Villaggio Sant' Antonio

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2022

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VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2022

DIRECTORS' REPORT

Villaggio Italiano Limited is registered as a company limited by guarantee and not having a share capital under the provisions of the *Australian Charities and Not-for-profits Commission Act 2012*. The Directors present the report on Villaggio Italiano Limited for the financial year ended 30 June 2022 and report as follows:

DIRECTORS
The names of and other information on the Directors in office during or since the end of the year are as follows. The Directors were in office for this entire period unless otherwise stated.

DIRECTOR'S NAME	CURRENT POSITION	DATE APPOINTED TO BOARD	LAST ELECTED
Mr Dominic DeMarco	Chairman	June 2004	2022
Mr Donald Giorgio*	Director	November 2010	2022
Mr Emilio Cataldo	Vice Chairman	November 2013	2019
Mr Sebastian Giorgi	Director	November 2013	2019
Mr Gino DeAngelis	Director	November 2015	2019
Ms Lily Mutharajah***	Director	November 2019	2022
Mr Luciano Lombardo	Director	November 2019	2019
Mr Lucio Krbavac	Assistant Secretary	November 2019	2019
Ms Clara Lombardo	Director	November 2019	2019
Mr James Prior	Secretary	May 2021	2021
Mr Mewan Shan Silva**	Treasurer	March 2022	2022
Ms Sam Yarnold**	Director	March 2022	2022

** resigned as Treasurer on 29 July 2021*
*** appointed during the year*
**** resigned on 11 August 2021 and reappointed on 1 March 2022*

PRINCIPAL ACTIVITIES
The principal activity of the company during the financial year was that of a charitable company engaged in the operations of an aged care facility and retirement village.

There were no significant changes in the nature of the activities during the year.

OBJECTIVES OF THE COMPANY
The short-term objectives of the company are to:

- Develop our care services for the people who use them
- Develop our organisational capacity
- Enhance the cultural diversity of residents and staff

The long-term objectives of the company are to:

- Operate non-profit, culturally diverse aged care facilities providing services for ageing persons with a variety of needs. Villaggio will cater for residents from diverse cultural backgrounds and will respect each resident's spiritual or religious beliefs
- Provide, purchase, build, and/or establish suitable accommodation at various places for the maintenance and welfare of eligible aged persons, and persons of similar needs
- Provide in-home and other community-based care to eligible ageing persons, and persons of similar needs
- Advocate and care for each resident's well-being, having regard to their physical, mental, emotional and spiritual needs
- Maintain adequate and appropriately qualified staff and volunteers to enable to achievement of the primary objectives and vision of Villaggio, through sound people management practices and appropriate facilities

VILLAGGIO ITALIANO LIMITED
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FINANCIAL REPORT - 30 JUNE 2022

DIRECTORS' REPORT

OBJECTIVES OF THE COMPANY *(CONTINUED)*

- Noting that Villaggio was established by members of the Italian community for the benefit of aged citizens of Italian descent, we will maintain links with the Italian community by retaining an Italian flavour and traditions, while still operating within a culturally diverse environment
- Adopt the principles of social justice, namely: human dignity, the common good and solidarity, and maintain our traditional links with the Catholic Church

The company has adopted the following strategies to achieve its objectives:

- The encouragement of a culture of continuous improvement that is monitored by the Directors and executive management.
- A refinement of key performance indicators to ensure the maintenance of high-quality care and financial accountabilities.
- Regular monitoring of actual performance to budget expectations.

EVENTS OCCURRING AFTER BALANCE DATE

Other than the possible effects of the matter referred to in Note 23 of the financial statements, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

MEETINGS OF DIRECTORS

The number of meetings each Director was eligible to attend and actually attended during the financial year is summarised as follows:

	Eligible	Attended
Dominic DeMarco	6	5
Donald Giorgio	6	5
Emilio Cataldo	6	6
Sebastian Giorgi	6	3
Gino DeAngelis	6	4
Lily Mutharajah*	4	4
Luciano Lombardo	6	6
Lucio Krbavac	6	5
Clara Lombardo	6	6
James Prior	6	5
Mewan Shan Silva **	3	2
Sam Yarnold **	3	3

** resigned and re-appointed during the year*
*** appointed during the year*

AUDITOR'S INDEPENDENCE DECLARATION

The auditors' independence declaration for the year ended 30 June 2022 has been received and can be found on the following page.

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

Dominic DeMarco
Chairman

21 October 2022

StewartBrown
Integrity + Quality + Clarity
CHARTERED ACCOUNTANTS

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FINANCIAL REPORT - 30 JUNE 2022

AUDITOR'S INDEPENDENCE DECLARATION UNDER s60-40
OF THE *AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION ACT 2012*
TO THE MEMBERS OF VILLAGGIO ITALIANO LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 there have been:

(a) 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

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

StewartBrown

StewartBrown
Chartered Accountants

S.J. Hutcheon
Partner

21 October 2022

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 $	2021 $
ASSETS			
Cash and cash equivalents	6	26,547,294	20,380,342
Trade and other receivables	7	1,798,722	2,071,669
Financial assets	8	2,934,698	3,082,418
Capital work in progress	9	41,193	-
Property, plant and equipment	10	17,106,188	17,818,956
Right-of-use assets	11	1,040,766	1,054,067
Intangible assets	12	158	1,102
TOTAL ASSETS		49,469,019	44,408,554
LIABILITIES			
Trade and other payables to be paid within 12 months	13	1,720,284	1,624,705
Refundable loans expected to be paid within 12 months	14	6,160,931	4,681,710
Provisions expected to be paid within 12 months	15	7,396	10,336
Lease liabilities expected to be paid within 12 months	16	2,028	1,949
Trade and other payables to be paid after 12 months	13	43,640	52,940
Refundable loans expected to be paid after 12 months	14	35,920,513	31,932,549
Provisions expected to be paid after 12 months	15	730,640	884,778
Lease liabilities expected to be paid after 12 months	16	1,073,019	1,075,047
TOTAL LIABILITIES		45,658,451	40,264,014
NET ASSETS		**3,810,568**	**4,144,540**
FUNDS			
Accumulated funds		3,810,568	4,144,540
TOTAL FUNDS		**3,810,568**	**4,144,540**

VILLAGGIO ITALIANO LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $	2021 $
Revenue	4	12,511,846	10,564,435
Other income	4	-	65,632
		12,511,846	10,630,067
Expenses			
Administration and other expenses		(575,313)	(587,487)
Catering and food supplies		(1,063,498)	(760,772)
Depreciation and amortisation	5	(1,196,282)	(864,648)
Fair value loss on financial assets	5	(183,305)	-
Maintenance costs		(436,721)	(351,620)
Land rent and insurance		(128,086)	(109,217)
Resident and client expenses		(872,142)	(717,748)
Salaries and employee benefits		(8,049,335)	(6,528,998)
Utilities		(341,136)	(335,547)
		(12,845,818)	(10,256,037)
Surplus (deficit) before income tax		(333,972)	374,030
Income tax expense		-	-
Surplus (deficit) for the year		(333,972)	374,030
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		**(333,972)**	**374,030**

VILLAGGIO ITALIANO LIMITED

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2022

	Accumulated Funds	Total
	$	$
Balance at 1 July 2020	3,770,510	3,770,510
Comprehensive income		
Surplus for the year	374,030	374,030
Other comprehensive income	-	-
Total comprehensive income for the year	374,030	374,030
Balance at 30 June 2021	**4,144,540**	**4,144,540**
Balance at 1 July 2021	4,144,540	4,144,540
Comprehensive income		
Surplus (deficit) for the year	(333,972)	(333,972)
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	(333,972)	(333,972)
Balance at 30 June 2022	**3,810,568**	**3,810,568**

VILLAGGIO ITALIANO LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers and government		12,522,166	9,781,855
Payments to suppliers and employees		(12,351,902)	(11,774,510)
Dividends and distributions		7,446	14,246
Donations and bequests received		2,482	3,466
Interest received		112,023	199,945
Interest paid - leases		(43,051)	(43,127)
Net cash flows from operating activities		249,164	(1,818,125)
Cash flows from investing activities			
Purchase of property, plant and equipment - residential		(168,517)	(718,238)
Purchase of property, plant and equipment - other		(300,752)	(362,368)
Purchase of capital working in progress		(41,193)	(3,482,774)
Purchase of financial assets		(35,585)	(1,035,317)
Net cash flows from investing activities		(546,047)	(5,598,697)
Cash flows from financing activities			
Proceeds from refundable accommodation deposits		8,378,481	9,319,000
Repayment of refundable accommodation deposits		(6,075,426)	(555,760)
Proceeds from refundable entry contributions		5,972,051	1,156,700
Repayment of refundable entry contributions		(1,809,322)	(1,192,136)
Repayment of lease liabilities		(1,949)	(1,873)
Net cash flows from financing activities		6,463,835	8,725,931
Net increase in cash and cash equivalents		6,166,952	1,309,109
Cash and cash equivalents at the beginning of the financial year		20,380,342	19,071,233
Cash and cash equivalents at the end of the financial year	6	**26,547,294**	**20,380,342**

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

Note 1 - Corporate information

The financial report includes the financial statements and notes of Villaggio Italiano Limited. Villaggio Italiano Limited is registered with the *Australian Charities and Not-for-profits Commission Act 2012* and is domiciled in Australia.

Villaggio Italiano provides residential aged care and retirement living services.

The registered address and principal place of business of the company is:

35 Burkitt Street
Page ACT 2614

The financial statements were approved by the Board of Directors on 21 October 2022.

Note 2 - Basis of preparation

Statement of compliance
These general purpose financial statements have been prepared in compliance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and *Australian Accounting Standards - Simplified Disclosures*. The company is a not-for-profit entity for the purposes of preparing these financial statements.

Other than the change in disclosure requirements, the adoption of *AASB 1060: General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* has had no significant impact on the financial statements because the company's previous financial statements complied with *Australian Accounting Standards - Reduced Disclosure Requirements*.

Basis of measurement
The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Comparatives
Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where the company has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

Critical accounting estimates and judgements
The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates
Impairment
The Directors assess impairment at the end of each reporting period by evaluation of conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Note 2 - Basis of preparation (continued)

Critical accounting estimates and judgements (continued)

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of rates and pay increases through promotion and inflation have been taken into account.

Resident entry contributions

The amounts repayable to residents upon their exit from the company's retirement villas changes with time and movements in the value of the underlying property. The amounts that will be deducted from the original amount deposited by the resident are a function of time. The amount that may be added to the original amount deposited by the resident is a function of the movement in the underlying property value.

New and revised standards that are effective for these financial statements

Several amendments to Australian Accounting Standards and interpretations are mandatory for the 30 June 2022 reporting period. These include:

- *AASB 1060: General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (effective for the year ending 30 June 2022)
- *AASB 2020-2: Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* (effective for the year ended 30 June 2022)

AASB 1060 and AASB 2020-2 act to mandate that the company prepare a general purpose financial report under a new Simplified Disclosure Standard. The application of AASB 1060 and AASB 2020-2 have not had a material impact on the carrying values of the company's asset, liability or equity balances; nor a material impact on the recognition and measurement of the company's revenue or expenses.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the company. These include:

- *AASB 2020-1: Amendments to AASs - Classification of Liabilities as Current or Non-current* (effective for the year ending 30 June 2024)
- *AASB 2021-2: Amendments to AASs - Disclosure of Accounting Policies and Definition of Accounting Estimates* (effective for the year ending 30 June 2024)

It is not expected that AASB 2020-1 or AASB 2021-2 will have a material impact on the company in future reporting periods.

Presentation of Statement of Financial Position on a liquidity basis

The Directors have taken the view that in complying with the requirements of AASBs, the treatment of refundable loans (accommodation bonds, refundable accommodation deposits and entry contributions) as current liabilities does not reflect the true liquidity of the company as these liabilities are not likely to be repaid in the next 12 months.

Accordingly, in the current year the Directors have chosen to present its statement of financial position under the liquidity presentation method (*AASB 101 Presentation of Financial Statements*) on the basis that it presents a more reliable and relevant view.

Note 3 - Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Income tax
Villaggio Italiano Limited is a not-for-profit Charity & Public Benevolent Institution and is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

Revenue recognition
Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes including goods and services tax (GST). Revenue is recognised for the major business activities as follows:

Resident fees, daily accommodation payments and recurrent government subsidies
Revenue from residents' fees, daily accommodation payments and related government subsidies are recognised on a proportional basis to take account of the delivery of service to or occupancy by residents.

Grants, donations and bequests
Income arising from the contribution of an asset (including cash) is recognised when the following conditions have been satisfied:

(a) the company obtains control of the contribution or the right to receive the contribution;
(b) it is probable that the economic benefits comprising the contribution will flow to the company; and
(c) the amount of the contribution can be measured reliably at the fair value of the consideration received.

Interest
Revenue from interest is recognised on an accrual's basis.

Retentions from entry contributions and accommodation bonds
The retention income earned from resident entry contributions is recognised as revenue as the company becomes entitled to receive the retention under the terms of the resident agreement. The accommodation bond retention is recognised as revenue over the first five years of the resident's occupation of the facility.

Dividends and distributions
Dividend and distribution revenue is recognised when the right to receive the dividend payment is established.

Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Note 3 - Significant accounting policies (continued)

Trade receivables

For all sources of recurrent income, trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment in relation to doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income.

Property, plant and equipment

Recognition and measurement

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Carrying amount

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure that it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that 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.

Depreciation and amortisation

The depreciable amount of all property, plant and equipment including buildings, is depreciated on a straight line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

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

Buildings	2.5%
Equipment & fittings	15% - 20%
Motor vehicles	20%

Right-of-use assets

At inception, a right-of-use asset and a lease liability is recognised. Right-of-use assets are included in the *Statement of Financial Position* within a classification relevant to the underlying asset.

Right-of-use assets are initially measured at cost, comprising of the following:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred
- An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period

Note 3 - Significant accounting policies (continued)

Right-of-use assets (continued)
Subsequently, right-of-use assets are measured using a cost model. The right-of-use asset is depreciated to the earlier of the useful life of the asset or the lease term using the straight-line method and is recognised in the statement of profit or loss and other comprehensive income in “Depreciation and amortisation”.

The company tests for impairment where there is an indication that a right-of-use asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of a right of use asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in surplus or deficit, except where the decrease reverses a previously recognised revaluation increase for the same asset.

The resulting decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Leases
The company leases its land on an arm’s length basis from a third-party lessor. A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

At inception of a contract, it is assessed to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still, or now contains, a lease.

The term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

The assessment of the reasonable certainty of the exercising of options to extend the lease, or not exercising of options to terminate the lease, is reassessed upon the occurrence of either a significant event or a significant change in circumstances that is within the company’s control, and it affects the reasonable certainty assumptions. The assessment of the lease term is revised if there is a change in the non-cancellable lease period.

The company does not recognise leases that have a lease term of 12 months or less or are of low value as a right-of-use asset or lease liability. The lease payments associated with these leases are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Lease liability
At the commencement date of the lease, the lease liability is initially recognised for the present value of non-cancellable lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company’s incremental borrowing rate.

The tenor of a lease includes any renewal period where the lessee is reasonably certain that they will exercise the option to renew. The company has reviewed all its leases and included any extensions where the company assessed it is reasonably certain the lease agreement will be renewed.

The lease payment used in the calculation of the lease liabilities should include variable payments when they relate to an index or rate. Where leases contain variable lease, payments based on an index or rate at a future point in time, the company has used the incremental uplift contained in the lease or the respective Reserve Bank forward-looking CPI target for CPI-related increases.

Note 3 - Significant accounting policies (continued)

Lease liability (continued)
In the absence of any floor or cap clauses in the lease agreements, the company measures the rent for the year under market review at an amount equal to the rent of the year preceding the market review increased by a fixed rate.

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date. Lease payments are discounted using the relevant company's incremental borrowing rate. The incremental borrowing rate used for this calculation is dictated by the tenor of the lease and the location of the asset. The incremental borrowing rate is the rate the company would be charged on borrowings, provided by our banking partners. The weighted average incremental borrowing rate is 4%. The following lease payments being fixed payments, less any lease incentives receivable are included where they are not paid at the commencement date.

Subsequently, the lease liability is measured by:

- Increasing the carrying amount to reflect interest on the lease liability
- Reducing the carrying amount to reflect the lease payments made
- Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments

The unwind of the financial charge on the lease liabilities is recognised in the *Statement of Profit or Loss and Other Comprehensive Income* in "Finance costs" based on the company's incremental borrowing rate.

Intangible assets
Software
Software has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the software over its estimated useful life of three years.

Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

Financial instruments
Initial recognition and measurement
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions to the instrument. For financial assets this is equivalent to the date that the company commits itself to either purchase or sell the asset. Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are expensed to profit or loss immediately.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component.

Note 3 - Significant accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement

Financial assets

Financial assets other than those designated and effective as hedging instruments are classified upon initial recognition into the following categories:

- Amortised cost
- Equity instruments at fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance income or finance costs, except for impairment of trade receivables which are disclosed with other expenses.

Measurement is on the basis of two primary criteria:

- The contractual cash flow characteristics of the financial asset
- The business model for managing the financial asset

Financial assets at amortised cost

Financial assets are measured at amortised cost if the asset meets the following conditions (and are not designated as FVPL):

- The financial asset is managed solely to collect contractual cash flows
- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates

Equity instruments at fair value through other comprehensive income

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at fair value through other comprehensive income. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss unless the dividend clearly represents return of capital.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than to "hold and collect" or "hold to collect and sell" are categorised at fair value through profit or loss. The initial designation of financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Impairment of financial assets

The impairment requirements as applicable under AASB 9 use more forward-looking information to recognise expected credit losses. Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due, and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Directors considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this approach, a distinction is made between:

Note 3 - Significant accounting policies (continued)

Financial instruments (continued)
Impairment of financial assets (continued)

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and the credit risk is not low
- Financial assets that have objective evidence of impairment at reporting date

The loss allowance for the first category is measured as “12-month expected credit loss” and for the second category is measured as “lifetime expected credit losses”.

Trade and other payables
Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. The carrying amount of trade and other payables is deemed to reflect fair value.

Income received in advance
Income, other than government contract income, that is received before the service to which the payment relates has been provided is recorded as a liability until such time as the service has been provided, at which time it is recognised in the statement of profit or loss and other comprehensive income.

Employee benefits
Provision is made for the company’s liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

Provisions
Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Resident entry contributions
Resident entry contributions are received from residents of self-care villas, and they are non-interest bearing and the net amount is repayable upon departure or transfer. Resident entry contributions are measured at the principal amount net of any retentions, or any other amounts deducted from the loan at the election of the resident, plus the resident’s share of the capital gains (if any) based on the market value of the underlying property at balance date.

Refundable accommodation deposits
Refundable accommodation deposits are non-interest-bearing deposits made by aged care facility residents to the company upon their admission. Refundable accommodation deposits are measured at their principal amount less any other amounts deducted from the deposit at the election of the resident.

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

Note 4 - Revenue and other income

	2022 $	2021 $
Operating revenue		
Government subsidies and recurrent grants	6,789,878	4,993,068
Government support - COVID-19	325,333	113,750
Resident fees and charges	3,461,357	2,891,774
Retentions from refundable entry contributions	1,041,770	894,958
	11,618,338	8,893,550
Other revenue		
Dividends and distributions	7,446	14,246
Donations and bequests	2,482	3,466
Interest income	130,697	166,388
Other revenue	752,883	1,486,785
	893,508	1,670,885
Total revenue	12,511,846	10,564,435
Other income		
Fair value gain on financial assets	-	65,632
Total other income	-	65,632
Total revenue and other income	12,511,846	10,630,067

Note 5 - Expenses

	2022 $	2021 $
Depreciation and amortisation		
Buildings	692,662	416,937
Equipment and fittings	463,904	423,654
Motor vehicles	25,471	7,518
Right-of-use assets	13,301	13,301
Software	944	3,238
Total depreciation and amortisation	1,196,282	864,648
Finance costs - lease liabilities	43,051	43,127
Fair value loss on financial assets	183,305	-
Net loss on the disposal of property, plant and equipment	-	86

Note 6 - Cash and cash equivalents

	2022 $	2021 $
Cash at bank and on hand	2,547,294	1,880,342
Deposits at call	24,000,000	18,500,000
Total cash and cash equivalents	26,547,294	20,380,342

Note 7 - Trade and other receivables

	2022 $	2021 $
Expected to be received within 12 months		
Trade receivables	16,175	7,151
Refundable loans receivable	1,054,200	981,000
Other receivables	238,730	754,051
Prepayments	489,617	329,467
Total trade and other receivables	1,798,722	2,071,669

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

Note 8 - Financial assets

	2022 $	2021 $
Expected to be received within 12 months		
Financial assets at fair value through profit and loss		
Managed funds	2,934,698	3,082,418
Total financial assets	2,934,698	3,082,418
Movements in carrying amount		
Opening net carrying amount	3,082,418	1,981,469
Additions	35,585	1,035,317
Fair value gain (loss)	(183,305)	65,632
Closing net carrying amount	2,934,698	3,082,418

Note 9 - Capital work in progress

	2022 $	2021 $
Residential - cost	41,193	-
Total capital work in progress	41,193	-
Movements in carrying amounts		
Opening net carrying amount	-	4,159,228
Additions	41,193	3,482,774
Reclassification	-	(7,642,002)
Closing net carrying amount	41,193	-

Note 10 - Property, plant and equipment

	Buildings $	Equipment and Fittings $	Motor Vehicles $	Total $
At 30 June 2021				
Cost	24,410,824	5,645,018	198,399	30,254,241
Accumulated depreciation	(8,569,994)	(3,799,545)	(65,746)	(12,435,285)
Net carrying amount	15,840,830	1,845,473	132,653	17,818,956
Movements in carrying amounts				
Opening net carrying amount	15,840,830	1,845,473	132,653	17,818,956
Additions - residential	51,015	117,502	-	168,517
Additions - non residential	179,479	121,273	-	300,752
Depreciation charge for the year	(692,662)	(463,904)	(25,471)	(1,182,037)
Closing net carrying amount	15,378,662	1,620,344	107,182	17,106,188
At 30 June 2022				
Cost	24,641,318	5,883,793	198,399	30,723,510
Accumulated depreciation	(9,262,656)	(4,263,449)	(91,217)	(13,617,322)
Net carrying amount	15,378,662	1,620,344	107,182	17,106,188

Note 11 - Right-of-use assets

	2022 $	2021 $
Leased property - at cost	1,080,669	1,080,669
Accumulated depreciation	(39,903)	(26,602)
Total right-of-use assets	1,040,766	1,054,067
Movements in carrying amounts		
Opening net carrying amount	1,054,067	1,067,368
Depreciation charge for the year	(13,301)	(13,301)
Closing net carrying amount	1,040,766	1,054,067

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	$	$
Note 12 - Intangible assets		
Software		
Cost	95,038	95,038
Accumulated amortisation	(94,880)	(93,936)
Total intangible assets	158	1,102
Movements in carrying amounts		
Opening net carrying amount	1,102	4,340
Amortisation charge for the year	(944)	(3,238)
Closing net carrying amount	158	1,102
Note 13 - Trade and other payables		
Expected to be settled within 12 months		
Trade payables	768,261	563,192
Income in advance	189,277	107,785
Liabilities to employees	539,012	481,524
Finance lease liabilities	9,300	8,877
Other payables	214,434	463,327
	1,720,284	1,624,705
Expected to be settled after 12 months		
Finance lease liabilities	43,640	52,940
	43,640	52,940
Total trade and other payables	1,763,924	1,677,645
Note 14 - Refundable loans		
Expected to be settled within 12 months		
Refundable accommodation deposits and accommodation bonds	4,621,893	3,549,792
Resident entry contributions	1,539,038	1,131,918
	6,160,931	4,681,710
Expected to be settled after 12 months		
Refundable accommodation deposits and accommodation bonds	15,473,295	14,199,170
Resident entry contributions	20,447,218	17,733,379
	35,920,513	31,932,549
Total refundable loans	42,081,444	36,614,259
Movements in refundable accommodation deposits		
Opening net carrying amount	17,748,962	9,467,361
RADs received	8,451,681	8,860,000
Allowable deductions	(30,029)	(22,639)
RADs refunded	(6,075,426)	(555,760)
Closing net carrying amount	20,095,188	17,748,962
Movement in resident entry contributions		
Opening net carrying amount	18,865,297	19,795,691
Contributions received	5,972,051	1,156,700
Retention/interest from contributions	(1,041,770)	(894,958)
Contributions refunded	(1,809,322)	(1,192,136)
Closing net carrying amount	21,986,256	18,865,297

Note 14 - Refundable loans (continued)

Terms and conditions

Refundable accommodation deposits (loans) are repayable on the following basis:-

(i) If the resident gives notice more than 14 days prior to departure then the loan is payable on the date of departure;

(ii) If the resident gives notice less than 14 days prior to departure the loan is payable within 14 days after notice is given;

(iii) If the resident gives no notice the loan is repayable 14 days after departure; and

(iv) If the resident dies, the loan is repayable within 14 days from the date that notice is received of the granting of probate or of letters of administration being used. Resident entry contributions are non-interest bearing and have a maximum repayment term of 6 months.

Note 15 - Provisions

	2022 $	2021 $
Expected to be settled within 12 months		
Employee entitlements - long service leave	7,396	10,336
	7,396	10,336
Expected to be settled after 12 months		
Capital gains payable	723,125	870,000
Employee entitlements - long service leave	7,515	14,778
	730,640	884,778
Total provisions	738,036	895,114

Capital gains payable

Provision is made for the estimated liability to some outgoing residents due to the capital appreciation of their units.

Movements in provisions	Long Service Leave $	Capital Gains Payable $	Total $
Opening net carrying amount	25,114	870,000	895,114
Unused amounts reversed	(10,203)	(146,875)	(157,078)
Closing net carrying amount	14,911	723,125	738,036

Note 16 - Lease liabilities

	2022 $	2021 $
Expected to be settled within 12 months		
Lease liabilities	2,028	1,949
	2,028	1,949
Expected to be settled after 12 months		
Lease liabilities	1,073,019	1,075,047
	1,073,019	1,075,047
Total lease liabilities	1,075,047	1,076,996

Movements in carrying amounts

Opening net carrying amount	1,076,996	1,078,869
Repayments	(45,000)	(45,000)
Interest	43,051	43,127
Closing net carrying amount	1,075,047	1,076,996

	2022 $	2021 $

Note 17 - Commitments

Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2022 $	2021 $
Within one year	9,299	36,210
Later than one year but not later than five years	96,313	105,612
	105,612	141,822

The company is committed to a number of short-term and low-value non-cancellable operating leases expiring within one to five years. The leases have varying terms.

Note 18 - Key management personnel

Remuneration of key management personnel

	2022 $	2021 $
The aggregate amount of compensation paid to Directors and other key management personnel during the year was:	419,036	373,893

Note 19 - Auditor's remuneration

	2022 $	2021 $
Fees paid to StewartBrown, Chartered Accountants:		
Audit of the financial report	31,000	29,500
Preparation of the financial report	4,000	3,900
Other advisory services	2,200	2,500
Total auditor's remuneration	37,200	35,900

Note 20 - Contingent liabilities

At balance date the company is not aware of the existence of any contingent liability.

Note 21 - Limitation of members' liability

The company is incorporated as a company limited by guarantee. If the company is wound up, the Constitution states each member has no obligation in respect of the debts and liabilities of the company and the costs, charges and expenses of winding up the company.

Note 22 - Economic dependency

The Directors consider that the company is economically dependent on revenue received from the Commonwealth Department of Health and Aged Care with respect to its residential aged care facilities and community care programs. The Directors believe that this revenue will continue to be made available to the company for the foreseeable future.

Note 23 - Events occurring after balance date

Subsequent to the end of the financial year, there remains a degree of uncertainty in relation to future economic and other impacts of the COVID-19 pandemic.

At the date of signing the financial statements the Directors are unable to determine what financial effects the outbreak of the virus could have on the company in the coming financial period.

The Directors acknowledge their responsibility to continuously monitor the situation and evaluate this impact including the ability to pay the debts as and when they become due and payable.

There have not been any other significant events subsequent to the reporting date.

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2022

DIRECTORS' REPORT

The Directors of the Villaggio Italiano Limited declare that:

1. The financial statements, which comprises the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:

   (a) comply with *Australian Accounting Standards - Simplified Disclosures* (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 financial position as at 30 June 2022 and of the performance for the year ended on that date of the company.

2. In the opinion of the Directors, 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 Board of Directors:

Dominic DeMarco
Chairman

21 October 2022

StewartBrown
Integrity + Quality + Clarity
CHARTERED ACCOUNTANTS

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VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VILLAGGIO ITALIANO LIMITED

Opinion

We have audited the financial report of Villaggio Italiano Limited which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in funds 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.

In our opinion, the accompanying financial report of Villaggio Italiano Limited is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a) giving a true and fair view of the company's financial position as at 30 June 2022 and of its financial performance for the year then ended, and

b) complying with *Australian Accounting Standards - Simplified Disclosures* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility 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 *Australian Charities and Not-for-profits Commission 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the Directors of the company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

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

In preparing the financial report, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the company's financial reporting process.

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VILLAGGIO ITALIANO LIMITED

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at *The Auditing and Assurance Standards Board* and the website address is http://www.auasb.gov.au/Home.aspx

We communicate with the Directors 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.

StewartBrown

StewartBrown
Chartered Accountants

S.J. Hutcheon
Partner

21 October 2022