

2008 - 2009

# 39th Annual Report



*engaging hearts & minds*



# Directors' report

For the year ended 30 June 2009

## Illawarra Retirement Trust (A Company Limited By Guarantee) ACN 000726536

The directors present their report together with the financial report of Illawarra Retirement Trust ("the Company") for the financial year ended 30 June 2009 and the auditor's report thereon.

### Directors of the Company during the year and up to the date of this report are:

Alan Reginald NEWING (Chairman)  
Michael Antony PAUL (Vice Chairman)  
Bruce Stewart ALLAN  
Graham Ralph BARKER  
Michael Hermann HYDE (Resigned 7 August 2009)  
Cheryl Ann LAPPIN (Appointed 26 February 2009)  
Linton Keith LEWIS  
Tineke Alice ROBINSON  
Richard John YOUNG

### Principal activities

The principal activities of the Company during the financial year have continued to be the provision of:

- Benevolent Community Support, which incorporates
  - Aged care services
  - Retirement village (self care) accommodation, and
  - Community care (aged) services.

### Operating result

The operating profit from ordinary activities of the Company for the year was \$382,038 compared to a profit of \$10,632,061 last year.

### Review of operations

The Company's total revenue, including interest income, fair value adjustments and bed licence valuations, decreased from \$82,029,876 to \$80,473,428.

The Company's operating revenue, excluding interest income, fair value adjustments to investment property and bed licence valuations, increased during the year from \$71,155,380 to \$78,211,708. The increases were mainly across the Company's residential, community and self care services.

Operating expenses, excluding fair value adjustments to investment property, increased from \$71,397,815 to \$79,210,611, mainly due to increases in care wages and employee costs across the Company's residential, community and self care services.

The fair value adjustment to investment property was an \$880,779 decrement in the current year compared to an increment of \$2,528,986 in the prior year.

Operating expenses, including fair value adjustments to investment property, increased from \$71,397,815 to \$80,091,390.

### Property development

Development of both residential care units (40 high care and 60 low care) and 150 self care units at Belconnen, Canberra continued during the year with construction expected to be completed by late 2009.

### Corporate governance

The Board of Directors is responsible for the overall corporate governance of the Company including formulating its strategic direction with the assistance of the Company's Chief Executive Officer and executive management.

To assist in fulfilling its responsibilities and in recognition of the current and future nature of the aged care industry and the growth of the company, the Board's Audit & Risk Committee and Building & Development Committee, are seen as an integral part of the Company's control environment.

The Board has delegated responsibility for operation and administration of the Company to the Chief Executive Officer and executive management. Responsibilities are delineated by formal authority delegations.

### Dividends

The Company is limited by guarantee and as such has no shares. No dividend payment is allowed under the Company's Constitution, which specifically states:

"The income and property of the Company cannot be transferred or paid by way of dividend, bonus or otherwise howsoever, by way of profit to the persons who at any time are or have been members of the Company, or to any relative of them or to any person claiming through them."

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the year.

### Events subsequent to reporting date

There is no matter or circumstance which has arisen since balance date which has significantly affected, or will significantly affect the operation of the Company, the results of those operations or the state of affairs of the Company in future years.

## Directors' report (continued)

For the year ended 30 June 2009

### Directors' interests and benefits

The Company's directors cannot and have not received any benefits other than in return for services actually rendered and these benefits are included in the key management personnel disclosure in the Company's attached financial report.

### Environmental regulation

To the best of the directors' knowledge, all activities of the Company are undertaken in compliance with necessary environmental regulations.

### Indemnification and insurance of officers

During the year, the Company paid a premium under contract to insure the directors and officers of the Company against all liabilities that may arise from their position as directors and officers of the Company, except where the liability arises out of conduct involving a lack of good faith. Disclosure of the premium payable and a summary of the

nature of the liability covered by the insurance contract are prohibited by a confidentiality clause in the contract.

### Company Secretary

Nieves Murray (Chief Executive Officer) was appointed Company Secretary on 18 January 2007 and Craig Hamer (Chief Operating Officer) was appointed Company Secretary on 13 December 2007 and these positions were held during the financial year.

### Meetings of directors

The Company's directors generally meet monthly, as well as at any other extraordinary meetings that may be called.

During the financial year, the Company also operated an Audit & Risk Committee, Building & Development Committee and IRT Research Foundation Committee.

The number of meetings of the Company's directors and committees held during the year and the numbers of meetings attended by each director were:

	Board of Directors	Audit & Risk Committee	Building & Development Committee	IRT Research Foundation Committee
<b>Number of Meetings held</b>	<b>11</b>	<b>4</b>	<b>4</b>	<b>1</b>
Mr A Newing	11	4	4	1
Mr M Paul	10	-	-	1
Mr B Allan	9	4	-	-
Mr G Barker	6	3	2	-
Mr M Hyde	9	-	2	-
Ms C Lappin	5	-	1	-
Mr L Lewis	11	4	1	1
Ms T Robinson	11	-	3	-
Mr R Young	11	-	4	-

- Ms Lappin commenced as a director of the Company on 26 February 2009 and was eligible to attend 5 Board meetings.

# Directors' report (continued)

For the year ended 30 June 2009

## Information on directors

Name	Date of Appointment And Experience	Position Held
Mr A R Newing	November 1995 Company Management	Chairman Member of all Company Committees
Mr M A Paul	Foundation Member 1969 to October 1985 Re-appointed May 1986 Solicitor	Vice Chairman Member of Audit & Risk Committee Chairman of IRT Research Foundation Committee
Mr B S Allan	April 2005 Company Management	Chairman of Audit & Risk Committee
Mr G R Barker	April 2004 Company Management	Member of Audit & Risk Committee
Mr M H Hyde	May 2005 to May 2007 Reappointed March 2008 Local Government Management Resigned 7 August 2009	Member of Building & Development Committee
Ms C A Lappin	February 2009 Senior Strategic Town Planner	Member of Building & Development Committee
Mr L K Lewis	May 1999 Company Management	Member of Audit & Risk Committee Member of IRT Research Foundation Committee
Ms T A Robinson	August 2007 Public Health Sector Management	Member of Building & Development Committee
Mr R J Young	November 1972 Company Management	Chairman of Building & Development Committee

## Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 30 of this report and forms part of the directors' report for the financial year ended 30 June 2009.

This report is made with a resolution of the directors:



M A Paul

Director

Wollongong, 24 September 2009

# Income statement

For the year ended 30 June 2009

	Note	2009 \$	2008 \$
Revenue from rendering of services		70,185,511	62,725,397
Revenue from capital grants		-	48,225
Other revenue		8,026,197	16,230,744
	2	78,211,708	79,004,366
Employee expenses		(53,594,233)	(48,052,152)
Depreciation expenses		(4,418,819)	(3,448,968)
Amortisation		(125,738)	(92,146)
Other expenses		(21,952,600)	(19,804,549)
	2	(80,091,390)	(71,397,815)
<b>Results from operating activities</b>		(1,879,682)	7,606,551
Financial income	3	2,261,720	3,025,510
<b>Profit before income tax</b>		382,038	10,632,061
Income tax expense	1(j)	-	-
<b>Profit for the period</b>		382,038	10,632,061

The notes on pages 8 to 28 are an integral part of these financial statements.

# Statement of changes in equity

For the year ended 30 June 2009

	<b>Retained earnings</b> \$	<b>Bed licence reserve</b> \$	<b>Total</b> \$
Opening balance at 1 July 2007	166,898,091	2,640,000	169,538,091
Net profit for the period	10,632,061	-	10,632,061
Transfer to bed licence reserve	(5,320,000)	5,320,000	-
Closing balance at 30 June 2008	172,210,152	7,960,000	180,170,152
Opening balance at 1 July 2008	172,210,152	7,960,000	180,170,152
Net profit for the period	382,038	-	382,038
Transfer to bed licence reserve	-	-	-
Closing balance at 30 June 2009	172,592,190	7,960,000	180,552,190

The notes on pages 8 to 28 are an integral part of these financial statements.

# Balance sheet

As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Assets</b>			
Cash and cash equivalents	4	24,917,822	16,164,039
Trade and other receivables	5	5,496,988	3,064,550
Inventories	6	268,947	237,793
Other assets	7	2,604,038	2,434,616
Assets classified as held for resale	8	947,860	-
<b>Total current assets</b>		34,235,655	21,900,998
Investment property	9	342,249,993	281,903,884
Property, plant and equipment	10	166,516,634	159,460,071
Intangible assets	11	8,317,523	8,265,688
<b>Total non-current assets</b>		517,084,150	449,629,643
<b>Total assets</b>		551,319,805	471,530,641
<b>Liabilities</b>			
Trade and other payables	12	15,456,805	11,393,630
Non interest bearing liabilities	13	285,076,859	246,341,956
Interest bearing liabilities	14	33,016,265	-
Employee benefits	15	7,601,857	7,185,032
Other liabilities	16	7,516,730	20,467,938
<b>Total current liabilities</b>		348,668,516	285,388,556
Interest bearing liabilities	14	17,129,497	-
Employee benefits	15	691,381	710,719
Other liabilities	16	4,278,221	5,261,214
<b>Total non-current liabilities</b>		22,099,099	5,971,933
<b>Total liabilities</b>		370,767,615	291,360,489
<b>Net assets</b>		180,552,190	180,170,152
<b>Equity</b>			
Retained earnings		172,592,190	172,210,152
Bed licence reserve		7,960,000	7,960,000
<b>Total equity</b>		180,552,190	180,170,152

The notes on pages 8 to 28 are an integral part of these financial statements.

# Statements of cash flows

For the year ended 30 June 2009

	Note	2009 \$	2008 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		79,053,725	70,867,731
Cash paid to suppliers and employees		(70,245,849)	(63,335,690)
Cash generated from operations		8,807,876	7,532,041
Capital grants		-	48,225
Interest received		2,286,242	2,893,469
<b>Net cash from operating activities</b>	22	11,094,118	10,473,735
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(74,115,448)	(30,269,437)
Proceeds from sale of plant and equipment		192,095	710,005
<b>Net cash used in investing activities</b>		(73,923,353)	(29,559,432)
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings		50,145,762	-
Net proceeds from accommodation bonds/entry contributions		21,437,256	3,117,810
<b>Net cash from financing activities</b>		71,583,018	3,117,810
Net increase/(decrease) in cash and cash equivalents		8,753,783	(15,967,887)
Cash and cash equivalents at 1 July		16,164,039	32,131,926
<b>Cash and cash equivalents at 30 June</b>	4	24,917,822	16,164,039

The notes on pages 8 to 28 are an integral part of these financial statements.

# Notes to the financial statements

For the year ended 30 June 2009

## 1. Reporting entity

The Illawarra Retirement Trust (the Company) is a Company Limited by Guarantee, domiciled in Australia. Under its Constitution it is unable to distribute funds to its members by way of dividend or any other such arrangement. The liability of each member, in the event that the Company goes into liquidation, is limited to twenty dollars (\$20). The address of the Company's registered office is 44-46 Hopetoun Street, Woonona, NSW.

### Basis of preparation

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*.

The financial report was authorised for issue by the directors on 24 September 2009.

#### (b) Basis of measurement

The financial report has been prepared on the historical cost basis except that investment property is stated at its fair value.

These financial statements are represented in Australian dollars, which is the Company's functional currency.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Company.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(p).

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8 which becomes mandatory for the Company's 30 June 2010 financial statements, will require disclosure of segment information based on internal reports regularly reviewed by the Chief Executive Officer and directors.
- Revised AASB 101 *Presentation of Financial Statements (2007)* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101 becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the impact on the Company's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Company's 30 June 2010 financial statements.

The Company has elected to capitalise borrowing costs directly attributable to the acquisition or construction of qualifying assets in accordance with the options available in the superseded standard. Therefore there is no change required to the Company's accounting policies.

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## (b) Basis of measurement (continued)

The following standard has been identified as that which may impact the entity in the period of initial application. It is available for early adoption at 30 June 2009 and has been applied in preparing this financial report:

- Revised AASB 140 *Investment Properties* is applicable to annual reporting periods commencing on or after 1 January 2009 and has been adopted in the preparation of this financial report. It requires that all properties being developed for the purposes of holding them as investment properties be accounted for as investment properties from initial recognition. From a classification perspective this change will require retirement village developments to be reclassified from "land and buildings" or "property under construction", both within "property, plant and equipment", to "investment properties". The impact of this change is that the fair value of Kangara Waters self care facility has been determined as at 30 June 2009 with the resulting fair value gain of \$14,833,875 being recognised in the income statement.

## Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

## (c) Property, plant & equipment

### *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards – AIFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other revenue" in the income statement.

### *Subsequent costs*

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the Company in future years and the cost can be reliably measured. Costs incurred on property, plant and equipment that do not meet the criteria for capitalisation are expensed as incurred.

### *Depreciation*

Depreciation is recognised in the income statement, on a straight line basis, over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative period are as follows:

- Buildings 40 years
- Plant and equipment 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

## (d) Investment property

Investment properties are properties which are held to earn rental income or for capital appreciation. Investment properties are stated at fair value with any changes therein recognised in profit or loss. The basis of valuation is described in note 1(p). Self care retirement villages and rental properties are considered to be investment property.

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## (e) Impairment

### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

### *Calculation of recoverable amount*

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use.

## (f) Revenue recognition

### *Capital Grants*

Revenue from capital grants associated with building expenditure is taken direct to the income statement when actually received.

### *Rendering of Services*

Revenue from rendering services either through Government subsidy or resident and client fees is recognised in the period in which the service is provided.

### *Interest Income*

Interest income is recognised as it accrues, using the effective interest rate method.

### *Donations*

General donations are brought to account in the year of receipt.

### *Retention*

Self care deferred management fees and self care entry contributions from the non refundable accommodation option are amortised over the average period of occupancy, being ten years.

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## (g) Goods and Services Tax

Revenues, 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 Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

## (h) Property under construction

### *Property, plant and equipment*

Property that is being constructed or developed for future use is classified as property, plant and equipment under construction and stated at cost until construction or development is complete, at which time it is disclosed as buildings or plant & equipment.

### *Investment property*

Investment properties under construction are held at cost as part of property, plant & equipment under construction until their fair value can be reliably determined at which time they are reclassified as investment properties.

When the construction or development of a self-constructed investment property is reclassified and carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

## (i) Employee entitlements

### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### *Wages, salaries and annual leave*

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance.

### *Long service leave*

The Company's obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Company's obligations.

## (j) Income Tax

The Company is endorsed by the Australian Tax Office as a charitable institution and a public benevolent institution under the *Income Tax Assessment Act 1997*. On this basis, the Company is income tax exempt and is also entitled to receive tax deductible gifts and donations.

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## (k) Peakhurst Retirement Village

The Company manages the Peakhurst Retirement Village on behalf of Housing NSW (formerly the NSW Department of Housing). Under the Management Agreement with Housing NSW, the Company is entitled to management fees and only this income has been included in these financial statements.

## (l) Trade and other receivables

Trade receivables are recognised at amounts due as they are generally settled within 14 days. Trade and other receivables are stated at their amortised cost less impairment losses.

## (m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid and are stated at their amortised cost. The amounts are unsecured non interest bearing and are usually settled within 30 days.

## (n) Inventories

Inventories are carried at the lower of cost and net realisable value.

## (o) Segment reporting

A segment is a distinguishable component of the entity that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Company reports on the basis of business segments.

## (p) Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Critical accounting judgements in applying the Company's accounting policies*

Certain critical accounting judgements in applying the Company's accounting policies are described below.

#### *Investment property*

*30 June 2009*

The fair valuations are based on both directors' valuations and independent valuations, using the discounted cash flow valuation methodology. The independent valuations represent an independent assessment made by members of the Australian Property Institute. The directors' valuations have appropriately reflected current market conditions and key assumptions adopted by independent valuers.

*30 June 2008*

The fair value of the self care retirement villages has been determined by analysing the unit prices and the average occupancy of those properties. Unit prices vary according to the retention option chosen by the incoming resident. The unit value relating to the 2% retention option was used in the valuation. Other unit value options available are the 5% retention option, the fully refundable option and the non refundable option. If any of these options were used as the basis of valuation a change would result in the fair value of self care retirement villages. The average occupancy rates are reviewed annually.

#### **Revenue recognition**

##### *Retention*

The amortisation period of self care deferred management fees and self care entry contributions for the non refundable accommodation options is based on the average period of occupancy. A review of the average period of occupancy was undertaken at 30 June 2009, resulting in an extension of the amortisation period from 5 years to 10 years. The financial statements, and relevant notes have been adjusted to reflect the change in accounting estimate.

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## (q) Interest income

Net financing costs comprise interest receivable on funds invested. Interest income is recognised in the income statement as it accrues, using the effective interest method.

## (r) Intangibles

### *Recognition and measurement of intangibles*

Intangible assets are only recognised if the cost of the assets can be reliably measured. In respect to not for profit entities, where an intangible asset is acquired at no cost or for a nominal cost, the cost is the fair value at the date of acquisition. The Company is a not for profit entity.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset it relates. All other expenditure is recognised in profit or loss when incurred.

### *Bed licences*

The current interpretation of the requirements of AIFRS, in regard to bed licences, is to bring to account the value of bed licences acquired only if those bed licences can be reliably measured. The Company currently holds and operates bed licences granted to it as far back as the 1970's. AIFRS does not define "reliably measured" so it is generally felt that the date of introduction of AIFRS in July 2004 is a notional transition date for this purpose. Accordingly, the Company has determined that bed licences acquired prior to 1 July 2004 cannot be reliably measured, and therefore these are recorded at nil value.

The Company has been awarded bed licences after 1 July 2004. These bed licences can be reliably measured and nil have become operational in 2009. The value of the bed licences is shown as a transfer to the bed licence reserve in the balance sheet.

Bed licences are deemed to have indefinite useful lives due to the inherent nature of such licences and evidenced by the continued operation today of licences granted to the Company over 30 years ago.

### *Software*

Software assets that are acquired, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset. The estimated useful lives in the current and comparative period are as follows:

- Software capitalised 5 years

## (s) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits at call and bank bills of exchange.

## (t) Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Accounting for finance income and expense is discussed in note 1(q).

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## (u) Non-current assets held for resale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

## 2. Revenue and profit from activities

	2009 \$	2008 \$
<i>Revenue</i>		
Residential care services	51,971,993	45,881,095
Community care services	10,750,580	9,901,116
Self care services	4,355,476	3,898,877
Catering services (to outside organisations)	3,107,462	3,044,309
Capital grants	-	48,225
Capital upgrade revenue (including accommodation charges & retentions)	6,451,172	6,923,880
Other operating revenue	1,575,025	1,457,878
Fair value adjustments to investment property	-	2,528,986
Bed licences granted	-	5,320,000
<b>Total revenue</b>	<b>78,211,708</b>	<b>79,004,366</b>

*Profit from activities has been arrived at after charging the following items*

Employee expenses	53,594,233	48,052,152
Property cleaning, maintenance and other related property costs	6,093,366	5,098,289
Rates and other utilities	2,174,931	2,037,948
Depreciation	4,418,819	3,448,968
Amortisation	125,738	92,146
Catering and food provisions	5,110,410	4,499,326
Provision for employee entitlements	397,487	1,067,299
Fair value adjustments to investment property	880,779	-
Other operating expenses	7,199,977	6,990,078
Loss on sale of property, plant and equipment	95,650	111,609
<b>Total expenses</b>	<b>80,091,390</b>	<b>71,397,815</b>

## 3. Financial income

	2009 \$	2008 \$
Interest income	2,261,720	3,025,510

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 4. Cash and cash equivalents

	2009 \$	2008 \$
Cash at bank and on hand	6,111,705	3,793,275
Bank bills of exchange	18,806,117	12,370,764
Cash and cash equivalents in the statements of cash flows	24,917,822	16,164,039

Cash at bank is at call with effective interest rates of up to 7.25% (2008 – up to 7.25%).

Bank bills of exchange mature within 90 days with effective interest rates of up to 8.10% (2008 – up to 8.16%) and are disclosed at face value.

## 5. Trade and other receivables

	2009 \$	2008 \$
Trade and other receivables	5,584,488	3,164,550
Less provision for doubtful debts	(87,500)	(100,000)
	5,496,988	3,064,550

## 6. Inventories

	2009 \$	2008 \$
Consumable stores – at cost	268,947	237,043
Kiosks – at cost	-	750
	268,947	237,793

Inventories on hand consist of consumable stores in catering, nursing and maintenance divisions, which are not for resale, and kiosk stocks in those kiosks run by the Company.

## 7. Other assets

	2009 \$	2008 \$
Prepayments	714,271	609,318
Resident Trust Fund	1,889,767	1,825,298
	2,604,038	2,434,616

Resident Trust funds mature within 90 days with effective interest rates of up to 8.10% (2008 - up to 8.16%). The associated liability is shown at note 16.

## 8. Assets classified as held for sale

	2009 \$	2008 \$
Property, plant and equipment	947,860	-
	947,860	-

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 9. Investment property

	2009 \$	2008 \$
Balance at 1 July	281,903,884	278,522,836
Acquisitions	271,353	852,062
Reclassification from property, plant & equipment	60,955,535	-
Fair value adjustment	(880,779)	2,528,986
Balance at 30 June	342,249,993	281,903,884

The basis of the valuation of investment properties is fair value being the amounts for which properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. The 30 June 2009 valuations are based on both directors' valuations and independent valuations, using the discounted cash flow valuation methodology. The independent valuations represent an independent assessment made by members of the Australian Property Institute. The directors' valuations have appropriately reflected current market conditions and key assumptions adopted by the independent valuers.

The key assumptions adopted in the basis of the valuation as at 30 June 2009 included:

- Discount rate – weighted average 13.25%
- Future growth rates – weighted average 4.15%
- Average length of stay – 11 years

Investment properties under construction are held at cost as part of property, plant & equipment until their fair value can be reliably determined at which time they are reclassified to investment properties. At 30 June 2009 this resulted in \$61,339,410 being reclassified for Kangara Waters retirement village.

The fair value adjustment of \$880,779 is represented by a \$15,714,654 revaluation loss on existing retirement villages and a revaluation gain of \$14,833,875 on the first time reclassification of Kangara Waters retirement village.

## 10. Property, plant and equipment

	2009 \$	2008 \$
<b>Non current assets</b>		
Land and buildings (A)	132,908,898	139,809,375
Plant and equipment (B)	9,736,121	6,698,020
Property under construction (C)	23,871,615	12,952,676
	166,516,634	159,460,071
<b>A. Land and buildings</b>		
Land and buildings – cost	149,413,354	154,007,921
Accumulated depreciation	(16,504,456)	(14,198,546)
	132,908,898	139,809,375

In assessing the appropriateness of the carrying value of its land and buildings, these properties held by the Company are independently revalued every three years at the request of the directors. The last revaluation was at 30 June 2008 by Burgess & Jaye Pty Ltd. The valuation was based on depreciated present replacement cost of improvements with a site value component added. The valuation included properties which have been subsequently transferred to Investment Property (note 9) as well as properties at cost. The directors are of the opinion that the valuation and the basis adopted provides a reasonable estimate of recoverable amount, to support the actual carrying value of \$132,908,898 (2008 - \$139,809,375) for the Company's land and buildings.

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 10. Property, plant and equipment (continued)

### B. Plant and equipment

	2009 \$	2008 \$
Plant and equipment – cost	4,601,321	4,028,773
Accumulated depreciation	(2,961,118)	(2,692,300)
	1,640,203	1,336,473
Furniture, fittings and linen – cost	9,589,820	6,396,114
Accumulated depreciation	(4,682,625)	(3,886,336)
	4,907,195	2,509,778
General equipment and motor vehicles – cost	5,142,392	4,502,730
Accumulated depreciation	(1,953,669)	(1,650,961)
	3,188,723	2,851,769
	9,736,121	6,698,020

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2009 \$	2008 \$
<b>Land and buildings</b>		
Carrying amount at beginning of year	139,809,375	125,622,301
Additions	2,596,757	16,721,158
Disposals	-	(259,269)
Reclassified to assets held for sale	(947,860)	-
Reclassified to investment property	(5,638,974)	-
Depreciation	(2,910,400)	(2,274,815)
Carrying amount at end of year	132,908,898	139,809,375
<b>Plant and equipment</b>		
Carrying amount at beginning of year	1,336,473	1,162,721
Additions	572,548	421,354
Depreciation	(268,818)	(247,602)
Carrying amount at end of year	1,640,203	1,336,473
<b>Furniture, fittings and linen</b>		
Carrying amount at beginning of year	2,509,778	2,367,634
Additions	3,193,706	678,785
Disposals	-	-
Depreciation	(796,289)	(536,641)
Carrying amount at end of year	4,907,195	2,509,778

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 10. Property, plant and equipment (continued)

	2009 \$	2008 \$
<b>General equipment and motor vehicles</b>		
Carrying amount at beginning of year	2,851,769	2,891,979
Additions	1,068,011	1,171,313
Disposals	(287,745)	(821,613)
Depreciation	(443,312)	(389,910)
Carrying amount at end of year	3,188,723	2,851,769

## C. Property under construction

### Property, plant and equipment

Property that is being constructed or developed for future use is classified as property, plant and equipment under construction and stated at cost until construction or development is complete, at which time it is disclosed as buildings or plant and equipment.

### Investment property

Investment properties under construction are held at cost as part of property, plant and equipment under construction until their fair value can be reliably determined at which time they are reclassified as investment properties.

## 11. Intangible assets

	2009 \$	2008 \$
Software – cost	638,302	460,729
Accumulated amortisation	(280,779)	(155,041)
	357,523	305,688
Bed licences – cost	7,960,000	7,960,000
	7,960,000	7,960,000
	8,317,523	8,265,688

Reconciliation of the carrying amounts for each class of intangible assets are set out below:

	2009 \$	2008 \$
<b>Software</b>		
Carrying amount at beginning of year	305,688	251,580
Additions	177,573	146,254
Amortisation	(125,738)	(92,146)
Carrying amount at end of year	357,523	305,688
<b>Bed licences</b>		
Carrying amount at beginning of year	7,960,000	2,640,000
Additions	-	5,320,000
Carrying amount at end of year	7,960,000	7,960,000

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 12. Trade and other payables

	2009 \$	2008 \$
Trade creditors	11,817,467	8,857,072
Other creditors	2,832,538	2,046,500
Operating monies received in advance	806,800	490,058
	15,456,805	11,393,630

## 13. Non interest bearing liabilities

	2009 \$	2008 \$
<b>Current liabilities</b>		
Resident loans (A)	282,858,505	243,801,282
Resident deposits (B)	2,218,354	2,540,674
	285,076,859	246,341,956

### A. Resident loans and accommodation bonds

#### Incoming residents

Loans/bonds are received from incoming residents for the purposes of occupancy of units which may be for a number of years.

#### Departing residents

Loans/bonds become payable by the Company on departure by the resident. As the Company does not have an unconditional right to defer the refund for 12 months, the resident loan/bond is required to be disclosed as a current liability.

### B. Resident deposits

Deposits have been received for future accommodation in the Company in general and more specifically where construction on accommodation units has commenced, but is not completed.

## 14. Interest bearing liabilities

	2009 \$	2008 \$
<b>Current liabilities</b>		
Loans & borrowings	33,016,265	-
<b>Non current liabilities</b>		
Loans & borrowings	17,129,497	-

The contractual arrangements regarding the interest bearing liability determine the value of the current portion of this liability. However, this arrangement is dependent on the receipt of estimated self care entry contributions and residential care bonds from new residents for the facility in Belconnen, Canberra. Should these contributions and bonds not meet our estimates the minimum amount of this liability required to be repaid is approximately \$12 million.

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 15. Employee benefits

	2009 \$	2008 \$
<b>Current liabilities</b>		
Employee benefits	7,601,857	7,185,032
<b>Non current liabilities</b>		
Employee benefits	691,381	710,719

The total number of employees at year end was 1,588 (2008 – 1,482).

## 16. Other liabilities

	2009 \$	2008 \$
<b>Current liabilities</b>		
Resident Trust Fund	1,889,767	1,825,298
Aspen Development Fund No. 1 Limited – development and land	5,253,246	18,642,640
Deferred management fee unearned income	373,717	-
	7,516,730	20,467,938
<b>Non current liabilities</b>		
Aspen Development Fund No. 1 Limited – development and land	-	5,261,214
Deferred management fee unearned income	4,278,221	-
	4,278,221	5,261,214

Resident Trust Funds are received from incoming residents and become payable by the Company on departure by the resident and are interest free.

The liability to Aspen Development Fund No. 1 Limited represents payments due in relation to the completion of 262 self care units and a 60 place residential care facility in Campbelltown CBD. The project also includes a parcel of land adjacent to the self care village.

Self care deferred management fees and self care entry contributions from the non refundable accommodation option are amortised over the average period of occupancy, being ten years.

## 17. Commitments

### Capital expenditure

At 30 June 2009 the Company had commitments within twelve months for capital expenditure on future projects approximating \$9.5 million (2008 - \$83.3 million).

This commitment is for the completion of the Belconnen, Canberra development which will be significantly financed from ensuing unit allocations and residential care bonds.

## 18. Contingent liabilities

A. The agreements signed with the Department of Social Security, Department of Health, Housing and Community Services or Department of Community Services and Health by the Company for some of its projects provide that should the Company demolish, dispose of, mortgage or otherwise encumber these properties, or breach the agreement, without the prior approval of the Director General of the relevant Department, it may be liable to repay the capital grants advanced by the Department on the projects involved. The total of such grants is \$17,285,397 (2008 - \$17,285,397).

At balance date the Company also had performance guarantees totalling \$249,955 (2008 - \$232,650) with Wollongong City Council, Shoalhaven City Council and other entities with respect to various building projects.

B. In prior years the Company had received capital grants totalling \$2,385,500 for the Peakhurst Retirement Village. Those monies have been forwarded to Housing NSW for the establishment of the hostel. Under the Management and Lease Agreements, the Company is indemnified by Housing NSW should any of these monies be required to be repaid.

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 19. Financial risk management

The Company has exposure to the following risk from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information regarding the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the financial report.

The board of directors are responsible for monitoring and managing the financial risks of the Company. They monitor these risks through monthly board meetings where monthly management accounts are presented and analysed. Any changes identified are communicated to the finance team who implement the changes.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit & Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other financial assets.

#### *Trade and other receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company's customers primarily consists of individual residents occupying the self care units and residential aged care facilities, governments and financial institutions.

Losses have occurred infrequently. An allowance for impairment is recognised when it is expected that any receivables are not collectible.

The Company does not require any collateral in respect of trade and other receivables.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has a documented Liquidity Management Strategy which assists the Company in meeting the requirements of the *Aged Care Act 1997* by determining the level of funding that will be required to meet expected accommodation bond refunds as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimising the return.

#### *Currency risk*

The Company is not exposed to currency risk.

#### *Interest rate risk*

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 19. Financial risk management (continued)

Interest rate risk arises from interest-bearing financial assets and liabilities that the Company utilises. Interest-bearing financial assets are generally short-term liquid assets. The Company's interest rate liability risk arises primarily from external borrowings issued at variable interest rates which exposes the company to cash flow interest rate risk.

### *Other market price risk*

The Company is not exposed to other market price risks.

## 20. Financial instruments

### Credit risk

#### *Exposure to credit risk*

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2009 \$	2008 \$
Cash and cash equivalents	24,917,822	16,164,039
Trade and other receivables	5,496,988	3,064,550
Other financial assets	1,889,767	1,825,298
	32,304,577	21,053,887

The Company's maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	Carrying Amount	
	2009 \$	2008 \$
Residents	738,638	898,640
Government	2,631,748	1,397,076
Financial institutions	115,130	132,041
Other customers	2,011,472	636,793
	5,496,988	3,064,550

The ageing of the Company's trade and other receivables at the reporting date was:

	Gross 2009 \$	Impairment 2009 \$	Gross 2008 \$	Impairment 2008 \$
Not past due	5,031,459	8,840	2,662,348	10,636
Past due 0-120 days	248,975	17,780	94,818	47,012
Past due 121 days to one year	30,604	2,325	130,203	16,220
More than one year	273,450	58,555	277,181	26,132
	5,584,488	87,500	3,164,550	100,000

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 20. Financial instruments (continued)

### Liquidity risk

The following are the contractual maturities of the financial liabilities including estimated interest payments. Contractual amounts are expected payments which have not been discounted.

2009	Carrying amount \$	Contractual cash flows \$	0-6 months \$	6-12 months \$	More than 12 months \$
Financial liabilities					
Trade and other payables	15,456,805	15,456,805	15,456,805	-	-
Entry contributions and resident loans	285,076,859	285,076,859	285,076,859	-	-
Loans & borrowings	50,145,762	50,145,762	8,271,465	24,744,800	17,129,497
Other liabilities	7,516,730	7,516,730	7,329,871	186,859	-
	358,196,156	358,196,156	316,135,000	24,931,659	17,129,497

2008	Carrying amount \$	Contractual cash flows \$	0-6 months \$	6-12 months \$	More than 12 months \$
Financial liabilities					
Trade and other payables	11,393,630	11,393,630	11,393,630	-	-
Entry contributions and resident loans	246,341,956	246,341,956	5,134,993	-	241,206,963
Other liabilities	25,729,152	25,729,152	9,717,118	10,750,820	5,261,214
	283,464,738	283,464,738	26,245,741	10,750,820	246,468,177

### Interest rate risk

#### Profile

At the reporting date the interest rate profile of the Company and the Company's interest-bearing financial instruments was:

	2009 \$	2008 \$
<b>Fixed rate instruments</b>		
<i>Financial assets</i>		
Receivables	5,496,988	3,064,550
	5,496,988	3,064,550
<i>Financial liabilities</i>		
Resident loans and accommodation bonds	285,076,859	246,341,956
	285,076,859	246,341,956

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 20. Financial instruments (continued)

### Floating rate instruments

	2009 \$	2008 \$
<i>Financial assets</i>		
Cash and cash equivalents	24,917,822	16,164,039
	24,917,822	16,164,039
<i>Financial liabilities</i>		
Loans and borrowings	50,145,762	-
	50,145,762	-

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased surplus or deficit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Surplus or deficit	
	100bp increase	100bp decrease
<b>30 June 2009</b>		
Floating rate instruments – cash flow sensitivity	(7,615)	8,228
<b>30 June 2008</b>		
Floating rate instruments – cash flow sensitivity	297,551	(294,999)

### Fair values

#### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value
	2009 \$	2009 \$	2008 \$	2009 \$
Cash and cash equivalents	24,917,822	24,917,822	16,164,039	16,164,039
Trade and other receivables	5,496,988	5,496,988	3,064,550	3,064,550
Other financial assets	1,889,767	1,889,767	1,825,298	1,825,298
Trade and other payables	(15,456,805)	(15,456,805)	(11,393,630)	(11,393,630)
Entry contributions and resident loans	(285,076,859)	(285,076,859)	(246,341,956)	(246,341,956)
Loans & borrowings	(50,145,762)	(50,145,762)	-	-
Other financial liabilities	(11,794,951)	(11,794,951)	(25,729,152)	(25,729,152)
	(330,169,800)	(330,169,800)	(262,410,851)	(262,410,851)

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 21. Subsequent events

There have been no subsequent events to balance date which would have a material effect on the Company's financial statements as at 30 June 2009.

## 22. Reconciliation of cash flows from operating activities

	2009 \$	2008 \$
<b>Cash flows from operating activities</b>		
Profit for the period	382,038	10,632,061
<i>Adjustments for:</i>		
Depreciation	4,418,819	3,448,968
Amortisation	125,738	92,146
(Increase)/decrease in value of investment property	880,779	(2,528,986)
Bed licences granted	-	(5,320,000)
Loss on sale of fixed assets	95,650	111,609
<b>Operating profit before changes in working capital and provisions</b>	5,903,024	6,435,798
(Increase) in trade debtors	(2,432,438)	(910,400)
(Increase) in inventories	(31,154)	(84,377)
(Increase) in other assets	(169,422)	388,871
Increase in other operating liabilities	4,063,175	3,576,544
Increase in donation option unearned income	3,363,446	-
Increase in provisions	397,487	1,067,299
<b>Net cash from operating activities</b>	11,094,118	10,473,735

## 23. Financing facilities

The Company has access to the following unsecured lines of credit:

	2009 \$	2008 \$
Bank overdraft	1,000,000	1,000,000
Commercial bill facilities	7,000,000	7,000,000
	8,000,000	8,000,000

The above facilities were unused during the year. Interest on the bank overdraft, if used, is charged at the prevailing market rate, which at balance date was 9.16% (2008 – 11.77%). The bill facility bears an unused line fee of 0.1% (2008 – 0.1%).

The Company has access to the following secured lines of credit:

	2009 \$	2008 \$
Commercial bill facilities	93,728,360	-
Utilised commercial bill facilities	(50,145,762)	-
	43,582,598	-

The above facilities were unused during the year. The commercial bill facilities are secured by way of registered first mortgage over land at Belconnen, Canberra.

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 24. Auditors' remuneration

	2009 \$	2008 \$
<b>Audit and assurance services</b>		
Audit services	49,370	49,500
Other assurance services	16,210	15,660
	65,580	65,160
<b>Other services</b>		
Governance and other consulting services	6,500	27,900
Taxation and other services	21,950	7,020
	28,450	34,920

## 25. Key management personnel disclosures

Key management personnel represent the directors and senior executives of the Company.

### Key management personnel compensation

In addition to their salaries, IRT also provides non-cash benefits to key management personnel such as motor vehicle and expense payment fringe benefits. The following short-term employee benefits include salaries and fringe benefits. Other long term benefits comprise the movements in Annual and Long Service Leave provisions over the period. Post employment benefits represent contributions made to a superannuation fund on their behalf.

	2009 \$	2008 \$
Short-term employee benefits (i)	1,318,227	1,341,074
Other long term benefits	207,437	161,181
Post employment benefits	118,392	119,697
	1,644,056	1,621,952

(i) The directors of the Company fulfil their responsibilities in a voluntary capacity and do not receive any income (2008 - \$0). However, a motor vehicle is provided for the use of the directors to enable them to perform and attend their many commitments. The net operating cost of the motor vehicle to the Company is approximately \$3,000 (2008 - \$6,000). This is included in the short term employee benefits disclosed above.

### Other key management personnel transactions with the Company

Mr L K Lewis, a Director, is associated with the insurance brokerage firm L & B Lewis. This firm has provided insurance brokerage services to the Company for several years on normal terms and conditions. Amounts paid to various insurers via L & B Lewis amount to approximately \$982,000 (2008 - \$588,000), and the outstanding balance owing to L & B Lewis at 30 June 2009 is nil (2008 - nil).

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 26. Segment reporting

The Company provides self care accommodation, residential care facilities, community care programs and ancillary health care services at various locations throughout south-east New South Wales and the ACT. The geographic spread covers Sydney to Dalmeny on the coast and Canberra to Campbelltown inland.

Business segment information	Residential Aged Care \$	Other Activities \$	Total \$
<i>Income and expenditure</i>			
Revenue from rendering of services	51,971,992	18,213,519	70,185,511
Other revenue	5,076,116	2,950,081	8,026,197
Total revenue	57,048,108	21,163,600	78,211,708
Interest	-	2,261,720	2,261,720
Total revenue including interest	57,048,108	23,425,320	80,473,428
Employee expenses	35,881,605	17,712,628	53,594,233
Depreciation	3,633,971	784,848	4,418,819
Amortisation	-	125,738	125,738
Other expenditure	8,345,618	13,606,982	21,952,600
Total expenditure	47,861,194	32,230,196	80,091,390
Segment result for the year	9,186,914	(8,804,876)	382,038
<i>Assets and liabilities</i>			
Segment assets			
Current assets	1,402,114	32,833,541	34,235,655
Non-current assets	146,362,674	370,721,476	517,084,150
Total assets	147,764,788	403,555,017	551,319,805
Segment liabilities			
Current liabilities	95,143,777	253,524,739	348,668,516
Non-current liabilities	5,518,377	16,580,722	22,099,099
Total liabilities	100,662,154	270,105,461	370,767,615
Net assets	47,102,634	133,449,556	180,552,190
<i>Capital expenditure</i>			
Investment properties	-	34,809,759	34,809,759
Land & buildings	33,934,463	359,388	34,293,851
Plant & equipment	403,853	168,695	572,548
Furniture & fittings	2,800,047	393,659	3,193,706
General equipment & motor vehicles	27,586	1,040,425	1,068,011
Software	-	177,573	177,573
Total	37,165,949	36,949,499	74,115,448

# Notes to the financial statements (continued)

For the year ended 30 June 2009

## 27. Information and declarations to be furnished under the *Charitable Fundraising Act (NSW) 1991*

The Company has an authority to fundraise for charitable purposes under the *Charitable Fundraising Act (NSW) 1991* – Authority Number CFN 10480. Site specific Auxiliaries operate as individual branches under this authority. The constitution of all the Auxiliaries states that fundraising income can only be applied to the Company's operations, normally being the site to which the Auxiliary is associated with.

### Fundraising appeals conducted during the financial period

Fundraising appeals conducted during the financial period by the Auxiliaries included various themed raffles and other general fundraising activities. Fundraising income is also generated via donations and bequests to the Company.

### Results of fundraising appeals

	2009 \$	2008 \$
(1) Gross proceeds from fundraising appeals	133,004	250,462
Less: Direct costs of fundraising appeals	(34,020)	(30,796)
Net surplus obtained from fundraising appeals	98,984	219,666
(2) Application of net surplus obtained from fundraising appeals		
Distributions to the Company's operations (expenditure on direct services)	(113,956)	(83,930)
Net surplus held in cash for future needs	(14,972)	135,736

### (3) Comparisons by monetary figures and percentages

	2009 \$'000	%	2008 \$'000	%
Total cost of fundraising/gross income from fundraising	34/133	26	31/250	12
Net surplus from fundraising/gross income from fundraising	(14)/133	(11)	136/250	54
Total cost of services/total expenditure from fundraising	114/148	77	84/115	73
Total cost of services/total income from fundraising	114/133	86	84/250	34

## Directors' declaration

In the opinion of the directors of Illawarra Retirement Trust (the Company):

- a) the financial statements and notes, set out on pages 4 to 28 are in accordance with the *Corporations Act 2001*, including:
  - a. giving a true and fair view of the Company's financial position as at 30 June 2009 and its performance for the financial year ended on that date; and
  - b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- c) the financial report gives a true and fair view of all income and expenditure with respect to fundraising appeal activities for the financial year ended 30 June 2009;
- d) the balance sheet gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 30 June 2009;
- e) the internal controls exercised are appropriate and effective in accounting for all income received.

Signed in accordance with a resolution of the directors.

Dated at Wollongong this 24th day of September 2009.



M A Paul  
Director



***Lead auditor's independence declaration under section 307C of the Corporations Act 2001***

To: the directors of Illawarra Retirement Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*

KPMG

A handwritten signature in black ink, appearing to read 'Warwick Shanks', written over a faint, illegible background.

Warwick Shanks  
*Partner*

Wollongong, 24 September 2009



## Independent auditor's report to members of Illawarra Retirement Trust Limited

We have audited the accompanying financial report of Illawarra Retirement Trust Limited (the Company) for the financial year ended 30 June 2009, which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial report 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 directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

In addition, our audit report has also been prepared for the members of the Company in accordance with Section 24(2) of the *Charitable Fundraising (NSW) Act 1991*. Accordingly we have performed additional work beyond that which is performed in our capacity as auditors pursuant to the *Corporations Act 2001*. These additional procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *Charitable Fundraising (NSW) Act 1991 and Regulations*.



It should be noted that the accounting records and data relied upon for reporting on fundraising appeal activities are not continuously audited and do not necessarily reflect after the event accounting adjustments and the normal year end financial adjustments for such matters as accruals, prepayments, provisioning and valuations necessary for year end financial report preparation.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion pursuant to the Corporations Act 2001*

In our opinion the financial report of Illawarra Retirement Trust Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- ii. complying Australian Accounting Standards and the *Corporations Regulations 2001*.

*Auditor's opinion pursuant to the Charitable Fundraising (NSW) Act 1991*

In our opinion:

- a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 30 June 2009;
- b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2008 to 30 June 2009, in accordance with the *Charitable Fundraising (NSW) Act 1991 and Regulations*;
- c) money received as a result of fundraising appeal activities conducted during the period from 1 July 2008 to 30 June 2009 has been properly accounted for and applied in accordance with the *Charitable Fundraising (NSW) Act 1991 and Regulations*; and
- d) there are reasonable grounds to believe that Illawarra Retirement Trust Limited will be able to pay its debts as and when they fall due.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Warwick Shanks', written in a cursive style.

Warwick Shanks  
Partner

Wollongong, 24 September 2009





2008 - 2009

# 39th Annual Report

## Corporate Services

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