

FINANCIAL REPORT

2015-2016

Directors' Report

The Directors

The names of the Directors in office throughout the year and at the date of this report are:

| | |
|---------------------|-------------------|
| Mr Bill Scales, AO | Mr Michael Tehan |
| Mr Tom Carr | Mr Terry Janes |
| Ms Brigid Clarke | Ms Anna Clarke |
| Mr Peter Gill | Ms Belinda Evans |
| Mr Richard Gray, AM | Dr Rosemary Saxon |
| Mr Peter Hogan | Mr Michael Meere |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. Information concerning the Directors and their respective qualifications, experience, special responsibilities and declared interests in contracts with Villa Maria Catholic Homes are detailed in this report.

Merger

On 1 July 2015, Villa Maria Society merged with Catholic Homes for the Elderly Inc and became Villa Maria Catholic Homes Limited. The transferred assets and liabilities of Catholic Homes were recognised at book value on 1 July 2015. Total equity transferred was \$209,384,000.

Principal Activities of Villa Maria Catholic Homes

- Provision of residential aged care, community care services, respite care, retirement living and low cost housing options for the elderly.
- Supported accommodation for people with a disability.
- Education services for children with disabilities or developmental delays.
- Community support and respite services for older people and people with a disability, their families and carers.
- Life skills enhancement and wellbeing programs including day therapy programs for older people and people with a disability.
- Social work, administrative and resource services to support all Villa Maria Catholic Homes programs.

There was no change in the nature of the principal activities during the financial year.

Financial Results

The Net Surplus for the financial year ended 30 June 2016 was \$32,338,000 which included a net gain on fair value of investment properties of \$38,466,000 (2015 \$484,000) and fair value of leasehold premiums of (\$6,995,000) (2015 \$0).

The Net Operating Surplus for the financial year ending 30 June 2016 was \$867,000 (2015 surplus of \$3,143,000). No income tax is applicable.

Review of Operations

Significant features of the year's operations have been:

- Recognition of an increase in the fair value of retirement villages as investment properties of \$38,466,000 (2015 \$484,000)
- Government grants for the year totalled \$101,972,000 (2015 \$67,238,000)
- Resident fees totalled \$31,967,000 (2015 \$11,606,000)
- Income from fundraising, donations and bequests totalled \$3,625,000 (2015 \$1,041,000)
- Total operating expenditure totalled \$141,505,000 (2015 \$78,977,000)

Events Subsequent to Balance Date

There have been no significant events subsequent to Balance Date which would affect the accounts presented.

Likely Developments

Likely developments in the operations of the company and the expected results of these operations in future financial years have not been included in the report, as the inclusion of such information is likely to result in an unreasonable prejudice to the company.

Environmental Issues

Villa Maria Catholic Homes has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance is low and has not identified any compliance breaches during the period.

Directors' Benefits

No Director of the company has, since the end of the previous financial year, received or become entitled to receive a benefit by reason of a contract made by the company or related corporation with a Director or with a firm of which they are a member or with a company in which they have a substantial financial interest.

Meetings of Directors

Details of attendance by Directors of Villa Maria Catholic Homes at meetings of the Board and Board Committees (of which they were members) held during the financial year are shown in the table below.

| Director | Board Meetings | | Finance & Audit Committee ¹ | | Risk Committee | | Strategic Projects Committee | | Quality & Compliance Committee | | Remuneration & Nominations Committee | | Merger Review & Implementation Committee | |
|------------------|----------------|----|--|---|----------------|---|------------------------------|---|--------------------------------|---|--------------------------------------|---|--|---|
| | A | B | A | B | A | B | A | B | A | B | A | B | A | B |
| Richard Gray, AM | 11 | 12 | | | | | | | 5 | 6 | | | | |
| Peter Hogan | 11 | 12 | 7 | 8 | | | 3 | 3 | | | 2 | 2 | 2 | 2 |
| Michael Meere | 12 | 12 | | | 3 | 3 | 7 | 7 | | | | | 2 | 2 |
| Rosemary Saxon | 11 | 12 | 8 | 8 | 3 | 3 | | | | | | | 2 | 2 |
| Belinda Evans | 12 | 12 | | | | | | | 6 | 6 | | | | |
| Tom Carr | 8 | 12 | | | | | 7 | 7 | | | | | 1 | 2 |
| Terry Janes | 10 | 12 | 8 | 8 | | | | | | | | | 2 | 2 |
| Michael Tehan | 12 | 12 | | | | | | | 5 | 6 | 5 | 5 | 2 | 2 |
| Peter Gill | 11 | 12 | 8 | 8 | | | 7 | 7 | | | | | | |
| Anna Clarke | 10 | 12 | | | | | | | 6 | 6 | 4 | 5 | | |
| Brigid Clarke | 11 | 12 | | | 3 | 3 | 4 | 4 | | | | | | |
| Bill Scales, AO | 11 | 12 | 6 | 8 | 3 | 3 | 4 | 7 | 2 | 6 | 5 | 5 | 2 | 2 |

¹ This Committee was re-named the Finance & Audit Committee in January 2016 previously it was known as the Audit & Risk Committee

A – Number of Meetings attended

B – Reflects the number of meetings held during the time the Director was a member of the board/committee.

Directors also attended other meetings, activities, and functions undertaken by Villa Maria Catholic Homes.

Indemnity and Insurance of Directors and Auditors

During the financial year, the company met all the costs of insuring all Directors against liabilities for potential costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of a Director of the company.

During the financial year, the company has not paid a premium to insure the auditors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of auditors of the company.

Rounding of Amounts

The company has applied the relief available to it in ASIC Class Order 98/100 and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Villa Maria Catholic Homes
ABN 32 004 364 103

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under the Australian Charities and Not-For-Profit Commissions Act 2012 is set out in this report.

Signed in accordance with a resolution of the Board of Directors.


W Scales, Chairman


T Janes, Director

Melbourne, 6 October 2016

Villa Maria Catholic Homes ABN 32 004 364 103



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Auditor's Independence Declaration To the Directors of Villa Maria Catholic Homes

In accordance with the requirements of section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012, as lead auditor for the audit of Villa Maria Catholic Homes for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Sandra Lawson
Partner - Audit & Assurance

Melbourne, 7 October 2016

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The Directors in office at any time during, or since the end of, the year were:

| Director | Experience | Special Responsibilities |
|------------------------------|--|---|
| <p>Mr Bill Scales AO</p> | <p>Bill is currently a member of the Veolia Australia and New Zealand Advisory Board, Chair of the Australian Institute of Company Directors (AICD) National Education Advisory Committee and member of Bishop's Commission for Administration and Communication.</p> <p>He is a former Chancellor of Swinburne University, former Secretary of the Victorian Department of Premier and Cabinet, former Chairman and CEO of the Productivity Commission, former Chairman of the Port of Melbourne Corporation and former Group Managing Director – Regulatory, Corporate and Human Relations and Chief of Staff, Telstra Corporation.</p> <p>Bill has participated in many government inquiries including Protecting Victoria's Vulnerable Children's Inquiry, Review of Funding for Schooling ('Gonski Review"), Audit of the NBN Public Policy Process, Review of Australia's Higher Education Sector ('Bradley Review").</p> <p>He is an Officer in the Order of Australia and in 2003 he was awarded the Centenary Medal for outstanding service to business and commerce.</p> | <ul style="list-style-type: none"> • Remuneration & Nominations Committee – ex officio (from November 2014) • Audit & Risk Committee – ex officio (from November 2014 – December 2015) • Quality & Compliance Committee – ex officio (from November 2014) • Strategic Projects Committee – ex officio (from November 2014) • Finance & Audit Committee – ex officio (from January 2016) • Risk Committee – ex officio (from January 2016) • Chair - Merger Review & Implementation Committee (from May 2016) |
| <p>Mr Tom Carr</p> | <p>Tom was responsible for the human resources function for the Archdiocese of Melbourne. Prior to joining the Archdiocese, he occupied senior positions in the Victorian government, principally undertaking employment policy and workplace relations roles.</p> <p>Tom is Chair and founding member of the Little Sisters of the Poor National Advisory Group, a group established to assist the Little Sisters with their mission to the elderly poor. He is also a member and former Chair of their Melbourne Advisory Group. He was previously a director of Fernhill Hostel Inc. which undertook the Sacred Heart Parish Sandringham's Aged Care Mission.</p> <p>He is also Chair of the Tarrawarra Advisory Group, a group which supports the Cistercian monastic community at Tarrawarra and a member of Mannix College Council, the governing body of the Catholic residential college at Monash University.</p> | <ul style="list-style-type: none"> • Strategic Projects Committee from November 2014 • Merger Review & Implementation Committee from May 2016 |

| Director | Experience | Special Responsibilities |
|------------------|--|---|
| Ms Anna Clarke | <p>Anna is currently the national Director of Human Resources, Private Hospitals Division, St Vincent's Health Australia. She has held a number of roles in private and public health including Director of HR & Workforce Development, Director of Nursing, and Manager of Organisational/Service development. Anna has served for a number of years on the Board of the Caroline Chisholm Centre for Health Ethics and has a particular interest in the areas of workforce strategy and organisational development. Initially qualified as a nurse, Anna also holds post graduate qualifications in Critical Care Nursing, Adult Education and a Masters in Health Administration.</p> | <ul style="list-style-type: none"> • Chair Remuneration & Nominations Committee (member since November 2014 / Chair since January 2016) • Quality & Compliance Committee (from November 2014) |
| Ms Brigid Clarke | <p>A Senior Public Servant working for the Victorian Department of Health, Brigid has over 25 years' experience in the public health sector and specific expertise in systems governance and quality and risk management. Brigid has a particular interest in stewardship and service to the Catholic community. Brigid trained as a social worker and holds a Master's Degree in Social Work.</p> | <ul style="list-style-type: none"> • Risk Committee (from January 2016) • Strategic Projects Committee Chair from November 2014 – December 2015 |
| Ms Belinda Evans | <p>Belinda is the Senior Advocate at Elder Rights Advocacy, Melbourne, and has significant experience in the aged care and disability / mental health sectors. She is a member of the Law Institute of Victoria, the General Committee of the Institute's Elder Law Section, and is a former Board Member of Disability Justice Advocacy Inc. Belinda has been a member of Reference Groups / Steering Committees of a number of projects relating to aged care and elder abuse issues.</p> | <ul style="list-style-type: none"> • Quality & Compliance Committee from November 2014 |
| Mr Peter Gill | <p>Peter holds qualifications in Civil engineering, Town Planning and Valuations. Peter is also a Licensed Real Estate Agent with over 40 years' experience as a Commercial Property Agent. He has acted for major corporations, religious orders, the Archdiocese and developers on multi-site sales and leases. Peter is a member of the Victorian Chapter of the Australian Catholic University. Peter has recently retired as a Committee member of Eastern Palliative Care.</p> | <ul style="list-style-type: none"> • Strategic Projects Committee from November 2014 • Finance & Audit Committee from January 2016 |

| Director | Experience | Special Responsibilities |
|--------------------|--|---|
| Mr Richard Gray AM | Richard has extensive experience of some 32 years in the disability and aged care sectors, and is Senior Advisor Aged Care, Catholic Health Australia. He has previously held the roles of CEO of the Spastic Society of Victoria, the National Executive Director of Aged Care Australia (now ACSA), and Board Director of ACROD Ltd (now NDS), Villaggio Sant' Antonio Ltd and the Aged Care Standards and Accreditation Agency Ltd. | <ul style="list-style-type: none"> • Quality & Compliance Committee from November 2014 |
| Mr Peter Hogan | Peter is a Chartered Accountant and was a Partner with PricewaterhouseCoopers for 17 years before retiring from that practice in 2008. He is now a Strategy & Development executive with Incitec Pivot Limited, a public company listed on the ASX and is a non-executive director of ASX listed companies, Carbon Energy Limited, and ONEALL International Limited. | <ul style="list-style-type: none"> • Chair Strategic Projects Committee from January 2016 • Finance & Audit Committee from January 2016 • Merger Review & Implementation Committee from May 2016 • Chair Remuneration & Nominations Committee from November 2014 – December 2015 • Audit & Risk Committee from November 2014 – December 2015 |
| Mr Terry Janes | A former Chief Financial Officer and Executive Director of leading staffing services company Skilled Group Limited, Terry held these roles from 1998-2012. He has had over 20 years' experience in a range of senior finance roles, including Senior Divisional Finance Officer for major operating divisions in the minerals and steel businesses of BHP. Terry holds a Bachelor of Commerce from the University of Melbourne, is a fellow of the AICD and a Fellow of the Australian Society of CPA's. He is also a graduate of the Wharton Advanced Management Program 2008. | <ul style="list-style-type: none"> • Chair Finance & Audit Committee from January 2016; member Audit & Risk Committee from November 2014 – December 2015 • Merger Review & Implementation Committee from May 2016 |
| Mr Michael Meere | Michael has 40 years' experience in management positions and consultancy roles in both private and not-for-profit organisations. He has been a CEO of a National Industry Association and was a Director of Yooralla. He is a Life Member of the Preshil: The Margaret Lyttle Memorial School Association. He is currently a Lecturer at and Director of The College of Adult Learning. | <ul style="list-style-type: none"> • Strategic Projects Committee (from November 2014) • Risk Committee (from January 2016) • Merger & Implementation Committee (from May 2016) |

| Director | Experience | Special Responsibilities |
|-------------------|---|--|
| Dr Rosemary Saxon | <p>Rosemary has 33 years' experience in the health and community services industry, including 10 years with the Victoria State Government and 23 years in management consulting.</p> <p>Rosemary has consulted to many organisations at Board, senior management and operational levels and has extensive experience in the research, planning, management, strategy development, review and evaluation of aged care, disability, health and human services</p> | <ul style="list-style-type: none"> • Audit & Risk Committee (from November 2014 – December 2015) • Chair – Risk Committee (from January 2016) • Finance & Audit Committee (from January 2016) • Merger Review & Implementation Committee (from May 2016) |
| Mr Michael Tehan | <p>Michael is a solicitor and mediator. He was a partner for more than 20 years of the international law firm, Minter Ellison, where he practised in industrial and employment law, discrimination and administrative law, leading a team of more than 20 lawyers.</p> <p>Michael has Arts and Law degrees from the University of Melbourne and the Company Directors Diploma from the Australian Institute of Company Directors.</p> | <ul style="list-style-type: none"> • Remuneration & Nominations Committee (from November 2014) • Chair, Quality & Compliance Committee (from November 2014) • Merger Review & Implementation Committee (from May 2016) |

VILLA MARIA CATHOLIC HOMES LIMITED
STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2016

| | Note | 2016 \$000 | 2015* \$000 |
|---|------|---------------|----------------|
| Revenue and other income | 2 | 142,372 | 82,120 |
| Employee benefits expenses | | (94,167) | (53,717) |
| Service delivery expenses | | (15,006) | (10,685) |
| Depreciation, impairment and amortisation expenses | | (8,390) | (3,996) |
| Repairs, maintenance and property expenses | | (6,129) | (2,475) |
| General and administrative expenses | | (13,205) | (6,124) |
| Finance costs | 1(m) | (444) | (78) |
| Utilities expenses | | (3,072) | (1,255) |
| Lease payments - operating leases | | (1,118) | (647) |
| Gain/(Loss) on disposal of available-for-sale investments | | - | 94 |
| Gain/(Loss) on disposal of property, plant and equipment | | 26 | (82) |
| Available for sale investments impairment losses | | - | (12) |
| NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR | | 867 | 3,143 |
| Fair value of leasehold premiums | | (6,995) | - |
| Gain on fair value of investment properties | 7 | 38,466 | 484 |
| NET SURPLUS | | 32,338 | 3,627 |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Fair value revaluation of land and buildings | | - | 2,988 |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Fair value on available for sale financial assets | | (223) | (112) |
| OTHER COMPREHENSIVE INCOME | | (223) | 2,876 |
| TOTAL COMPREHENSIVE INCOME | | 32,115 | 6,503 |

* On 1 July 2015, Villa Maria Society merged with Catholic Homes for the Elderly Inc and became Villa Maria Catholic Homes Limited. The 2015 comparative financial results in this report refer to Villa Maria Society only. The 2016 financial results are those of the merged entity.

The accompanying notes form part of these financial statements.

VILLA MARIA CATHOLIC HOMES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

| | Note | 2016 \$000 | 2015* \$000 |
|--------------------------------------|---------|----------------|----------------|
| CURRENT ASSETS | | | |
| Cash Assets | | 77,208 | 27,997 |
| Receivables | 3 | 6,308 | 3,637 |
| Other Financial Assets | 4 | - | 446 |
| TOTAL CURRENT ASSETS | | 83,516 | 32,080 |
| NON-CURRENT ASSETS | | | |
| Property, Plant and Equipment | 5 | 321,670 | 140,985 |
| Investment Properties | 7 | 290,897 | 73,425 |
| Other Financial Assets | 4 | 12,814 | - |
| Intangibles | 6 | 30,297 | 9,150 |
| TOTAL NON-CURRENT ASSETS | | 655,678 | 223,560 |
| TOTAL ASSETS | | 739,194 | 255,640 |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 8 | 14,899 | 8,070 |
| Accommodation Bonds and Deposits | 8, 1(q) | 101,194 | 43,187 |
| Lease Premiums | 8, 1(q) | 226,611 | 61,336 |
| Provisions | 9 | 13,746 | 7,093 |
| Other | 10 | 4,945 | 1,097 |
| Non Interest-Bearing Loans | 11 | - | 314 |
| TOTAL CURRENT LIABILITIES | | 361,395 | 121,097 |
| NON-CURRENT LIABILITIES | | | |
| Non Interest-Bearing Loans | 11 | 1,012 | - |
| Provisions | 9 | 1,565 | 820 |
| TOTAL NON-CURRENT LIABILITIES | | 2,577 | 820 |
| TOTAL LIABILITIES | | 363,972 | 121,917 |
| NET ASSETS | | 375,222 | 133,723 |
| MEMBERS' FUNDS | | | |
| Accumulated Surplus | | 194,488 | 59,639 |
| Reserves | 12 | 180,734 | 74,084 |
| TOTAL MEMBERS' FUNDS | | 375,222 | 133,723 |

* On 1 July 2015, Villa Maria Society merged with Catholic Homes for the Elderly Inc and became Villa Maria Catholic Homes Limited. The 2015 comparative financial results in this report refer to Villa Maria Society only. The 2016 financial results are those of the merged entity.

The accompanying notes form part of these financial statements.

VILLA MARIA CATHOLIC HOMES LIMITED
STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED
 30 JUNE 2016

| | Accumulated Surplus | Building and Development Reserve | Asset Revaluation Reserve | Unrealised Gains/(Losses) Reserve | Long Term Maintenance Fund Reserve | Government Contribution Reserve | Fair Value Reserve | Amalgamation Reserve | Total |
|--|---------------------|----------------------------------|---------------------------|-----------------------------------|------------------------------------|---------------------------------|--------------------|----------------------|---------|
| Note | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Balance at 30 June 2014 | 56,624 | 1,872 | 68,618 | 106 | - | - | - | - | 127,220 |
| Surplus for the year | 3,627 | - | - | - | - | - | - | - | 3,627 |
| Other comprehensive income | - | - | 2,988 | (112) | - | - | - | - | 2,876 |
| Total comprehensive income | 3,627 | - | 2,988 | (112) | - | - | - | - | 6,503 |
| Transfers between reserves | (612) | 513 | - | - | 99 | - | - | - | - |
| Balance at 30 June 2015 | 59,639 | 2,385 | 71,606 | (6) | 99 | - | - | - | 133,723 |
| Catholic Homes for the Elderly Inc merge balances at 1 July 2015 | 95,608 | - | 103,277 | - | - | 231 | 1,550 | 8,718 | 209,384 |
| Surplus for the year | 32,338 | - | - | - | - | - | - | - | 32,338 |
| Other comprehensive income | - | - | - | (223) | - | - | - | - | (223) |
| Total comprehensive income | 32,338 | - | - | (223) | - | - | - | - | 32,115 |
| Transfers between reserves | 6,903 | 864 | - | 1,550 | 1,182 | (231) | (1,550) | (8,718) | - |
| Balance at 30 June 2016 | 194,488 | 3,249 | 174,883 | 1,321 | 1,281 | - | - | - | 375,222 |

The accompanying notes form part of these financial statements.

VILLA MARIA CATHOLIC HOMES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2016

| | 2016 | 2015* |
|--|-----------------|----------------|
| | \$000 | \$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Government grants received | 105,670 | 67,783 |
| Receipts from service users | 31,762 | 12,127 |
| Proceeds from fundraising and public relations | 2,377 | 759 |
| Proceeds from bequests | 528 | 282 |
| Investment income | 3,374 | 1,579 |
| Interest paid | (444) | (90) |
| Payments to suppliers and employees | (127,028) | (74,422) |
| Net cash provided by operating activities | <u>16,239</u> | <u>8,018</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of investments | 1,535 | 219 |
| Purchases of investments | (40) | - |
| Capital Expenditure on investment property | 7 (27,569) | (92) |
| Purchase of bed licences | (500) | - |
| Purchase of software | (883) | - |
| Purchases of property, plant and equipment | (25,215) | (2,701) |
| Proceeds from sale of property, plant and equipment | 258 | 669 |
| Net cash used in investing activities | <u>(52,414)</u> | <u>(1,905)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from residents' lease premiums | 68,290 | 22,400 |
| Repayment of residents' lease premiums | (10,700) | (845) |
| Proceeds from residents' accommodation bonds and deposits | 27,160 | 11,406 |
| Repayment of residents' accommodation bonds and deposits | (27,718) | (8,755) |
| Repayment of borrowings | (314) | (11,238) |
| Net cash provided by/(used in) financing activities | <u>56,718</u> | <u>12,968</u> |
| NET (DECREASE)/INCREASE IN CASH HELD | 20,543 | 19,081 |
| CASH AT THE BEGINNING OF THE FINANCIAL YEAR | 27,997 | 8,916 |
| Cash transferred in from Catholic Homes for the Elderly Inc at 1 July 2015 | 28,668 | - |
| CASH AT THE END OF THE FINANCIAL YEAR | <u>77,208</u> | <u>27,997</u> |

* On 1 July 2015, Villa Maria Society merged with Catholic Homes for the Elderly Inc and became Villa Maria Catholic Homes Limited. The 2015 comparative financial results in this report refer to Villa Maria Society only. The 2016 financial results are those of the merged entity.

The accompanying notes form part of these financial statements.

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Australian Charities and Not-for-profit Commissions Act 2012. The financial statements are for the company Villa Maria Catholic Homes Limited as an individual company. The company was formerly known as Villa Maria Society and the change of name occurred on 1 July 2015.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets, land and buildings and investment properties at fair value.

The following is a summary of the material accounting policies adopted by Villa Maria Catholic Homes Limited in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year.

The adoption of new Standards or Interpretations have been deemed not to have an impact on the financial statements or performance of Villa Maria Catholic Homes Limited.

Accounting Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates, and bases its judgements and estimates on historical experience and other factors it believes to be reasonable. Actual results may differ from these estimates under different assumptions and circumstances.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates and may materially affect financial results or the financial position of future periods.

Significant Accounting Judgements and Estimates

Impairment of available for sale assets

Villa Maria Catholic Homes Limited holds a number of *available for sale* financial assets and follows the requirements of AASB 139 Financial Instruments: Recognition and Measurement in determining when an *available for sale* asset is impaired. For the year ended 30 June 2016 Villa Maria Catholic Homes Limited has determined that investments of \$Nil (2015: \$12,000) were impaired.

Determination of Fair Value of Property

Valuation of investments

The valuation of unlisted investments in managed funds is reliant on receiving advice from Fund Managers and publically available investment prices at reporting date. In certain instances this information has not been received at 30 June 2016. Management has estimated the fair values using the best available information at that time.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. The condition of the assets is assessed at least once a year and considered against the remaining useful life. Adjustments to useful lives are made when necessary.

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(a) Income Tax

As Villa Maria Catholic Homes Limited is a public benevolent institution it is exempt from income tax, capital gains tax and payroll tax.

(b) Revenue

Government grants received are recognised when Villa Maria Catholic Homes Limited has control of the grant. Grants of assets, including bed licences, are measured at the fair value of the assets received. When grants include terms that specified services are delivered or conditions are fulfilled and failure to meet these terms could result in the grants needing to be returned, these are recognised as unearned income until the services are performed or conditions fulfilled.

Investment income comprises dividends and interest and is recognised in the financial year in which it is earned.

Revenue from the rendering of a service is recognised in the financial year in which the service to the client is delivered.

Fundraising revenue comprises donations, appeal contributions, bequests, trust distributions, membership subscriptions and proceeds from special projects and functions and is recognised in the year in which it is received.

Deferred Management Fees ("DMF") - A typical DMF contract provides for an annual retainer for a fixed period (e.g. 3% per annum of purchase or resale price for a period up to 10 years, or 30% in total) plus a share of the capital gain realised on turnover. DMF income is recognised on an annual accrual basis based upon the expected term of the resident's licence agreement and estimates of capital growth since the resident first occupied the unit.

Deferred Revenue

Villa Maria Catholic Homes Limited is the recipient of various government grants where the vesting of these grants is dependent on the performance of various milestones and/or goals. Where objective evidence exists that these milestones and/or goals have not or will not be met, the directors have deferred the recognition of these grants as revenue until further objective evidence is available.

(c) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Trade and Other Receivables

All receivables are categorised as 'Loans and Receivables' under the requirements of *AASB 139: Financial Instruments – Recognition and Measurement* and are recognised initially at fair value, and subsequently at amortised cost. All trade and other receivables are current.

An allowance for doubtful debts is based on a review of outstanding balances at reporting date, and is accounted for in a separate account. Indicators of impairment include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. Bad debts which have previously been provided for are eliminated against the allowance for doubtful debts. In all other cases bad debts have been written off as an expense directly in the profit or loss.

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values due to their short-term nature.

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either loans and receivables, *held to maturity* investments, or *available for sale* financial assets. The classification depends on the purpose for which the investments were acquired or originated. Financial assets include units in managed funds, listed shares and other approved bank securities.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the rights to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risk and rewards of the financial assets. If the entity neither retains nor transfers substantially all the risks and rewards, it derecognises the asset if it has transferred control of the asset.

Subsequent measurement

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held to maturity if the company has the intention and ability to hold them until maturity. The company currently holds long-term deposits designated into this category.

Held to maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit and loss.

Available for sale investments are those non-derivative financial assets, principal equity securities, that are designated as available for sale. After initial recognition *available for sale* securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit and loss.

Investments in listed securities, equities and other investments are classified as *available for sale*, and the movements in the fair value are recognised as a separate component of equity at each balance sheet date, with the exception of where a fair value cannot be reliably measured, in which case the investment is carried at cost. The investments carried at fair value are remeasured at each reporting date and any gains or losses are recognised in equity.

Investment in unlisted equities and managed funds are measured at fair value, being the unit price as advised by the relevant Fund Manager at reporting date.

(f) Accommodation Bonds, Refundable Accommodation Deposits and Lease Premiums

Accommodation bonds and refundable accommodation deposits

Accommodation bonds and refundable accommodation deposits are non-interest bearing deposits made by an aged care facility resident to Villa Maria Catholic Homes Limited upon their admission to care accommodation. The liability for accommodation bonds and refundable deposits is carried at the amount that would be payable on exit of the resident. This is the amount received on entry of the resident less deductions for fees and retentions pursuant to the *Aged Care Act 1997*. Accommodation bonds and deposits are classified as current liabilities as Villa Maria Catholic Homes Limited does not have an 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.

Lease Premiums

Lease premiums are non-interest bearing entry contributions made by a resident upon lease of an independent living unit. The lease premium is carried at the amount that would be payable on exit of the resident. In most instances, this is the amount equal to the market price of the unit at reporting date less deductions for deferred management fees and other fees pursuant to the lease agreement. Lease premiums are classified as current liabilities as Villa Maria Catholic Homes Limited does not have an 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.

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Accommodation Bonds, Refundable Accommodation Deposits and Lease Premiums (continued)

Repayment expectations

It is not expected that the accommodation bonds, deposits and leasehold premiums balance will reduce significantly on an annual basis as the liabilities relating to residents who depart the facility or units are generally supplanted by accommodation deposits or lease premiums received from new residents. The accommodation bonds, deposits and lease premiums are therefore considered to form part of the long term funding of the facility.

(g) Trade and Other Payables

Trade and other payables, including accruals, are recorded initially at fair value, and subsequently at amortised cost. Trade and other payables are non-interest bearing and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to Villa Maria Catholic Homes Limited prior to the end of the financial year that are unpaid and arise when Villa Maria Catholic Homes Limited becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Property, plant and equipment

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Independent valuations are performed regularly to ensure that the carrying amounts of land and building does not differ materially from the fair value at balance sheet date.

Independent valuations of freehold land and buildings were performed as at 30 June 2015. In confirming that the carrying value of freehold land and buildings at 30 June 2016 does not differ materially from their fair value, the Directors engaged external valuers to provide a review of market conditions. This review confirmed that there has been no significant negative change in the key market factors impacting the valuation, and based on this the Directors believe that the carrying value at 30 June 2016 does not differ materially from their fair value.

Within Villa Maria Catholic Homes Limited's property portfolio are a number of purpose-built properties that provide specific features that qualify them for treatment as a specialised asset. The revaluation of these properties reflects the additional cost of these special purpose features.

Leasehold improvements and plant and equipment are measured on the historical cost basis less accumulated depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of plant and equipment constructed within Villa Maria Catholic Homes Limited includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Revaluations of land and buildings

Any revaluation surplus arising upon revaluation of land and buildings is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED
 30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Property, plant and equipment (continued)

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Depreciation

The depreciable amount of all property, plant and equipment including buildings, but excluding freehold land, is depreciated on a straight line basis over their estimated useful lives to Villa Maria Catholic Homes Limited commencing from the time the asset is held ready for use.

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

| <u>Class of fixed asset</u> | <u>Depreciation rate</u> |
|-----------------------------|--------------------------|
| Leasehold improvements | 4.0% |
| Buildings | 2.5% - 3.33% |
| Plant and equipment | 6.7% - 33.3% |

(i) Investment Properties

Investment properties, principally comprising independent living units, are held for long term rental yields and are not occupied by the entity. Investment properties are carried at fair value, which is based on the aggregate of the current unit prices and the proprietor's interest in the future deferred management fees. Changes in fair values are recorded in the profit or loss.

(j) Intangible Assets

Bed Licences

Bed licences (allocated places) are initially capitalised as intangible assets at cost, with cost being its fair value at the date of acquisition.

In accordance with the requirements of AASB 136 *Impairment of Assets*, the recoverable amount is assessed each year to ensure there are no reasonable grounds to believe impairment conditions exist at the reporting date for bed licences requiring a write down to the profit or loss.

Bed licences are considered to have an indefinite useful life, as long as Villa Maria Catholic Homes Limited continues to comply with the terms and conditions imposed by Government. Accordingly, bed licences are not subject to amortisation.

Acquired intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent measurement of intangibles with useful lives

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. The following useful lives are applied:

| | |
|----------|-------|
| Software | 33.3% |
|----------|-------|

Amortisation has been included within depreciation and amortisation.

(k) Impairment of Assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

At each reporting date, carrying values of tangible and other intangible assets are reviewed to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of an intangible asset's carrying value over its recoverable amount is expensed to the profit or loss.

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) Employee Benefits

Provision is made for Villa Maria Catholic Homes Limited liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled and on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Villa Maria Catholic Homes Limited contributes to complying superannuation funds at the required rate of the employees' wages and salaries. Superannuation contributions are recognised as an expense when incurred.

(m) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid in the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Total borrowings costs capitalised for the year were nil (2015: Nil).

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the statement of comprehensive income over the lease term.

(o) Rounding of amounts

Villa Maria Catholic Homes Limited has applied the relief available to it under *ASIC Class Order 98/100* and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax 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 in the balance sheet are shown inclusive of GST.

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(q) Working Capital Considerations

The statement of financial position for Villa Maria Catholic Homes Limited reports a stable working capital from the prior year after considering the merger transaction that has occurred on 1 July 2015. This difference between current assets and current liabilities occurs as a result of the following items being classified as current liabilities.

Accommodation bonds, refundable deposits and ingoing contributions totalling \$327.81m (2015: \$104.52m) are recognised as current liabilities as the contractual obligations require these bonds, deposits and contributions to be payable at call. Despite this classification, it is the Directors' opinion that it is highly unlikely that all bonds, deposits and contributions will be required to be refunded in the coming 12 months. This opinion has been reached following a review of the age profile of residents and the historical levels of refunds paid.

(r) Merger Transaction

On 1 July 2015, Villa Maria Society merged with Catholic Homes for the Elderly Inc and became Villa Maria Catholic Homes Limited. The transferred assets and liabilities of Catholic Homes were recognised at book value on 1 July 2015. Total equity transferred was \$209,384,000.

The company has applied the pooling interests principles in accounting for the merger transaction. The transferred assets and liabilities of Catholic Homes for the Elderly Inc have been recognised at book values at 1 July 2015 with a corresponding equity contribution. No consideration was transferred by the company. Following recognition of equity balances, the company reviewed the classification of reserves and further amalgamation occurred.

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED
 30 JUNE 2016

| | <u>2016</u> | <u>2015</u> |
|--|----------------|---------------|
| | <u>\$000</u> | <u>\$000</u> |
| NOTE 2 REVENUE | | |
| Australian Government grants received | 75,775 | 41,815 |
| State Government grants received | 26,197 | 25,423 |
| Fees and other income for rendering of services | 31,967 | 11,606 |
| Bequests | 528 | 282 |
| Fundraising and public relations revenue | 3,097 | 759 |
| Interest income earned on cash balances | 3,254 | 1,579 |
| Capital grants | 10 | 93 |
| Other | 1,544 | 563 |
| Total revenue from operating activities | <u>142,372</u> | <u>82,120</u> |
| TOTAL REVENUE AND OTHER INCOME | <u>142,372</u> | <u>82,120</u> |
| | | |
| NOTE 3 RECEIVABLES | | |
| CURRENT | | |
| Trade debtors | 1,960 | 860 |
| Accommodation bond receivable | 1,343 | 2,143 |
| Other Receivables | 2,593 | 500 |
| Less: Provision for impairment of receivables | (141) | (134) |
| | <u>5,755</u> | <u>3,369</u> |
| Prepayments | 553 | 268 |
| TOTAL RECEIVABLES | <u>6,308</u> | <u>3,637</u> |
| | | |
| The movement in the allowance for impairment of trade receivables during the year is as follows: | | |
| Balance at the beginning of the year | 134 | 224 |
| Catholic Homes for the Elderly Inc balance at 1 July 2015 | 47 | - |
| Impairment provision recognised during the year | (28) | (60) |
| Bad debts written off | (12) | (30) |
| Balance at the end of the year | <u>141</u> | <u>134</u> |
| | | |
| NOTE 4 OTHER FINANCIAL ASSETS | | |
| NON CURRENT | | |
| <i>Available for sale at fair value</i> | | |
| Shares - Australian Unlisted | 30 | 30 |
| Shares - International Unlisted | 169 | 182 |
| Property Fund - Australian Listed | 131 | 116 |
| Property Fund - Australian Unlisted | 103 | 90 |
| Property Fund - International Unlisted | 24 | 28 |
| Other investments | 5,807 | - |
| Secured notes | 5,550 | - |
| <i>Held to maturity investments at cost</i> | | |
| Secured notes | 1,000 | - |
| TOTAL NON CURRENT | <u>12,814</u> | <u>-</u> |
| TOTAL OTHER FINANCIAL ASSETS | <u>12,814</u> | <u>446</u> |

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED
 30 JUNE 2016

| NOTE 5 | PROPERTY, PLANT AND EQUIPMENT | 2016 | 2015 |
|--------|--|----------------|----------------|
| | | <u>\$000</u> | <u>\$000</u> |
| | LAND AND BUILDINGS | | |
| | Freehold Land and Buildings | | |
| | Fair value | 276,325 | 133,554 |
| | | <u>276,325</u> | <u>133,554</u> |
| | LEASEHOLD IMPROVEMENTS | | |
| | At cost | 30,069 | - |
| | Less accumulated depreciation | (1,180) | - |
| | Total leasehold improvements | 28,889 | - |
| | TOTAL LAND AND BUILDINGS | <u>305,214</u> | <u>133,554</u> |
| | PLANT AND EQUIPMENT | | |
| | Plant and equipment | | |
| | At cost | 21,267 | 20,584 |
| | Less accumulated depreciation | (13,067) | (14,231) |
| | Total plant and equipment | 8,200 | 6,353 |
| | WORK IN PROGRESS | 8,256 | 1,078 |
| | TOTAL PROPERTY, PLANT AND EQUIPMENT | <u>321,670</u> | <u>140,985</u> |
| | TOTAL PROPERTY, PLANT AND EQUIPMENT | | |
| | Total Property, plant and equipment | 335,917 | 155,216 |
| | Less accumulated depreciation | (14,247) | (14,231) |
| | | <u>321,670</u> | <u>140,985</u> |
| | (a) Reconciliation of carrying amounts at the beginning and end of the period | | |
| | Freehold Land and Buildings | | |
| | Carrying amount at beginning of year | 133,554 | 131,362 |
| | Catholic Homes for the Elderly Inc balance at 1 July 2015 | 130,680 | - |
| | Additions | 724 | 458 |
| | Transfer in from WIP | 15,370 | 720 |
| | Revaluation | - | 2,988 |
| | Depreciation expense | (4,003) | (1,974) |
| | Carrying amount at end of year | <u>276,325</u> | <u>133,554</u> |
| | Plant and equipment | | |
| | Carrying amount at beginning of year | 6,353 | 8,100 |
| | Catholic Homes for the Elderly Inc balance at 1 July 2015 | 3,764 | - |
| | Additions | 871 | 826 |
| | Transfer to software | (201) | - |
| | Transfer in from WIP | 750 | - |
| | Disposals | (264) | (751) |
| | Depreciation expense | (3,073) | (1,822) |
| | Carrying amount at end of year | <u>8,200</u> | <u>6,353</u> |
| | Leasehold improvements | | |
| | Carrying amount at beginning of year | - | - |
| | Catholic Homes for the Elderly Inc balance at 1 July 2015 | 20,860 | - |
| | Additions | 256 | - |
| | Transfer in from WIP | 8,887 | - |
| | Depreciation | (1,114) | - |
| | Carrying amount at end of year | <u>28,889</u> | <u>-</u> |
| | Work In Progress | | |
| | Carrying amount at beginning of year | 1,078 | 381 |
| | Catholic Homes for the Elderly Inc balance at 1 July 2015 | 10,480 | - |
| | Additions | 23,364 | 1,417 |
| | Projects in progress - transfer | (25,007) | (720) |
| | Expensed to profit and loss | (1,659) | - |
| | Carrying amount at end of year | <u>8,256</u> | <u>1,078</u> |
| | | <u>321,670</u> | <u>140,985</u> |

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED
 30 JUNE 2016

NOTE 5 **PROPERTY, PLANT AND EQUIPMENT (cont.)**

(b) Revaluation of freehold land and freehold buildings

Independent revaluations of freehold land and buildings were performed as at 30 June 2015. In confirming that the carrying value of freehold land and buildings at 30 June 2016 does not differ materially from their fair value, the Directors engaged M3 Property, an accredited independent valuer, to provide a review of current market conditions. This review confirmed that there has been no significant negative change in the key market factors impacting the 30 June 2015 valuation, and based on this the Directors believe that the carrying value at 30 June 2016 does not differ materially from their fair value.

| NOTE 6 INTANGIBLE ASSETS | <u>2016</u> | <u>2015</u> |
|---|---------------|--------------|
| | <u>\$000</u> | <u>\$000</u> |
| Intangible assets | <u>30,297</u> | <u>9,150</u> |
| Bed Licences (Allocated Places) | | |
| Carrying amount at beginning of the year | 9,150 | 9,350 |
| Catholic Homes for the Elderly Inc balance at 1 July 2015 | 18,660 | - |
| Additions | 1,220 | - |
| Impairment expense | - | (200) |
| Carrying amount at end of year | <u>29,030</u> | <u>9,150</u> |

Bed licences have an indefinite life as long as Villa Maria Catholic Homes Limited continues to comply with the terms and conditions imposed by the Government. Bed licences are tested annually for impairment.

Bed licences are recorded at purchased cost or deemed cost at the date of transition for IFRS (1 July 2005) less accumulated impairment or when received from a donor.

| | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|
| | <u>\$000</u> | <u>\$000</u> |
| Software | | |
| Carrying amount at beginning of the year | - | - |
| Transfer from plant and equipment | 201 | - |
| Catholic Homes for the Elderly Inc balance at 1 July 2015 | 383 | - |
| Additions | 883 | - |
| Amortisation expense | (200) | - |
| Carrying amount at end of year | <u>1,267</u> | <u>-</u> |

| NOTE 7 INVESTMENT PROPERTIES | <u>2016</u> | <u>2015</u> |
|---|----------------|---------------|
| | <u>\$000</u> | <u>\$000</u> |
| At fair value | | |
| Opening balance at 1 July | 73,425 | 72,791 |
| Catholic Homes for the Elderly Inc balance at 1 July 2015 | 151,437 | - |
| Capital expenditure on investment property | 27,569 | 92 |
| Developer share of development profit | - | 58 |
| Gain on fair value of investment properties | 38,466 | 484 |
| | <u>290,897</u> | <u>73,425</u> |

(a) Valuation basis

Villa Maria Catholic Homes Limited engages M3 Property to provide independent valuations for its investment properties annually. At the end of each reporting period, the directors update their assessment of the fair value of the property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates. Refer Note 1 (i) for further details on the determination of fair value.

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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 30 JUNE 2016

NOTE 7 INVESTMENT PROPERTIES (cont.)

(b) Terms and conditions of construction and financing arrangements

Refer to Note 19 for details of any other contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

| NOTE 8 PAYABLES | <u>2016</u> <u>\$000</u> | <u>2015</u> <u>\$000</u> |
|---|-----------------------------|-----------------------------|
| CURRENT | | |
| Trade and sundry creditors | 7,923 | 4,431 |
| Accrued expenses | <u>6,976</u> | <u>3,639</u> |
| Trade and other payables | 14,899 | 8,070 |
| Leasehold premiums | 1(f) 226,611 | 61,336 |
| Accommodation bonds and refundable accommodation deposits | 1(f) 101,194 | 43,187 |
| TOTAL PAYABLES | <u>342,704</u> | <u>112,593</u> |

NOTE 9 PROVISIONS

CURRENT

| | | |
|-----------------------|---------------|--------------|
| Employee Entitlements | <u>13,746</u> | <u>7,093</u> |
| | <u>13,746</u> | <u>7,093</u> |

NON CURRENT

| | | |
|-----------------------|--------------|------------|
| Employee Entitlements | <u>1,565</u> | <u>820</u> |
|-----------------------|--------------|------------|

| | | |
|---------------------------------------|---------------|--------------|
| Aggregate employee benefits liability | <u>15,311</u> | <u>7,913</u> |
|---------------------------------------|---------------|--------------|

Movements in Current Employee entitlements

| | | |
|---|----------------|----------------|
| Carrying amount at beginning of year | 7,093 | 7,049 |
| Catholic Homes for the Elderly Inc balance at 1 July 2015 | 5,028 | - |
| Increase in provision | 7,352 | 4,376 |
| Payments to staff | <u>(5,727)</u> | <u>(4,332)</u> |
| Carrying amount at end of year | <u>13,746</u> | <u>7,093</u> |

Movements in Non-Current Employee entitlements

| | | |
|---|--------------|------------|
| Carrying amount at beginning of year | 820 | 675 |
| Catholic Homes for the Elderly Inc balance at 1 July 2015 | 600 | - |
| Increase in provision | 145 | 145 |
| Carrying amount at end of year | <u>1,565</u> | <u>820</u> |

NOTE 10 OTHER LIABILITIES

CURRENT

| | | |
|--|--------------|--------------|
| Income received in advance and unearned income | 718 | 534 |
| Consumer Directed Care unspent client funds | <u>4,227</u> | <u>563</u> |
| | <u>4,945</u> | <u>1,097</u> |

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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| | <u>2016</u> | <u>2015</u> |
|--------------------------------|--------------|--------------|
| | <u>\$000</u> | <u>\$000</u> |
| NOTE 11 LOANS | | |
| CURRENT | | |
| Non Interest bearing Loans | - | 314 |
| | - | 314 |
| NON CURRENT | | |
| Non Interest bearing Loans (i) | 1,012 | - |
| | 1,012 | - |
| TOTAL LOANS | <u>1,012</u> | <u>314</u> |

(i) The loan facility provided by Common Equity Housing Ltd is an unsecured non-interest bearing loan. The loan amount is being recognised at amortised cost. This loan facility is not required to be repaid until the end of term in August 2020.

NOTE 12 RESERVES

(a) Building and development reserve

The building and development reserve contains amounts of retained surplus from donations and bequests that have been set aside for the purpose of funding future projects that are announced from time to time.

(b) Asset Revaluation Reserve

The asset revaluation reserve records movements in the fair value of land and buildings.

(c) Net Unrealised Gains/(Losses) Reserve

This reserve records movements in the fair value of *available for sale* financial assets.

(d) Long Term Maintenance Fund Reserve

This reserve contains amounts of retained surplus which have been set aside for the purpose of any future major maintenance requirements for retirement villages.

Other reserves have been transferred to accumulated surplus following the merge with Catholic Homes for the Elderly. See Note 18 for further details.

NOTE 13 SUPERANNUATION COMMITMENTS

Villa Maria Catholic Homes Limited contributes to 250 complying superannuation funds, all of which are managed by external Fund Managers and are defined contribution funds. Members of these funds are entitled to benefits on retirement, disability or death. Some employees contribute to the plans at various percentages of gross salaries.

NOTE 14 RELATED PARTIES

(a) The following persons were directors of Villa Maria Catholic Homes Limited during the financial year.

Mr P Hogan, Mr R Gray, Mr M Meere, Dr R Saxon, Ms B Evans, Mr B Scales AO, Mr T Carr, Ms B Clarke, Mr P Gill, Mr M Tehan, Mr T Janes and Ms A Clarke.

There have been no Director related transactions during the year.

| | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|
| | <u>\$000</u> | <u>\$000</u> |
| (b) Key management personnel compensation | 2,576 | 2,355 |
| (c) Board of Directors remuneration | 397 | - |

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED
 30 JUNE 2016

NOTE 15 SEGMENT REPORTING

Identification of reporting segments

Villa Maria Catholic Homes Limited has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Villa Maria Catholic Homes Limited has the following five business segments:

1. Residential Aged Care Services comprises twelve facilities providing specialised and individual care.
2. Community Services comprises community support and respite services for the aged and Villa Maria Catholic Homes Direct.
3. SEEDS (Specialist Education and Evolving Disability Services) comprises day services, long-term accommodation, flexible and facility based respite options, case management, specialist education and a range of individualised supports for people with disabilities either in their home or community services for adults and children's respite.
4. Retirement Living Services comprises 10 retirement villages and 389 affordable housing units.
5. Central Office comprises Administration, People Services, Fundraising, Marketing and Investments. Investments & Fundraising includes revenue from term deposits, listed securities, managed funds and fundraising activities.

| <i>Business Segments</i> | <u>Residential Aged Care</u> 2016 \$000 | <u>Community Services</u> 2016 \$000 | <u>SEEDS</u> 2016 \$000 | <u>Retirement Living Services</u> 2016 \$000 | <u>Central Office</u> 2016 \$000 | <u>Total</u> 2016 \$000 |
|---|---|--|-------------------------------|--|--|-------------------------------|
| REVENUE | | | | | | |
| Total Segment revenue | 74,548 | 24,749 | 26,091 | 11,337 | 5,647 | <u>142,372</u> |
| Total revenue | | | | | | <u>142,372</u> |
| RESULT | | | | | | |
| Segment result | 5,102 | 1,168 | 1,472 | 36,090 | (11,494) | <u>32,338</u> |
| Net Surplus | | | | | | <u>32,338</u> |
| ASSETS | | | | | | |
| Segment assets | 177,072 | 5,892 | 45,633 | 398,457 | 112,140 | 739,194 |
| Unallocated assets | | | | | | - |
| Total assets | | | | | | <u>739,194</u> |
| LIABILITIES | | | | | | |
| Segment liabilities | (9,474) | (5,757) | (4,752) | (2,449) | (13,735) | (36,167) |
| Unallocated liabilities | | | | | | - |
| Total liabilities | | | | | | <u>(36,167)</u> |
| OTHER | | | | | | |
| Accommodation Bonds & Deposits / Entry Contributions | (101,194) | - | - | (226,611) | - | <u>(327,805)</u> |
| | | | | | | <u>(327,805)</u> |
| Depreciation and amortisation of segment assets | 4,661 | 300 | 1,005 | 936 | 1,488 | <u>8,390</u> |
| Unallocated other non-cash segment expenses/(revenues) | | | | | | <u>-</u> |

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED
 30 JUNE 2016

NOTE 15 SEGMENT REPORTING (cont.)

| <i>Business Segments</i> | <u>Residential</u> | <u>Community</u> | | <u>Retirement</u> | <u>Central</u> | <u>Total</u> |
|--|--------------------|------------------|--------------|-------------------|----------------|------------------|
| | <u>Aged Care</u> | <u>Services</u> | <u>SEEDS</u> | <u>Living</u> | <u>Office</u> | |
| | <u>2015</u> | <u>2015</u> | <u>2015</u> | <u>2015</u> | <u>2015</u> | |
| | <u>\$000</u> | <u>\$000</u> | <u>\$000</u> | <u>\$000</u> | <u>\$000</u> | <u>\$000</u> |
| REVENUE | | | | | | |
| Total Segment revenue | 25,397 | 26,361 | 25,372 | 2,721 | 2,269 | <u>82,120</u> |
| Total revenue | | | | | | <u>82,120</u> |
| RESULT | | | | | | |
| Segment result | (1,308) | 4,423 | (548) | 1,450 | (390) | <u>3,627</u> |
| Net Surplus | | | | | | <u>3,627</u> |
| ASSETS | | | | | | |
| Segment assets | 93,612 | 3,266 | 46,919 | 73,472 | 37,914 | 255,183 |
| Unallocated assets | | | | | | 457 |
| Total assets | | | | | | <u>255,640</u> |
| LIABILITIES | | | | | | |
| Segment liabilities | - | (4,001) | (6,496) | - | (2,479) | (12,976) |
| Unallocated liabilities | | | | | | (86) |
| Total liabilities | | | | | | <u>(13,062)</u> |
| OTHER | | | | | | |
| Accommodation Bonds & Deposits / Entry Contributions | (47,256) | - | - | (61,599) | - | <u>(108,855)</u> |
| | | | | | | <u>(108,855)</u> |
| Depreciation and amortisation of segment assets | 1,708 | 521 | 1,176 | (45) | 636 | <u>3,996</u> |
| Unallocated other non-cash segment expenses/(revenues) | | | | | | <u>-</u> |

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016

NOTE 16 MEMBERS' GUARANTEE

Villa Maria Catholic Homes Limited is a Company limited by guarantee. If Villa Maria Catholic Homes Limited is wound up, the Constitution states that each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of Villa Maria Catholic Homes Limited. At 30 June 2016, the number of members was 1 (2015: 114).

NOTE 17 FINANCIAL INSTRUMENTS

| Categories of Financial Instruments | 2016 | 2015 |
|--|----------------|----------------|
| | \$000 | \$000 |
| <i>Financial Assets</i> | | |
| Available for Sale Assets | - | 446 |
| Cash and cash equivalents | 77,208 | 27,997 |
| Receivables | 5,755 | 3,369 |
| | <u>82,963</u> | <u>31,812</u> |
| <i>Financial Liabilities</i> | | |
| Payables | 14,899 | 8,070 |
| Accommodation Bonds and Deposits | 101,194 | 43,187 |
| Leasehold Premiums | 226,611 | 61,336 |
| Non-Interest Bearing Loan | 1,012 | 314 |
| | <u>343,716</u> | <u>112,907</u> |

Note 18 MERGER WITH CATHOLIC HOMES FOR THE ELDERLY INC

On 1 July 2015, Villa Maria Society merged with Catholic Homes for the Elderly Inc. The details of the merger are as follows:

| | \$000 |
|---|----------------|
| Consideration transferred | |
| Equity Contribution | <u>209,384</u> |
| Recognised amounts of identifiable net assets: | |
| Cash assets | 1,890 |
| Receivables | 6,220 |
| Other financial assets | 28,278 |
| TOTAL CURRENT ASSETS | <u>36,388</u> |
| Property, plant and equipment | 166,166 |
| Investment properties | 151,437 |
| Other financial assets | 12,616 |
| Intangibles | 18,660 |
| TOTAL NON CURRENT ASSETS | <u>348,879</u> |
| TOTAL ASSETS | <u>385,267</u> |
| Trade and sundry creditors | 5,801 |
| Accommodation deposits and bonds | 62,640 |
| Leasehold premiums | 100,689 |
| Provisions | 5,028 |
| Other | 161 |
| TOTAL CURRENT LIABILITIES | <u>174,319</u> |
| Provisions | 600 |
| Non-interest bearing liabilities | 964 |
| TOTAL NON CURRENT LIABILITIES | <u>1,564</u> |
| TOTAL LIABILITIES | <u>175,883</u> |
| NET ASSETS | <u>209,384</u> |

VILLA MARIA CATHOLIC HOMES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED
 30 JUNE 2016

NOTE 19 COMMITMENTS

(a) Leasing commitments

Operating lease commitments - Villa Maria Catholic Homes Limited as lessee

Villa Maria Catholic Homes Limited has entered into commercial property leases. These non-cancellable leases have remaining terms between one and fifteen years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2016 are as follows:

| | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|
| | <u>\$000</u> | <u>\$000</u> |
| Property lease - Villa Maria Catholic Homes Limited as lessee | | |
| Within one year | 1,068 | 622 |
| After one year but not more than five years | 2,328 | 362 |
| Five years and over | 5,191 | - |
| Total minimum lease payments | <u>8,587</u> | <u>984</u> |

(b) Property, plant and equipment commitments

Commitments contracted for at reporting date but not recognised as liabilities.

Property, plant and equipment

| | | |
|--|---------------|----------|
| Completion of operating facilities within 1 year | 20,085 | - |
| After one year but not more than five years | 1,104 | - |
| Total minimum commitments | <u>21,189</u> | <u>-</u> |

(c) Investment Property commitments

Commitments contracted for at reporting date but not recognised as liabilities.

Investment Property

| | | |
|--|--------------|----------|
| Completion of operating facilities within 1 year | 7,617 | - |
| After one year but not more than five years | 253 | - |
| Total minimum commitments | <u>7,870</u> | <u>-</u> |

NOTE 20 EVENTS SUBSEQUENT TO REPORTING DATE

There have been no significant events subsequent to balance date which would effect the accounts presented.

NOTE 21 CONTINGENT LIABILITIES

There are no contingent liabilities that have been incurred by Villa Maria Catholic Homes Limited in relation to the 2016 financial year.

NOTE 22 COMPANY DETAILS

The Registered Office of Villa Maria Catholic Homes Limited is:

Villa Maria Catholic Homes
 486 Albert Street
 East Melbourne, Victoria, 3002

VILLA MARIA CATHOLIC HOMES LIMITED
ACN 004 364 103

Directors' Declaration

The Directors of Villa Maria Catholic Homes Limited declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and accompanying notes, are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012 and:
 - (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013; and
 - (b) give a true and fair view of the company's financial position as at 30th June 2016 and of its performance for the year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



W Scales,
Chairman



T Janes,
Director

Dated this 6 day of October 2016
Melbourne

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Independent Auditor's Report To the Members of Villa Maria Catholic Homes

We have audited the accompanying financial report of Villa Maria Catholic Homes (the "Company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Act 2012. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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. Those standards require us to 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.

Grant Thornton Audit Pty Ltd ACN 130 913 594

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 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 Accounting Professional and Ethical Standards Board and the Australian Charities and Not-for-profits Commission Act 2012.

Auditor's opinion

In our opinion:

- a the financial report of Villa Maria Catholic Homes is 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 2016 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards- Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Sandra Lawson
Partner - Audit & Assurance

Melbourne, 7 October 2016

MORE INFORMATION 1800 036 377

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Villa Maria Catholic Homes

ABN 32 004 364 103

Disclaimer: The information in this Annual Report has been prepared by Villa Maria Catholic Homes (VMCH). While every effort has been made to ensure accuracy, VMCH accepts no responsibility for any loss or inconvenience caused by reliance on the information set out in this Annual Report. Please contact us if you require detailed information about any of our services. Printed November 2016.