Villaggio Sant' Antonio

Serenitas in Occaso

VILLAGGIO ITALIANO LIMITED

ACN 008 553 393

Operating

VILLAGGIO SANT' ANTONIO

Multicultural Aged Care Facility

34th ANNUAL REPORT

For year ended 30 June 2014

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2014

CONTENTS

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2014

DIRECTORS' REPORT

Villaggio Italiano Limited is incorporated as a company limited by guarantee and not having a share capital under the provisions of the *Corporations Act 2001* and 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 2014 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	**QUALIFICATIONS, EXPERIENCE & OTHER INFORMATION**
Mr Dominic DeMarco	Chairman
Date appointed:	1 June 2004
Re-elected	2012
Qualifications and experience:	A retired businessman and former board Member of the West Belconnen LAPA, the Ministerial Youth Advisory Committee and the Board of Employment and Commerce. Dominic has been on the board of Villaggio at various times since 2004.
Mr Donald Giorgio	Treasurer
Date appointed:	16 November 2010
Re-elected	2012
Qualifications and experience:	B.SC (ANU) in Mathematics and Computer Science**.** Donald works as a senior analyst Programmer for the Parliamentary Library. He is Treasurer of the Campania Association and a board member since November 2010.
Ms Yvette Devlin	Secretary
Date appointed:	16 November 2010
Re-elected:	2011
Qualifications and experience:	Formerly Director of Quality and Equity in the Higher Education Division of DETYA, had worked for over 27 years for the Federal Government until her retirement. She is also a committee member of the Dante Alighieri Society and has been on the board of Villaggio since November 2010.
Mr Emilio Cataldo	
Date appointed:	25 November 2013
Qualifications and experience:	Director of a number of retail and commercial businesses with extensive Project and financial management experience.

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2014

DIRECTORS' REPORT

DIRECTOR'S NAME	QUALIFICATIONS, EXPERIENCE & OTHER INFORMATION
Mr Aurellio Frammartino	
Date appointed:	25 November 2013
Date resigned:	2 June 2014
Qualifications and experience:	Retired business owner & member of various Boards.
Mr Sebastian Giorgi	
Date appointed:	25 November 2013
Qualifications and experience:	Owner and manager of retail businesses. Director of trust company, Sebastian previously served as Director on various Boards.
Mr Giuseppe Giugni	
Date appointed:	18 December 2008
Re-elected:	2012
Qualifications and experience:	OAM, A retired businessman who has contributed to numerous charities and community groups and served on many of their boards. Giuseppe has been on the board of Villaggio since 2012.
Mr Michael Giugni	
Date appointed:	1 December 2012
Date resigned:	1 July 2013
Qualifications and experience:	Business owner & consultant who has stood on a number of committees and Boards
Mr Wayne Hutchison	
Date appointed:	16 November 2010
Date resigned:	4 December 2013
Qualifications and experience:	Registered Psychologist, Manager of volunteer organisation and Board Secretary
Mr Antonio Matruglio	
Date appointed:	29 November 2011
Qualifications and experience:	Successful businessman, served as a Director and committee member on numerous business and charitable organisations.

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2014

DIRECTORS' REPORT

DIRECTOR'S NAME	**QUALIFICATIONS, EXPERIENCE & OTHER INFORMATION**
Mr Mohamed Omari	
Date appointed:	28 November 2012
Date resigned:	14 April 2014
Qualifications and experience:	Was the president of the Multicultural Council of the ACT and a public servant.
Mr Giuseppe Parisi	
Date appointed:	18 December 2008
Re-elected	2012
Qualifications and experience:	Public Servant and a community volunteer worker

PRINCIPAL ACTIVITIES
The principal activity of the company during the financial year was that of a charitable entity 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
- 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

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2014

DIRECTORS' REPORT

OBJECTIVES OF THE COMPANY (CONTINUED)

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.

LIMITATION OF MEMBERS' LIABILITY

The company is incorporated under the *Corporations Act 2001* as a company limited by guarantee. If the company is wound up, the Articles of Association states that each member is required to contribute a maximum of $100 each towards meeting any outstanding obligations of the company. At 30 June 2014 the number of members was 118 (2013: 124) and their collective liability was $11,800 (2013: $12,400).

EVENTS OCCURRING AFTER BALANCE DATE

The Directors advise that there were no matters or circumstances that have arisen since the end of the financial period that have 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 the future 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	11	10
Donald Giorgio	11	9
Yvette Devlin	11	9
Emilio Cataldo	6	6
Aurelio Frammartino	6	5
Sebastian Giorgi	6	5
Giuseppe Giugni	11	8
Wayne Hutchison	5	1
Antonio Matruglio	11	9
Giuseppe Parisi	11	7
Mohamed Omari	7	5

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2014

DIRECTORS' REPORT

INDEPENDENCE DECLARATION
The auditor's independence declaration as required under s307C of the *Corporations Act 2001* for the year ended 30 June 2014 has been received and can be found on the following page, which forms part of the Directors' report.

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

Dominic DeMarco
Chairman

Donald Giorgio
Donald Giorgio
Treasurer

Canberra, 20 October 2014

StewartBrown
Integrity + Quality + Clarity
CHARTERED ACCOUNTANTS

NSW
LEVEL 2 / TOWER 1 / 495 VICTORIA AVE
CHATSWOOD NSW 2067 / AUSTRALIA
PO BOX 5515 / CHATSWOOD WEST NSW 1515
TEL: 61 2 9412 3033
FAX: 61 2 9411 3242

SA
LEVEL 2 / 70 HINDMARSH SQ
ADELAIDE SA 5000 / AUSTRALIA
TEL: 61 8 7087 2170
FAX: 61 8 8232 1139

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2014

AUDITOR'S INDEPENDENCE DECLARATION
UNDER s307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
VILLAGGIO ITALIANO LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there has been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* 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

20 October 2014

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $	2013 $
ASSETS			
Current assets			
Cash and cash equivalents	4	11,480,356	9,429,381
Trade and other receivables	5	757,092	228,369
Total current assets		12,237,448	9,657,750
Non-current assets			
Property, plant and equipment	6	10,973,006	11,390,439
Total non-current assets		10,973,006	11,390,439
TOTAL ASSETS		23,210,454	21,048,189
LIABILITIES			
Current liabilities			
Trade and other payables	7	703,051	937,716
Loans and borrowings	8	19,600,864	17,892,893
Provisions	9	66,609	54,741
Total current liabilities		20,370,524	18,885,350
Non-current liabilities			
Trade and other payables	7	-	160,883
Provisions	9	2,604,910	2,555,689
Total non-current liabilities		2,604,910	2,716,572
TOTAL LIABILITIES		22,975,434	21,601,922
NET ASSETS		**235,020**	**(553,733)**
EQUITY			
Retained earnings		235,020	(553,733)
TOTAL EQUITY		**235,020**	**(553,733)**

VILLAGGIO ITALIANO LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Revenue	2	8,711,442	7,990,268
		8,711,442	7,990,268
Expenses			
Administration expenses		(384,837)	(416,722)
Catering and food supplies		(673,056)	(676,298)
Depreciation and amortisation	3	(573,675)	(657,360)
Finance costs	3	(2,000)	(2,955)
Maintenance costs		(304,429)	(254,494)
Rates and insurance		(82,429)	(76,309)
Resident and client expenses		(242,097)	(241,192)
Salaries and employee benefits		(4,963,212)	(4,875,829)
Utilities		(336,954)	(374,402)
Villa profit share		(360,000)	(312,500)
		(7,922,689)	(7,888,061)
Profit before income tax		788,753	102,207
Income tax expense		-	-
Profit for the year		788,753	102,207
Other comprehensive income		-	-
Total comprehensive income for the year		**788,753**	**102,207**

VILLAGGIO ITALIANO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Retained Earnings $	Total $
Balance at 1 July 2012	(655,940)	(655,940)
Comprehensive income		
Profit for the year	102,207	102,207
Other comprehensive income	-	-
Total comprehensive income for the year	102,207	102,207
Balance at 30 June 2013	**(553,733)**	**(553,733)**
Balance at 1 July 2013	(553,733)	(553,733)
Comprehensive income		
Profit for the year	788,753	788,753
Other comprehensive income	-	-
Total comprehensive income for the year	788,753	788,753
Balance at 30 June 2014	**235,020**	**235,020**

VILLAGGIO ITALIANO LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers and government		7,513,709	7,593,621
Payments to suppliers and employees		(7,889,353)	(7,891,552)
Donations and bequests received		4,360	4,038
Interest received		380,945	473,317
Interest paid		(2,000)	(2,955)
Net cash flows from operating activities		7,661	176,469
Cash flows from investing activities			
Purchase of property, plant and equipment		(156,242)	(53,210)
Net cash flows from investing activities		(156,242)	(53,210)
Cash flows from financing activities			
Proceeds from resident loans and accommodation bonds		3,857,000	2,036,732
Repayment of resident loans and accommodation bonds		(1,657,444)	(1,992,482)
Net cash flows from financing activities		2,199,556	44,250
Net increase in cash and cash equivalents		2,050,975	167,509
Cash and cash equivalents at the beginning of the financial year		9,429,381	9,261,872
Cash and cash equivalents at the end of the financial year	4	**11,480,356**	**9,429,381**

Note 1 - Statement of accounting policies

Reporting entity

The financial report includes the financial statements and notes of Villaggio Italiano Limited. Villaggio Italiano Limited is incorporated under the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012* and is domiciled in Australia.

The financial statements were approved by the Board of Directors on 20 October 2014.

Basis of preparation

Villaggio Italiano Limited applies Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: *Application of Tiers of Australian Accounting Standards* and AASB 2010-2: *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirement.*

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012*. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.

Historical cost convention

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.

New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below.

AASB 13: Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

Amendments to AASB 119: Employee Benefits

In the current year, the company adopted *AASB 119 Employee Benefits (2011)*, which revised the definition of short-term employee benefits to benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service.

Note 1 - Statement of accounting policies (continued)

New and revised standards that are effective for these financial statements (continued)
As a result of the change, the annual leave liability for certain of the company's employees is now considered to be another long-term employee benefit, when previously it was a short-term benefit. The company's obligation is determined as the amount of future benefit that employees have earned in return for their service in the current and prior periods, applying actuarial assumptions, discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

These amendments have had no significant impact on the company.

Going concern
The financial report has been prepared on a going concern basis. Notwithstanding the net current liability position at the date of signing this report, the Board of Directors believe it is appropriate to prepare the financial report on a going concern basis based on the following:

- The working capital deficiency is caused by the treatment of resident liabilities (accommodation bonds and entry contributions). Technically, these liabilities are required to be treated as a current liability to comply with accounting standards. In the normal course of business, the repayment of these liabilities is financed by a replacement bond or entry contribution. History also suggests that the actual amount expected to be refunded to residents over the next 12 months is approximately 20% and 10% of the total liability amount for accommodation bonds and resident entry contributions respectively
- The revenue of the company continues to grow and cash surpluses continue to be generated by the operating activities of the company

The company's forecast cash flows will be sufficient to enable it to trade and meet its current and future obligations as and when they fall due.

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.

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.

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*.

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 1 - Statement of accounting policies (continued)

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.

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 and recurrent government subsidies
Revenue from residents' fees 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 and dividends
Revenue from interest and dividends is recognised on an accruals 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.

Cash and cash equivalents
Cash and cash equivalents includes 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 1 - Statement of 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 other than land and buildings 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.

Property
Land and buildings are carried at cost, less depreciation on buildings and impairment losses. The carrying amount of land and buildings 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.

Plant and equipment
Plant and equipment are measured on the cost basis. 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 that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Note 1 - Statement of accounting policies (continued)

Property, plant and equipment (continued)

Depreciation and amortisation

The depreciable amount of all property, plant and equipment including buildings, but excluding freehold land, 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:

Leasehold buildings	2.5%
Plant & equipment	20%
Furniture & fittings	15% - 20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Note 1 - Statement of accounting policies (continued)

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.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and (iv) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Non-derivative financial assets

The company classifies its non-derivative financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its non-derivative financial assets at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if the possibility exists that it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

Note 1 - Statement of accounting policies (continued)

Financial instruments (continued)

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. This includes the capital index bonds and deposits held with financial institutions with original maturity dates of greater than twelve months held by the company.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the end of the reporting period.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

<u>Fair value estimation</u>

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The company only holds financial instruments that are traded in an active market. The fair value of financial instruments traded in active markets (such as publicly traded securities, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

<u>Impairment</u>

At the end of each reporting period, the Directors assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 1 - Statement of accounting policies (continued)

Financial instruments (continued)
Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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 national government 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.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of the loan facilities are recognised in the statement of profit or loss and other comprehensive income when they are incurred.

Note 1 - Statement of accounting policies (continued)

Resident entry contributions

Resident entry contributions are received from residents of self care villages and they are non-interest bearing and the net amount is repayable upon departure or transfer. Resident entry contributions are measured at the principle 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.

Resident entry contributions are classified as current liabilities because the facility does not have an unconditional right to defer settlement for more than 12 months. However, history shows that on average a resident in a retirement village will stay for between 6 and 12 years. The repayment of contributions to residents including capital gains and net of any retention will be funded largely by contributions from incoming residents.

Resident accommodation bonds

Resident accommodation bonds are non-interest bearing deposits made by aged care facility residents to the company upon their admission to low care and extra-services accommodation or in some cases, transfer to high care. Accommodation bonds are measured at the principal amount net of any retentions or any other amounts deducted from the bond at the election of the resident.

Accommodation bonds are classified as current liabilities because the company does not have an unconditional right to defer settlement for more than 12 months. However, history shows that on average a resident in a low care residential facility will stay for 3 years.

Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the entity would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Note 1 - Statement of accounting policies (continued)

Fair value of assets and liabilities (continued)

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Critical accounting estimates and judgements

The Directors evaluate estimates and judgments 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 company assesses 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.

Resident entry contributions

The amounts repayable to residents upon their exit from the group's retirement villages 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. For the purposes of these financial statements, these resident loans have been designated as current liabilities. As a result of this classification the calculation of the amount payable is based on the variables as they stand at balance date.

Residential aged care segment

As an approved provider for the purposes of the *Aged Care Act 1997* and in receipt of the Conditional Adjustment Payments, the group is required to comply with the financial reporting requirements of *Part 10, Division 4 of the Residential Care Subsidy Principles 1997*.

Paragraph 3(e) of *Part 10, Division 4 of the Residential Care Subsidy Principles 1997* states "treat residential aged care as a reportable segment within the meaning of the accounting standard relating to segment reporting that applies to the relevant financial year".

Note 1 - Statement of accounting policies (continued)

Residential aged care segment (continued)

The group is applying Australian Accounting Standards - Reduced Disclosure Requirements and in accordance with paragraph Aus2.6 *AASB 8: Operating Segments* the group has elected to comply with some of the requirements of AASB 8 to allow the reporting of the residential aged care segment to ensure compliance with conditions of the Conditional Adjustment Payment funding arrangements. This residential aged care segment information is disclosed in note 17.

APCS Permitted Uses Statement

In accordance with the requirements as included in subsection 23.40(1) of the *User Rights Principles 1997*, approved providers must include the following additional information (if applicable) in relation to expenditure for *permitted uses*:-

- the total value of bonds received during the financial year (incoming/deposit amounts)
- the total deducted from bonds received during the year (retention amounts)
- the amount returned to the approved provider from the sale, disposal or redemption of permitted financial products that the approved provider invested in
- amounts (whether or not obtained from bonds) spent on *permitted uses* as defined by the *Aged Care Act 1997*, including:
  - capital expenditure
  - financial products (deposits with authorised deposit-taking institutions)
  - financial products (others)
  - loans
  - refunding bond or entry contribution balances
  - repaying debt accrued for the purpose of capital expenditure or refunding bond balances
  - repaying debt accrued before 1 October 2011, where debt was accrued for the purposes of providing aged care
  - meeting business losses incurred in the first 12 months of receiving residential or flexible care subsidy in respect of a service.

The information as required in the Permitted Uses Statement has been disclosed in note 18. The specific additional information as included in note 18 has been also been disclosed in notes 6 and 8(a).

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 2 - Revenue

	2014 $	2013 $
Operating revenue		
Government subsidies and recurrent grants	4,769,614	4,539,265
Resident fees and charges	2,299,685	2,197,894
Retentions from accommodation bonds	65,518	63,944
Retentions from resident loans	855,067	614,965
Other operating revenue	134,281	105,173
	8,124,165	7,521,241
Other revenue		
Donations and bequests	4,360	4,038
Interest income	397,822	432,981
Other revenue	185,095	32,008
	587,277	469,027
Total revenue	8,711,442	7,990,268

Note 3 - Expenses

	2014 $	2013 $
Depreciation and amortisation		
Buildings	398,124	398,126
Plant and equipment	122,840	187,337
Furniture and fixtures	43,759	62,827
Motor vehicles	8,952	9,070
Total depreciation and amortisation	573,675	657,360
Bad debts	6,740	37,098
Finance costs	2,000	2,955

Note 4 - Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	884,933	954,381
Deposits at call	10,595,423	8,475,000
Total cash and cash equivalents	11,480,356	9,429,381

Note 5 - Trade and other receivables

	2014 $	2013 $
Current		
Trade receivables	42,046	78,947
Resident loans receivable	459,000	-
Other receivables	221,274	113,245
Prepayments	34,772	36,177
Total current trade and other receivables	757,092	228,369

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 6 - Property, plant and equipment

	Buildings	Plant and Equipment	Furniture and Fixtures	Motor Vehicles	Total
	$	$	$	$	$
At 30 June 2013					
Cost	16,375,204	1,943,031	945,322	111,434	19,374,991
Accumulated depreciation	(5,344,776)	(1,705,463)	(837,078)	(97,235)	(7,984,552)
Net carrying amount	11,030,428	237,568	108,244	14,199	11,390,439
Movements in carrying amounts					
Net carrying amount at 1 July 2013	11,030,428	237,568	108,244	14,199	11,390,439
Additions	-	111,205	45,037	-	156,242
Depreciation charge for the year	(398,124)	(122,840)	(43,759)	(8,952)	(573,675)
Net carrying amount at 30 June 2014	10,632,304	225,933	109,522	5,247	10,973,006
At 30 June 2014					
Cost	16,375,204	2,060,650	941,611	111,434	19,488,899
Accumulated depreciation	(5,742,900)	(1,834,717)	(832,089)	(106,187)	(8,515,893)
Net carrying amount	10,632,304	225,933	109,522	5,247	10,973,006

	2014	2013
	$	$
Note 7 - Trade and other payables		
Current		
Trade payables	173,145	147,205
Income in advance	32,615	-
Liabilities to employees	287,233	318,069
Other payables	210,058	472,442
Total current trade and other payables	703,051	937,716
Non-current		
Deferred villa retention	-	160,883
Total non-current trade and other payables	-	160,883
Note 8 - Loans and borrowings		
Current		
Resident accommodation bonds		
- estimated to be payable within 12 months	1,287,877	1,814,793
- estimated to be payable later than 12 months	5,151,510	4,234,518
	6,439,387	6,049,311
Resident entry contributions		
- estimated to be payable within 12 months	1,316,148	1,181,358
- estimated to be payable later than 12 months	11,845,329	10,632,224
	13,161,477	11,813,582
Loans - secured	-	30,000
Total current loans and borrowings	19,600,864	17,892,893

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 8 - Loans and borrowings (continued)

	2014 $	2013 $
(a) Movement in resident accommodation bonds		
Opening balance	6,049,311	6,139,751
Add (less)		
New bonds received	1,745,000	1,429,973
Retention from bonds	(65,518)	(63,944)
Transfers from entry contributions	-	155,260
Bonds refunded	(1,289,406)	(1,611,729)
Closing balance	6,439,387	6,049,311

(b) Terms and conditions

Accommodation bonds are repayable on the following basis:-

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

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

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

(iv) If the resident dies, the bond is repayable within 14 days from the date that notice is received of the granting of probate or letters of administration.

Resident entry contributions are non-interest bearing and have a maximum repayment term of 6 months.

Note 9 - Provisions

	2014 $	2013 $
Current		
Employee entitlements - long service leave	66,609	54,741
Total current provisions	66,609	54,741
Non-current		
Capital gains payable	2,522,500	2,478,500
Employee entitlements - long service leave	82,410	77,189
Total non-current provisions	2,604,910	2,555,689

(a) Capital gains payable

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

(b) Movements in provisions

	Long service leave $	Capital gains payable $	Total $
Carrying amount at the beginning of the year	131,930	2,478,500	2,610,430
Additional provision recognised	17,089	44,000	61,089
Carrying amount at the end of the year	149,019	2,522,500	2,671,519

Note 10 - Change in accounting policy

Capital gains payable

The company has a number of older retirement village contracts whereby the capital appreciation on the transfer of residents is shared with the outgoing resident on a 50% basis. The company has not previously provided for this potential liability. The Directors believe that this potential liability should be disclosed.

Therefore, in accordance with the treatment as prescribed in AASB 108 *"Accounting Policies, Changes in Estimates and Errors"* the company has retrospectively disclosed the change in accounting policy by restating the prior periods and the opening balances as follows:-

	Balance as per 2013 Financial Statements	**Balance as per 2013 Restated Comparatives**
	$	**$**
Capital gains payable	-	2,478,500
Retained earnings	1,924,767	(553,733)

Note 11 - Contingent liabilities

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

Note 12 - Events occurring after balance date

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

Note 13 - Limitation of members' liability

The company is incorporated as a company limited by guarantee. If the company is wound up, the Articles of Association state each member is required to contribute a maximum of $100 towards meeting any outstanding obligations of the company. At 30 June 2014, the number of members was 118 (2013: 124).

	2014	**2013**
	$	**$**
Note 14 - Commitments		
Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements as follows:		
Within one year	30,000	30,000
Later than one year but not later than five years	120,000	120,000
Later than five years	2,450,000	2,223,000
	2,600,000	2,373,000

The land lease is non-cancellable lease with a ninety nine year term from March 14, 2002 with rent payable quarterly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased in accordance to the increase in assessable rental value of land as determined by the Australian Capital Territory Government.

	2014 $	2013 $
Note 15 - Key management personnel		
Remuneration of key management personnel		
The aggregate amount of compensation paid to directors and other key management personnel during the year was:	427,921	284,111

Note 16 - Economic dependency

The company considers that it is economically dependent on revenue received from the Commonwealth Government Department of Social Services 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.

The total amount of recurrent government funding received during the financial year was $4,769,614 (2013: $4,539,265) and this represented 56.5% of total revenue (2013: 57%).

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 17 - Residential aged care segment

The following information is provided in compliance with *Part 10, Division 4 of the Residential Care Subsidy Principles 1997* which deems residential care to be a reporting segment for the purposes of *AASB 8: Operating Segments* .

Income Statement

	2014 $	2013 $		2014 $	2013 $
Revenue			**Expenses**		
Operating revenue			Wages - care	3,232,073	3,138,411
Government subsidies	4,204,731	3,991,558	Wages - administration	340,797	351,506
Resident charges	1,865,183	1,769,471	Wages - other	555,396	489,253
Bond retentions	66,575	76,648	Management fees		-
Interest	4,253	13,349	Depreciation & amortisation	295,023	336,357
Trust distributions	-	-	Interest	-	-
Donations and contributions	7,727	4,038	Bad debts	-	-
Other operating revenue	-	-	Donations/fund raising	-	-
Total operating revenue	6,148,469	5,855,064	Fees & charges	-	-
			Gas & power	160,757	178,040
Non-operating revenue			Insurance	35,770	32,545
Capital grants	-	-	IT & communications	25,349	26,060
Profit on sale of assets	-	-	Motor vehicle expenses	5,208	6,248
Revaluation increase	-	-	Rents & rates	84,550	92,367
Insurance claims	93,667	-	Repairs & maintenance	169,269	157,612
Other non-operating revenue	279,131	368,188	Wages "on costs"	253,673	268,440
Total non-operating revenue	372,798	368,188	Other expenses	964,564	1,096,675
Total revenue	6,521,267	6,223,252	***Total expenses***	6,122,429	6,173,514
Net segment profit	**398,838**	**49,738**			

Balance Sheet

	2014 $	2013 $		2014 $	2013 $
Assets			**Liabilities**		
Current assets			***Current liabilities***		
Cash	884,933	954,280	Short term borrowings	-	-
Liquid assets (non cash)	11,090	62,788	Trade payables	173,145	147,205
Trade receivables	-	-	Employee provisions	396,523	420,908
Inventory	-	-	Accommodation bonds	-	-
Other	71,114	85,893	Other	154,570	159,113
Total current assets	967,137	1,102,961	*Total current liabilities*	724,238	727,227
Non-current assets			***Non-current liabilities***		
Loans	-	-	Long term borrowings	30,000	30,000
Property, plant & equipment	4,714,588	4,913,751	Employee provisions	82,410	77,189
Investments	7,000,000	6,975,000	Accommodation bonds	6,439,387	6,049,310
Intangibles	-	-	Other	2,797	2,797
Other	-	-			
Total non-current assets	11,714,588	11,888,751	*Total non-current liabilities*	6,554,594	6,159,296
Total assets	12,681,725	12,991,712	***Total liabilities***	7,278,832	6,886,522
Net segment assets	**5,402,893**	**6,105,190**			

VILLAGGIO ITALIANO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 18 - APCS Permitted Uses Statement

The following information is provided in accordance with subsection 23.40(1) of the *User Rights Principles 1997* , whereby approved providers must include the following additional information (if applicable) in relation to expenditure for *permitted uses* .

Bond Money Received	Total Value $	Expenditure on Permitted Uses	Total Value $
Accommodation Bonds		Capital Expenditure	-
Bonds received (1/7/13 - 30/6/14)	1,745,000		
Allowable deductions (1/7/13 - 30/6/14)	65,518	Investments in financial products	
		1. Authorised deposit taking institutions	11,756,014
Returned funds from financial products	9,705,039	2. Other financial products	-
		Loans for capital works or investments	-
		Refunds of accommodation bonds	1,289,406
		Debt repayments	
		1. Capital expenditure	-
		2. Accommodation bond refunds	-
		3. Repayment of pre 1/10/11 debt	-
		Reasonable business losses - first 12 montł	-
		Use of transitional arrangements	-

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2014

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 2014, and the statement of comprehensive profit or loss and other income, statement of changes in equity 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 *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012* and:

   (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements; and

   (b) give a true and fair view of the financial position as at 30 June 2014 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

Donald Giorgio
Treasurer

Canberra, 20 October 2014

StewartBrown
Integrity + Quality + Clarity
CHARTERED ACCOUNTANTS

NSW
LEVEL 2 / TOWER 1 / 495 VICTORIA AVE
CHATSWOOD NSW 2067 / AUSTRALIA
PO BOX 5515 / CHATSWOOD WEST NSW 1515
TEL: 61 2 9412 3033
FAX: 61 2 9411 3242
SA
LEVEL 2 / 70 HINDMARSH SQ
ADELAIDE SA 5000 / AUSTRALIA
TEL: 61 8 7087 2170
FAX: 61 8 8232 1139

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2014

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

Report on the Financial Report

We have audited the accompanying financial report of Villaggio Italiano Limited which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration of the company.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Act 2001,* 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 the financial report that 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

VILLAGGIO ITALIANO LIMITED
ABN 94 008 553 393

FINANCIAL REPORT - 30 JUNE 2014

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

Auditor's Opinion

In our opinion the financial report of Villaggio Italiano Limited is in accordance with the *Corporations Act 2001* and *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 2014 and of its performance for the year ended on that date; and
b) complying with Australian Accounting Standards - Reduced Disclosure Requirements (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and the *Australian Charities and Not-for-profits Commission Regulation 2013.*

Stewart Brown

StewartBrown
Chartered Accountants

S.J. Hutcheon
Partner

20 October 2014