



FINANCIAL REPORT

— 2018 —

DIRECTORS' REPORT

The directors present their report together with the financial report of Harbison Memorial Retirement Village ("Company") for the financial year ended 30 June 2018, and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Katerina Constantinou

Qualifications: BA, LLB, GDLP
Appointed: June 2018
Member of the Governance Committee
Member of the Redevelopment Committee

David James Cummins OAM

Qualifications: LLB (Sydney), Solicitor
Appointed: August 1989
Chair of the Redevelopment Committee

Douglas Syme Drysdale

Qualifications: Dip Law (SAB), Licensed REA
Appointed: July 2011
Resigned: November 2017
Chair of the Redevelopment Committee (Retired)

Janet Patricia Edwards

Qualifications: BA (Statistics/Psychology), MBA (Finance), CA, CPA, GAICD
CEO, BDCU Alliance Bank
Appointed: June 2004
Member of the Governance Committee (Retired)
Chair of the Risk & Audit Committee

Jennifer Marilyn Harper

Qualifications: RN, Grad Cert Intensive Care, M. Mgt (Health)
CEO, Southern Highlands Private Hospital & Cancer Centre
Appointed: November 2004
Member of the Redevelopment Committee

Hendrik den Hertog

Qualifications: BBus, MTax, CPA, GAICD
Appointed: September 2008
Chair of the Board of Directors
Member of the Art Committee
Member of the Governance Committee
Member of the Redevelopment Committee
Member of the Risk & Audit Committee

DIRECTORS' REPORT (CONT)

Christopher Joseph Martin

Qualifications: MCom (Valuation), GrapDip Property Investment, AdvCert RE, Licensed REA (NSW), GAICD

Appointed: February 2017

Member of the Redevelopment Committee

Member of the Risk & Audit Committee

Tanya Marie Schiller

Qualifications: BCom (Accounting), Dip Credit Management, CA

Appointed: February 2017

Member of the Governance Committee

Member of the Risk & Audit Committee

Campbell Robert Sinclair MacBean

Qualifications: BA, Grad and Post Grad Dip Psych, MAPS, GAICD

Appointed: 26 November 2011

Deputy Chair of the Board of Directors

Chair of the Governance Committee

Associate Professor Mark Andrew Gordon Wilson

Qualifications: MBBS, MPH (Honours), FRACGP, FARGP

Appointed: 27 July 2011

Member of the Governance Committee

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Meetings of Directors

During the financial year 37 meetings of directors and committees were held.

Attendance is set out in the following table:

	Board Meetings		Committee Meetings	
Director	Eligible to attend	Attended	Eligible to attend	Attended
Katerina Constantinou*	4	4	4	3
David Cummins	13	9	11	10
Doug Drysdale	5	4	5	4
Jan Edwards	13	8	5	4
Jenny Harper	13	11	11	7
Henk den Hertog	13	13	24	18
Chris Martin	13	11	15	11
Tanya Schiller	13	12	7	6
Campbell MacBean	13	12	3	3
Dr Mark Wilson	13	8	3	2

*3 Board Meetings and 3 Committee Meetings attended as an Associate Director and 1 Board Meeting attended as a Director.

DIRECTORS' REPORT (CONT)

2. Overview of the Company

Harbison is a not-for-profit organisation. The Company is limited by guarantee and at balance date had 29 (2017: 33) members.

In accordance with the Company's Constitution, every member has undertaken, in the event of a deficiency on winding up, during the time that they are a member or within one year afterwards, to contribute an amount not exceeding \$50. At balance date, the total value of these guarantees was \$1,450 (2017: \$1,650).

The company is a Public Benevolent Institution and a charity registered with the Australian Charities and Not-For-Profit Commission.

3. Objectives, Strategies and Activities

Principal Objective

The principal objective of the Company is to provide, maintain, and manage community-owned accommodation for aged or disabled persons, including residential aged care and retirement living.

Principal Strategies

Strategies to achieve our objective includes:

- Maintaining accreditation as a Commonwealth Government funded aged care provider
- Maintaining a charitable status
- Employing suitable people to provide high quality aged care services
- Developing and redeveloping suitable infrastructure and technology
- Demonstrating a commitment to achieving an excellent experience consistent with our vision, mission and values
- Maintaining suitable inventory and equipment
- Developing and maintaining strong working relationships with relevant community organisations
- Providing a continuum of care to support choice by developing a range of services that may be delivered in a range of settings
- Prudent financial management focused on long-term sustainability
- Reinvestment of surpluses in developing improvements and innovations

Principal Activities

The principal activity of the Company during the financial year was the provision of Commonwealth Government funded aged care services, including:

- Residential Aged Care at Burradoo (173 places) and Moss Vale (138 places) including dedicated residential dementia care at Moss Vale
- Home Care
- Commonwealth Home Support
- NDIS funded services

The Company also operates self-care accommodation at Burradoo (34 units).

DIRECTORS' REPORT (CONT)

3. Objectives, Strategies and Activities (cont)

How Do Our Principal Activities Assist in Achieving Our Objectives?

By providing accredited aged care services the Company is permitted to charge fees and accept Refundable Accommodation Deposits ("RAD") with which it provides, maintains and manages residential aged care accommodation. The provision, maintenance and management of self-care accommodation is funded by fees charged to residents, donations and bequests.

How do we measure our performance?

- Comparison to financial, clinical, safety and KPI (occupancy, ACFI, supported resident ratio, RAD etc.) benchmarks
- Resident and employee satisfaction
- Financial outcomes

4. Review of Operations and Results

Throughout the year the company maintained and operated residential aged care facilities and independent living units. Ancillary services include Home Care, Home Support and Disability Support. The company serves the Southern Highlands and surrounding areas.

The gross revenue for the financial year was \$24,410,445 (2017: \$23,579,314). The operating result was a loss of \$426,708 (2017: operating profit \$74,532). The net cash from operations for the year was an inflow of \$302,106 (2017: inflow of \$2,106,747).

5. Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

6. Significant Change in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the 2018 financial year.

7. Likely Developments

The Company is developing facilities at Burradoo that should be operational in early financial year ending 30 June 2020.

The Company has applied to the Commonwealth Government under the 2018-19 Aged Care Approvals Round for additional Residential Aged Care and Short Term Restorative Care places. It is anticipated that the results of the application will be announced by April 2019.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

DIRECTORS' REPORT (CONT)

8. Indemnification and Insurance of Officers and Auditors

Indemnification

The Company has agreed to indemnify directors of the Company for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal costs and expenses.

Insurance Premiums

During the financial year the Company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2018 and since the financial year, the Company has paid premiums in respect of such insurance contracts for the year ending 30 June 2018. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure may be prohibited under the terms of the contract.

9. Directors' Benefits

No director of the Company has received or become entitled to receive, during or since the end of the financial year, a benefit by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed at note 15.

10. Directors' Interests

No director has an interest required to be disclosed by section 300(11) (a) of the *Corporations Act 2001*. The Company does not have share capital nor does it have any related corporations.

11. Auditor's Independence Declaration

The auditor's independence declaration is set out on page 33 of this report and forms part of the directors' report for the financial year ended 30 June 2018.

DIRECTORS' REPORT (CONT)

Signed in accordance with a resolution of the directors, at Burradoo on Wednesday 26th
September 2018:

A handwritten signature in black ink, appearing to be 'H. den Hertog', with a long horizontal stroke extending to the right.

Henk den Hertog
Director

A handwritten signature in black ink, appearing to be 'C. MacBean', with a long horizontal stroke extending to the right.

Campbell MacBean
Director

**STATEMENT OF PROFIT OR LOSS &
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017
	Notes	\$	\$
Revenue	4	24,247,967	23,509,919
Other Income	4	162,478	69,395
		24,410,445	23,579,314
Expenses			
Resident Care		(15,699,167)	(13,789,856)
Catering		(2,838,081)	(2,881,833)
Cleaning		(663,069)	(620,603)
Laundry		(238,706)	(322,203)
Maintenance		(1,108,276)	(913,434)
Utilities		(697,214)	(634,668)
Administration		(2,728,517)	(2,724,750)
Other expenses		(1,596,163)	(2,189,540)
Total Expenditure		(25,569,193)	(24,076,887)
Financial income	4	842,670	691,208
Financial expense	4	(110,630)	(119,103)
Net financing Income		732,040	572,105
(Deficit)/Surplus before Income Tax		(426,708)	74,532
Income tax expense	3(a)	-	-
(Deficit)/Surplus for the year		(426,708)	74,532
Other Comprehensive Income for the year			
Items that will not be reclassified to profit or loss:			
Revaluation of freehold land	10	-	-
Total comprehensive income for the year		(426,708)	74,532

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with Notes to the Financial Statements numbered 1 to 16.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

		2018	2017
	Notes	\$	\$
Current Assets			
Cash and cash equivalents	14(a)	12,098,393	1,800,350
Other financial assets	6	12,087,532	13,123,003
Trade and other receivables	7	828,265	617,728
Total Current Assets		25,014,190	15,541,081
Non-current Assets			
Investment Property	8	137,331	189,908
Intangible Assets	9	2,147,673	2,127,868
Property, plant and equipment	10	38,158,778	37,416,959
Total Non-current Assets		40,443,782	39,734,735
Total Assets		65,457,972	55,275,816
Current Liabilities			
Trade and other payables	11	1,469,695	1,631,290
Entry contributions and accommodation bonds	12	37,259,104	26,514,613
Employee Benefits	13	2,384,338	2,208,706
Total Current Liabilities		41,113,137	30,354,609
Non-current Liabilities			
Employee Benefits	13	132,161	281,825
Total Non-current Liabilities		132,161	281,825
Total Liabilities		41,245,298	30,636,434
Net Assets		24,212,674	24,639,382
Equity			
Asset revaluation reserve		7,244,998	7,244,998
Retained earnings		16,967,676	17,394,384
Total Equity		24,212,674	24,639,382

The Statement of Financial Position is to be read in conjunction with Notes to the Financial Statements numbered 1 to 16.

**STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2018**

	Asset		
	Revaluation	Retained	
	Reserve	Earnings	Total
	\$	\$	\$
Balance as at 1 July 2016	7,244,998	17,319,852	24,564,850
Surplus for the year	-	74,532	74,532
Other comprehensive income	-	-	-
Total comprehensive	-	74,532	74,532
Balance as at 30 June 2017	7,244,998	17,394,384	24,639,382
	Asset		
	Revaluation	Retained	
	Reserve	Earnings	Total
Balance as at 1 July 2017	7,244,998	17,394,384	24,639,382
Deficit for the year	-	(426,708)	(426,708)
Other comprehensive income	-	-	-
Total comprehensive	-	(426,708)	(426,708)
Balance as at 30 June 2018	7,244,998	16,967,676	24,212,674

The Statement of Changes in Equity is to be read in conjunction with Notes to the Financial Statements numbered 1 to 16.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017
	Notes	\$	\$
Cash Flows from Operating Activities			
Receipts from donations and other income		55,145	69,395
Receipts from operating activities		23,993,031	23,148,024
Interest received - residents		428,738	312,127
Payments to suppliers and employees		(24,064,178)	(21,303,696)
Interest paid		(110,630)	(119,103)
Net Cash (used in)/generated from Operating Activities	14(b)	302,106	2,106,747
Cash Flows from Investing Activities			
Interest received - investments		397,459	355,429
Net (placement) of term deposits		1,051,943	(1,000,000)
Proceeds from the sale of property, plant and equipment		19,000	-
Acquisition of property, plant and equipment, intangibles and investment property		(2,304,969)	(1,049,054)
Net Cash (used in) Investing Activities		(836,567)	(1,693,625)
Cash Flows from Financing Activities			
Net proceeds from residents' entry contributions		10,832,504	(1,037,707)
Net Cash (used in)/generated from Financing Activities		10,832,504	(1,037,707)
Net increase/(decrease) in cash held		10,298,043	(624,585)
Cash and cash equivalents as at 1 July		1,800,350	2,424,935
Cash and cash equivalents as at 30 June	14(a)	12,098,393	1,800,350

The Statement of Cash Flows is to be read in conjunction with Notes to the Financial Statements numbered 1 to 16.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1. Reporting Entity

Harbison Memorial Retirement Village (*HarbisonCare or the Company*) is a not-for-profit Company limited by guarantee and domiciled in Australia. The address of the Company's registered office is 2 Charlotte Street, Burradoo NSW 2576. The Company is primarily involved in the provision of aged care services through the operation of nursing home facilities at Burradoo, assisted living hostel facilities at Moss Vale and Burradoo, independent living units at Burradoo, dementia facilities at Moss Vale and Community Aged Care Packages in the Southern Highlands.

2. Basis of Preparation

(a) Statement of Compliance

The financial report is a Tier 2 general purpose financial report that has been prepared in accordance with the Australian Accounting Standards-Reduced Disclosure Requirements (AASBs), adopted by the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not For Profit Commission Act 2012*.

The financial statements were approved by the Board of Directors on 26th September 2018.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for land which is measured at fair value.

(c) Functional and Presentation Currency

The financial report is presented in Australian dollars, which is the Company's functional currency.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

(e) Fair Value

A number of the Company's accounting policies and disclosures require the measurement of fair values, both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. Basis of Preparation (cont)

An external, independent valuation company, having appropriately recognised professional qualifications and recent experience in the location and category of the property being valued, values the Company's freehold land every three years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in Note 10 – Property, Plant and Equipment.

Significant valuation issues are reported to the Board.

(f) Going Concern

Notwithstanding that the Company's current liabilities exceed its current assets, the financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

In relation to current liabilities, it is noted that all accommodation bonds and entry contributions are classified as a current liability as the Company does not have an unconditional right to defer payment of these beyond 12 months.

During the year ended 30 June 2018, the Company refunded a total of \$5,854,955 to departing residents. As these vacated beds and units were re-allocated, the Company received accommodation bonds and entry contributions from incoming residents to a total of \$17,480,394.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. Statement of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

(a) Income Tax

The Company is exempt from income tax under Section 50-5 of the *Income Tax Assessment Act 1997*, being a non-profit charitable organisation, not carried on for the purpose of profit or gain to its members. Accordingly, no provision for income tax has been made in these financial statements.

The Company has been endorsed as an income tax exempt charity since 1 July 2000.

**(b) Property, Plant and Equipment
Recognition and Measurement**

With the exception of land, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are 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 asset to a working condition for its intended use, and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Software purchased, that is integral to the function of computer hardware, is capitalised as part of that equipment.

When 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. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Land is recognised initially at cost, then subsequently measured at fair value.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent Costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. Statement of Significant Accounting Policies (cont)

The estimated useful lives for the current and comparative periods are as follows:

	2018	2017
Buildings – Moss Vale	40 years	25 years
Buildings – Burradoo Nursing Home	40 years	20 years
Buildings – Burradoo Hostel	5 years	10 years
Plant and Equipment	3-7 years	3-7 years
Motor Vehicles	3-7 years	3-7 years

The useful life, residual value and the depreciation method applied to an asset are reviewed at each financial year end and adjusted if appropriate.

(c) Intangible Assets

(i) Recognition and Measurement

Intangible assets are only recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company, and the costs of the assets are reliably measurable.

Intangible assets are initially measured at cost. Where an intangible asset is acquired at no cost or for a nominal cost, the cost is the fair value as at the date of acquisition.

(ii) Bed Licences

The Company has been granted or otherwise acquired bed licences over an extended period of time commencing many years ago. It has been determined that the fair value of bed licences at grant or acquisition date, prior to transition to Australian equivalents to International Financial Reporting Standards (AIFRS) is unable to be reliably measured and therefore no bed licences granted or acquired prior to 1 July 2004 have been recognised.

Licences granted after this date are recognised at their fair value as at the date they are put to use. Licences otherwise acquired after this date will be recognised at cost. Bed licences are considered to have an indefinite life and are therefore not amortised, however they are subject to an annual impairment assessment.

(iii) Software

Software acquired by the Company that is not integral to the function of computer hardware, is stated at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. Statement of Significant Accounting Policies (cont)

(iii) Software (cont)

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Investment Property

(i) Recognition and Measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over its estimated useful life.

The estimated useful life for the current and comparative periods is as follows:

Self Care Accommodation at Burradoo	10 years
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The useful life, residual values and the depreciation method applied to investment property is reviewed at each financial year-end and adjusted if appropriate.

(e) Financial Instruments

Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. Statement of Significant Accounting Policies (cont)

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(ii) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise bank term deposits, and trade and other receivables.

Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: trade and other payables, refundable accommodation deposits, entry contributions and accommodation bonds.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. Statement of Significant Accounting Policies (cont)

**(f) 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.

All impairment losses are recognised in profit or loss.

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 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. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

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.

As an alternate measure of value-in-use, the Company is able to use depreciated replacement cost in accordance with AASB 136 Impairment of Assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. Statement of Significant Accounting Policies (cont)

In respect of non-financial 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 or amortisation, if no impairment loss had been recognised.

(g) Employee Benefits

(i) Defined Contribution Plans

Obligations for contributions to defined contribution superannuation funds are recognised as an 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.

(ii) Long-Term Employee Benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(iii) Short-Term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(h) Revenue

(i) Resident Fees and Charges

Revenue from the rendering of a service is recognised upon the delivery of the service to the residents. Rents and service charges are billed in advance. Where income for a future period has been billed, this amount is recognised as a liability called income received in advance.

(ii) Government Grants

Unconditional government grants are recognised in profit or loss as other revenue when the grant becomes receivable.

Other government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss as other income in the period that the grant is received.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. Statement of Significant Accounting Policies (cont)

(iii) Donations

Donations received from the general public are taken into account as other income on receipt.

(iv) Accommodation Charges

Persons entering a high care aged care facility prior to 1 July 2014 were asset tested and have been required to pay an accommodation charge. Accommodation charges are recognised as revenue as they become due and receivable from residents.

(v) Accommodation Bonds/Refundable Accommodation Deposits

Persons entering a low care aged care facility prior to 1 July 2014 who were assessed as "non-supported residents" were required to pay an accommodation bond. All persons entering an aged care facility after 1 July 2014 who were assessed as "non-supported residents" are required to pay a refundable accommodation deposit (RAD). Accommodation bonds and RADs are held by the Company in the form of interest free loans from residents.

Accommodation bonds and RADs paid by residents are repayable by the Company when the resident leaves the facility (refund event).

Accommodation bonds paid by residents entering a low care aged care facility prior to 1 July 2014 are generally subject to a reduction of the original bond by way of retentions as specified in the Residents Agreement, pursuant to the *Aged Care Act 1997*. For each resident, the retention is recognised in profit or loss on a straight-line basis over the term of residency at the aged care facility, but not more than 5 years.

On the basis of historical information, the Company has determined that the average term of residency at each of its aged care facilities is less than the maximum accommodation bond retention period of five years. The average term of residency is reviewed annually.

Accommodation bonds and RADs are classified as current liabilities as the Company does not have the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The obligation to settle could occur at any time.

Once a refunding event occurs the accommodation bond or RAD becomes interest bearing. The interest rate varies according to the rates specified by the Department of Health at the time the refunding event occurs. Interest expense is recognised in the profit or loss when incurred.

(vi) Self Care Entry Contribution

Persons entering independent living units, subject to financial means, may be required to pay an Entry Contribution in the form of an interest free loan to the Company, repayable upon vacation of the unit. The original loan made by a resident is reduced to an agreed residual value over a specified period as set out in the Self Care Residence Loan Licence Agreement, and in accordance with the *Retirement Village Act NSW 1999*.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. Statement of Significant Accounting Policies (cont)

For each resident, the loan reduction (retention) is taken to profit on a straight-line basis. The total retention is amortised over the life of the tenancy. When a resident vacates a unit, any variation between the amortised retention and the retention under the contract terms is recognised in the period in which the unit is vacated.

On the basis of historical information, the Company has determined that the average term of residency is less than the maximum retention period of five years. The average term of residency is reviewed annually.

Resident loans are classified as current liabilities as the Company does not have the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The obligation to settle could occur at any time, up to a maximum of six months from when a resident vacates an independent living unit.

(vii) Rental Income

Rental income from independent living units is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income is billed in advance. Where income for a future period has been billed, this amount is recognised as a liability called income received in advance.

(i) Finance Income and Expense

Finance income comprises interest income on funds invested and outstanding accommodation bond and resident loans. Interest accrues on outstanding accommodation bonds from the date the resident enters care and on outstanding resident loans from the date of occupancy of the self-care facility. Interest income is recognised in profit and loss as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, interest paid to residents subsequent to a refunding event and accommodation bonds. All borrowing costs are recognised in profit or loss using the effective interest method.

(j) Lease Payments

Operating Lease Payments

Payments made under operating leases are recognised in the profit and loss on a straight-line basis over the term of the lease.

(k) Goods and Services Tax (GST)

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 Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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 statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. Statement of Significant Accounting Policies (cont)

The Company is registered for the purposes of goods and services tax. The aged care facilities have a GST free status on the basis that those facilities are health services. The independent living facility has a GST free status based on the concessions granted to the charitable sector for aged housing. GST paid to suppliers will be recouped. Until the GST is recouped it is treated as a debtor.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Reserves

The asset revaluation reserve relates to the revaluation of freehold land. This reserve would normally remain constant for the period between revaluations. The exception would be disposal of land.

(m) Donated Services

Various services are donated to the Company. No assessment of the value of those services is included in the accounts.

(n) Members' liability

The Company is limited by guarantee and has 29 members (2017: 33 members).

Pursuant to the Memorandum of Association of the Company, every member has undertaken in the event of a deficiency on winding up during the time that they are a member, to contribute an amount not exceeding \$50.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

4. Revenue and Other Income

	2018	2017
	\$	\$
Revenue from Rendering of Services		
Government funding	16,674,308	16,332,696
Resident fees	5,837,560	5,643,863
Resident income	331,284	319,568
	22,843,152	22,296,127
Other Revenue		
Accommodation charges	1,155,514	1,027,106
Retention on resident bonds	88,013	164,871
Other revenue	161,288	21,815
	1,404,815	1,213,792
Total Revenue	24,247,967	23,509,919
Other Income		
Donations & bequests	8,673	19,201
Other non-operating income	145,159	50,194
Profit on the sale of assets	8,646	-
Total Other Income	162,478	69,395
Net Financing Income		
Interest received - financial assets	413,932	379,081
Interest received - other	428,738	312,127
Interest paid on resident bonds	(110,630)	(119,103)
Net Financing Income	732,040	572,105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

5. Expenses

	2018	2017
	\$	\$
Depreciation and amortisation		
Buildings	865,375	1,840,366
Motor vehicles	25,168	49,792
Property, plant and equipment	615,020	489,082
Investment property	61,816	51,899
Software	18,189	29,618
Total depreciation and amortisation	1,585,568	2,460,757
Personnel Expense		
Wages and salaries	15,358,036	14,459,496
Workers Compensation	379,401	540,115
Superannuation defined contribution funds	1,410,618	1,304,346
Increase in liability for annual leave	77,215	172,178
(Decrease) in liability for long service leave	(51,245)	(1,158)
Total personnel expense	17,174,025	16,474,977

6. Other Financial Assets

	\$	\$
Loans and receivables to financial institutions		
- Term deposits with financial institutions	12,087,532	13,123,003

The accrued value of interest on these deposits to 30 June 2018 has been included with the deposit.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

7. Trade and Other Receivables

	2018	2017
	\$	\$
Trade and resident debtors	476,673	382,501
Provision for impairment of receivables	(7,667)	(43,873)
Other debtors	172,944	14,940
Other assets	186,315	264,160
	828,265	617,728
(a) Impaired trade receivables		
<i>The aging of trade, resident and other receivables at the reporting date was as follows:</i>		
Neither past due nor impaired	204,375	151,025
Past due to 30 days	117,134	87,916
Past due to 30-90 days	29,442	31,184
Past due to 90-120 days	125,722	112,376
	476,673	382,501

As at 30 June 2018 current trade receivables with a nominal value of \$272,298 (2017 – \$231,476) were past due. Of this past due amount, \$7,667 (2017 –\$43,873) was considered impaired and provided for.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance at 30 June 2016	43,873
Amounts written off/(received)	-
Balance at 30 June 2017	43,873
Amounts written off/(received)	(36,206)
Balance at 30 June 2018	7,667

8. Investment Property

	\$	\$
Buildings and infrastructure – at cost	760,013	750,774
Accumulated depreciation	(622,682)	(560,866)
Total Investment Property	137,331	189,908

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

8. Investment Property (cont)

Movements in carrying amounts

Movement in the carrying amounts for investment property between the beginning and the end of the current financial year.

	\$	\$
Balance at 1 July	189,908	239,809
Additions	9,239	1,998
Depreciation expense	(61,816)	(51,899)
Balance at 30 June	137,331	189,908

9. Intangible Assets

	2018	2017
Bed Licences	2,112,000	2,112,000
Computer software	35,673	15,868
	2,147,673	2,127,868

Movements in carrying amounts

Movement in the carrying amounts for intangible assets between the beginning and the end of the current financial year.

Bed licences

Balance at 1 July 2017	2,112,000	2,112,000
Additions – activated bed licences at fair value	-	-
Balance at 30 June 2018	2,112,000	2,112,000
Computer software		
At Cost	386,810	348,816
Less accumulated amortisation	(351,137)	(332,948)
Total	35,673	15,868
Balance at 1 July 2017	15,868	43,039
Additions	37,994	2,447
Amortisation	(18,189)	(29,618)
Balance at 30 June 2018	35,673	15,868

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

10. Property, Plant & Equipment

	2018	2017
	\$	\$
Freehold land – at fair value	7,500,000	7,500,000
Buildings and infrastructure – at cost	46,964,521	46,929,254
Accumulated depreciation	(19,744,186)	(18,878,811)
	27,220,335	28,050,443
Capital works in progress – at cost	2,377,080	631,108
Plant and equipment – at cost	5,850,525	5,540,214
Accumulated depreciation	(4,813,428)	(4,364,595)
	1,037,097	1,175,619
Motor vehicles – at cost	227,760	304,854
Accumulated depreciation	(203,494)	(245,065)
	24,266	59,789
Total Property, Plant and Equipment	38,158,778	37,416,959

Fair value hierarchy

A formal valuation of land at Burradoo and Moss Vale was obtained for the year ended 30 June 2016, dated 2 August 2016. The valuation was performed by B Hill, Certified Practising Valuer, Registered Valuer No 024135. The valuer B Hill, in arriving at the land value, has taken into consideration sales evidence of comparable properties within the Wingecarribee Shire. He has further given consideration to the size and location of the comparable sales and made appropriate adjustments prior to assessing a fair and reasonable value for the subject property. The adopted fair value based on the valuation obtained was \$7,500,000.

The fair value measurement of freehold land has been categorized as a Level 2 fair value based on the inputs to the valuation technique (see Note 2(e)).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

10. Property, Plant & Equipment (cont)

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 current financial year.

	Land	Buildings and Infrastruct- ure	Plant and Equipment	Motor Vehicles	Capital Works in Progress	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance at 1 July 2016	7,500,000	46,782,130	5,067,217	304,854	206,622	59,860,823
Additions	-	147,124	472,997	-	424,486	1,044,607
Transfers from WIP	-	-	-	-	-	-
Revaluations/ Disposals	-	-	-	-	-	-
Balance at 30 June 2017	7,500,000	46,929,254	5,540,214	304,854	631,108	60,905,430
Balance at 1 July 2017	7,500,000	46,929,254	5,540,214	304,854	631,108	60,905,430
Additions	-	35,267	476,498	-	1,745,972	2,257,737
Transfers from WIP	-	-	-	-	-	-
Revaluations/ Disposals	-	-	(166,187)	(77,094)	-	(243,281)
Balance at 30 June 2018	7,500,000	46,964,521	5,850,525	227,760	2,377,080	62,919,886

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

10. Property, Plant & Equipment (cont)

	Land	Buildings and Infrastructure	Plant and Equipment	Motor Vehicles	Capital Works in Progress	Total
	\$	\$	\$	\$	\$	\$
Accumulated Depreciation						
Balance at 1 July 2016		17,038,445	3,875,513	195,273		21,109,231
Depreciation for the Year	-	1,840,366	489,082	49,792	-	2,379,240
Disposals	-				-	
Balance at 30 June 2017	-	18,878,811	4,364,595	245,065	-	23,488,471
Balance at 1 July 2017		18,878,811	4,364,595	245,065		23,488,471
Depreciation for the year	-	865,375	615,020	25,168	-	1,505,563
Disposals	-		(166,187)	(66,739)	-	(232,926)
Balance at 30 June 2018	-	19,744,186	4,813,428	203,494	-	24,761,108

Carrying Amount						
Balance at 1 July 2016	7,500,000	29,743,685	1,191,704	109,582	206,622	38,751,593
Balance at 30 June 2017	7,500,000	28,050,443	1,175,619	59,789	631,108	37,416,959
Balance at 1 July 2017	7,500,000	28,050,443	1,175,619	59,789	631,108	37,416,959
Balance at 30 June 2018	7,500,000	27,220,335	1,037,097	24,266	2,377,080	38,158,778

Change in estimates

As at 1 July 2017, the remaining useful lives of the company's buildings were reassessed by the Directors. The impact of this re-assessment resulted in depreciation expense on buildings decreasing from \$1,662,613 to \$849,109.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

11. Trade and Other Payables

	2018	2017
	\$	\$
Unsecured		
Trade creditors	514,446	424,789
Accrued expenses	125,494	120,139
Income received in advance	198,683	239,975
Other creditors	631,072	846,387
	1,469,695	1,631,290

12. Entry Contributions and Accommodation Bonds

	\$	\$
Unsecured		
Entry Contributions and Accommodation Bonds	37,259,104	26,514,613

Accommodation 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 accommodation bond is required to be disclosed as a current liability.

During the year entry contribution and bond refunds totaled \$5,854,955 (2017: \$12,565,996).

13. Employee Benefits

	\$	\$
Current		
Annual leave	1,347,685	1,266,748
Long service leave	895,624	797,207
Accrued days off	141,029	144,751
	2,384,338	2,208,706
Non-current		
Long service leave	132,161	281,825
Total employee benefits	2,516,499	2,490,531

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

14. Notes to the Statement of Cash Flows

	2018	2017
	\$	\$
(a) Reconciliation of Cash		
<i>Cash at the end of the financial year, as shown in the statement of cash flows, is reconciled to items in the balance sheet as follows.</i>		
Cash on hand and at bank	12,098,393	1,800,350
	12,098,393	1,800,350
(b) Reconciliation of Cash flow from Operations with Surplus from Operating Activities		
Net surplus after income tax	(426,708)	74,532
<i>Adjustments for:</i>		
Investment Interest Received	(413,932)	(379,081)
Gain on sale of assets	(8,646)	-
Retentions on resident bonds	(88,013)	(164,871)
Depreciation and amortisation	1,585,568	2,460,757
Net Cash Flows provided by Operating Activities before Change in Assets and Liabilities	648,269	1,991,337
Changes in assets and liabilities		
(Decrease) in receivables	(210,535)	(153,148)
(Decrease)/Increase in payables	(161,597)	97,539
Increase in employee benefits	25,969	171,019
Net Cash from Operating Activities	302,106	2,106,747

15. Related Parties

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

Transactions with Key Management Personnel

Directors do not receive any remuneration. The Chair of the Board of Directors receives a reimbursement payment of \$4,800 per annum.

Key management personnel include Directors and five (2017: eleven) staff.

In addition to the salaries paid to senior executives, the Company also provides non-cash benefits to executive key management personnel, and contributes to a post-employment defined contribution superannuation fund on their behalf.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

15. Related Parties (cont)

A key management personnel owns a company which provides Home Care services to the Company. The Company paid the Home Care provider \$509,271 during the financial year ended 30 June 2018 while the owner was employed by the Company. As at 30 June 2018 there was \$2,317 outstanding payable from the Company to the Home Care provider. The terms and conditions of the transactions were no more favourable than those available on similar transactions to non-key management personnel related entities on an arm's length basis.

Key Management Personnel Compensation

The total key management personnel compensation included in 'personnel expenses' is \$934,315 (2017: \$1,612,602).

16. Events Subsequent to Reporting Date

In the opinion of the directors there were no significant events subsequent to the reporting date that would impact upon the financial results, operations or performance of HarbisonCare.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2018

In the opinion of the directors of Harbison Memorial Retirement Village (the Company):

- (a) the Company is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 7 to 31 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors, at Burradoo on Wednesday 26th September 2018:



Henk Den Hertog
Director



Campbell MacBean
Director



Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of Harbison Memorial Retirement Village

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Richard Drinnan

Partner

Wollongong

26 September 2018



Independent Auditor's Report

To the members of Harbison Memorial Retirement Village

Opinion

We have audited the **Financial Report**, of Harbison Memorial Retirement Village (the Company).

In our opinion, the accompanying **Financial Report** of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 June 2018.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in Harbison Memorial Retirement Village's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.
- ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.



We also:

- i. 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.
- ii. 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 registered Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Company'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 registered Company to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Company 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.

KPMG

Richard Drinnan

Partner

Wollongong

26 September 2018

