT PROPERTIES</b>		
Balance at beginning of the year	379,463	348,175
Fair value movement	24,940	19,685
Reclassification from Work in Progress	6,925	11,603
<b>Balance at end of the year</b>	<b>411,328</b>	<b>379,463</b>
Development land measured at cost	29,638	29,638
Retirement villages measured at fair value	379,529	346,723
Retirement villages under development/ refurbishment measured at cost	2,161	3,102
	<b>411,328</b>	<b>379,463</b>
<b>Note 12: TRADE AND OTHER PAYABLES</b>		
<b>Trade and other payables expected to be paid within 12 months</b>		
Trade payables	894	236
Accrued expenses	2,354	2,391
Other payables	37	341
	<b>3,285</b>	<b>2,968</b>
<b>Note 13: PROVISIONS</b>		
<b>Provisions expected to be paid within 12 months</b>		
Provision for employee entitlements		
- Annual leave	2,966	2,616
- Long service leave	2,475	1,775
Provision for maintenance funds	1,524	1,253
Provision for workers compensation	452	396
Make good provision	155	-
	<b>7,572</b>	<b>6,040</b>
<b>Provisions expected to be paid after 12 months</b>		
Provision for employee entitlements		
- Long service leave	1,127	1,172
Provision for workers compensation	576	427
Make good provision	19	164
	<b>1,722</b>	<b>1,763</b>
	<b>9,294</b>	<b>7,803</b>
<b>Note 14: DEFERRED REVENUE</b>		
Deferred management fees	28,221	24,126
Deferred revenue	7,716	9,028
	<b>35,937</b>	<b>33,154</b>



**ECH INC.**  
**Notes to Financial Statements (continued)**  
**Financial Report for the Year Ended 30 June 2023**



	2023 \$'000	2022 \$'000
<b>Note 15: RESIDENT LOANS</b>		
Expected to be paid within 12 months	8,193	6,703
Expected to be paid after 12 months	<u>125,961</u>	<u>123,905</u>
	<u>134,154</u>	<u>130,608</u>

Resident loans are amounts payable to individual residents under the *Retirement Villages Act 2016*. The repayment of the loan balance is required within a short period of time of the resident leaving the retirement unit.

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 16: BORROWINGS**

Secured Liabilities:		
Bank loans	<u>27,104</u>	<u>27,441</u>
	<u>27,104</u>	<u>27,441</u>

The bank debt is secured under a General Security Agreement giving a general charge on all existing and future assets and undertakings of ECH.

Interest is charged at a base rate of BBSY plus an agreed margin. Repayment arrangements include a monthly interest only payment with the total amount of the facility payable at the end of the term being 17 October 2025. The bank at their discretion may renew the facility for a further term.

Bank loans are subject to covenants including a minimum net assets test, minimum investment portfolio test and an interest cover ratio.

**Note 17: COMMITMENTS FOR EXPENDITURE**

<b>Capital expenditure commitments</b>		
Expected date of settlement within 12 months	3,686	1,980
Expected date of settlement after 12 months	<u>23</u>	<u>49</u>
	<u>3,709</u>	<u>2,029</u>

**Note 18: AUDITORS REMUNERATION**

Remuneration of the auditor of the ECH, Ernst & Young, for:		
- audit of the financial report	60	49
- other assurance services	<u>21</u>	<u>19</u>
	<u>81</u>	<u>68</u>

**ECH INC.**  
**Notes to Financial Statements (continued)**  
**Financial Report for the Year Ended 30 June 2023**



	2023 \$'000	2022 \$'000
<b>Note 19: CASH FLOW INFORMATION</b>		
<i>Reconciliation of cash flow from operations with surplus after tax</i>		
<b>Surplus for the year</b>	<b>29,237</b>	19,060
<b>Non-cash flows in surplus:</b>		
- Investment Income received	(4,066)	(7,300)
- gain on disposal of assets	(238)	(364)
- gain on investment property revaluation	(24,940)	(19,685)
- loss on fair value revaluation resident loans	1,054	-
- Bad Debts Written off	29	-
- Deferred Management Fee	(12,562)	-
- Non cash donation received	(1,485)	-
- write off of ICT WIP	393	-
- adjustment to lease liability	72	-
- depreciation expense	3,592	3,802
	<b>(38,151)</b>	<b>(23,547)</b>
<b>Changes in assets and liabilities:</b>		
- decrease/ (increase) in receivables	(2,445)	75
- decrease/ (increase) in inventories	(28)	90
- (decrease) / increase in payables, provisions and deferred revenue	4,593	(10,785)
	<b>2,120</b>	<b>(10,620)</b>
	<b>(6,794)</b>	<b>(15,107)</b>

**Note 20: RESERVES**

	Share Revaluation Reserve \$'000	Asset Revaluation Reserve \$'000
<b>2022</b>		
Balance at the beginning of year	(636)	9,730
Change in fair value of investment securities	(7,693)	-
<b>Balance at end of year</b>	<b>(8,329)</b>	<b>9,730</b>
<b>2023</b>		
Balance at the beginning of year	(8,329)	9,730
Realised losses of investment securities	885	-
Change in fair value of investment securities	1,090	-
Allocation of reserve to retained profit	-	(9,730)
<b>Balance at end of year</b>	<b>(6,354)</b>	<b>-</b>

**Note 21: CONTINGENT LIABILITIES**

*Workers Compensation*

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 \$1,331,000 for 2022/23 (\$1,201,500 for 2021/22).



**Note 22: KEY MANAGEMENT PERSONNEL DISCLOSURES**

The total remuneration paid to key management personnel of ECH is \$2,410,187 (2022: \$2,601,647).

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

**Note 23: SUMMARY OF RESTATED COMPARATIVES**

The comparative figures below have been restated to make them consistent with the basis of reporting for the current year.

	Prior year financials 2022 \$'000	Current year financials 2022 \$'000	Movement \$'000
<b>Statement of profit or loss and other comprehensive income</b>			
Revenue	71,143	63,848	(7,295)
Other income	364	7,665	7,301
Employee Benefits Expense	(42,902)	(42,908)	(6)
Other expenses	(23,990)	(23,966)	24
Finance costs	(595)	(619)	(24)
	<u>4,020</u>	<u>4,020</u>	-
<b>Statement of Financial Position</b>			
<b>Assets</b>			
Trade and other receivables	<u>10,500</u>	<u>10,527</u>	<u>27</u>
	10,500	10,527	27
<b>Liabilities</b>			
Trade and other payables	2,941	2,968	(27)
Provisions	5,727	7,803	(2,076)
Deferred revenue	24,126	33,154	(9,028)
Provision for workers compensation	823	-	823
Other liabilities	<u>10,281</u>	<u>-</u>	<u>10,281</u>
	43,898	43,925	(27)

There is no effect of the restated figures on the total surplus or net assets.

**Note 24: EVENTS AFTER THE REPORTING DATE**

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 25: RELATED PARTIES**

**The Company's main related parties are as follows:**

Key management personnel - refer to Note 22.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

**Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

There were no transactions with related parties during the year (FY22: Nil).

**Note 26: STATUTORY INFORMATION**

The registered office and principal place of business of the Association:

ECH Inc.  
174 Greenhill Road  
Parkside SA 5063

**ECH INC.**  
**Statement by the Board of Directors**  
**For the Year Ended 30 June 2023**



In accordance with section 35(5) of the *Associations Incorporation Act (SA) 1985*, the Board of Directors of ECH Inc. hereby states that during the 12 months to 30 June 2023:

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

has received or become entitled to receive a benefit as a result of a contract between the officer, firm or body corporate and ECH.


- (b) no officer of ECH has received directly or indirectly from ECH any payment or any other benefit of a pecuniary value, other than benefits relating to officers' employment by ECH and other than in the ordinary course of business and in accordance with normal commercial terms and conditions.

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

- (a) there are reasonable grounds to believe that ECH Inc is able to pay all of its debts, as and when they become due and payable; and
- (b) the financial statements and notes 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 of ECH Inc as at 30 June 2023 and its performance for the year then ended on that date; and
- (ii) complying with Australian Accounting Standards - Simplified Disclosures.

Signed in accordance with subsection 60-15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

  
Board Member

  
Board Member

Dated this 26th day of October 2023



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## **Auditor's Independence Declaration to the Board of ECH Incorporated**

In relation to our audit of the financial report of ECH Inc. for the financial year ended 30 June 2023 and in accordance with the requirements of Subdivision 60-C of the Australian Charities and Not-for profits Commission Act 2012, to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of any applicable code of professional conduct; and;
- b. No non-audit services provided that contravene any applicable code of professional conduct.

*Ernst & Young*

Ernst & Young

James Lawes  
Partner  
Adelaide  
26 October 2023



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## **Independent Auditor's Report to the Members of ECH Inc.**

### **Opinion**

We have audited the financial report of ECH Inc. (the entity), which comprises the statement of financial position as at 30 June 2023, 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 to the financial statements, including a summary of significant accounting policies, and the declaration by Members of the Board.

In our opinion, the accompanying financial report of ECH Inc. is in accordance with the Australian Charities and Not-for-Profits Commission Act 2012, including:

- a) giving a true and fair view of the financial position of ECH Inc. as at 30 June 2023 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Simplified Disclosures and 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 entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to 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.

### **Responsibilities of the Members of the Board for the financial report**

Members of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosure and the Australian Charities and Not for profits Commission Act 2012 and for such internal control as the members of the board 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 members of the board are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the members of the board either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

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



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misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

*Ernst & Young*

Ernst & Young

James Lawes

Partner

Adelaide

26 October 2023