Lifestyle SA

Direct Ph (08) 8125 4100

Fax (08) 8125 4120

91 King William Rd Unley SA 5061 | ABN 13 092 002 858

23 October 2009

GOLDEN GROVE LIFESTYLE VILLAGE

Responses to written questions

ACTUALS 2008/2009

The management fee was $71,729.16 for the financial year 2008/2009 but in the budget for 2009/2010 it is estimated at $253,344. Please advise what the Management Fee comprises of.
It is the obligation of Lifestyle SA to employ and manage the staff for the day to day administration of the village and ensure that the village is maintained to the highest standard through the on site staff, to ensure the timing collection of payments by residents pursuant to the Residence Contracts, to ensure that the both parties ie owners and residents act accordingly their contractual agreements, to ensure that upkeep and maintenance within the village, to keep all books and records in relation to monies paid by the residents, to implement decisions on behalf of the owners to ensure the Residence Contracts are abided by, to provide periodic reports in accordance with the Retirement Village Act 1987, to ensure communication lines are always open when required between residents/committees and the administering authority, to prepare and distribute resident reports when required and in accordance with the Retirement Village Act 1987, to ensure generally that the Owner's obligations under the Retirement Village Act 1987 are duly complied with, and to ensure that the residents duly comply with the obligations under their Residence Contract.

The management company is paid a fee to provide retirement village management expertise in the day to day running and to ensure that lifestyle of the residents and condition of the residences and community centre are kept in a condition that meets the satisfaction of the owners and residents of the village. Lifestyle SA is responsive to the needs of the residents and also provides innovated ideas and services to improve and enhance each lifestyle village that we are involved in.

The management fees also covers all costs of running head office which includes, consulting fees (lawyers, accountants, architects, engineers, government departments), office costs (council rates, water rates, stationery, hire of office equipment, computers, photocopiers, faxes), building maintenance (pest control, plumbers, electricians, painters, carpenters, air-conditioning, roller door maintenance, lift maintenance, building security, SA metro fire service annual fees, building signage, Chubb Fire Service), cleaners (windows, carpet, general cleaning and cleaning products, electronic maintenance, graffiti removal, light globe & tube replacement, roofing repairs), office rent, head office staff wages, (superannuation, work cover, holiday loading, long service leave and payroll tax).

What was the basis of the original Maintenance Fees – how were they calculated?
The maintenance fees are calculated on the floor space of the residences and whether the homes have double garages or stand alone and also on an estimated full occupancy expenditure budget.

Why is the "Reimbursements Administration Staff" costs of $47,065.75 shown in the Resident's Contracts for the year ended 30 June 08 different to figure shown in the 2008 column in the Income Statement for the year ended 30 June 09 – this is shown as $47,946.02?
The difference is $880.27 which represents accrued long service leave. The auditors made this adjustment in September 2008 when conducting their audit. The audited financials for 2008 were presented at the Annual Meeting in October 2008 and "Reimbursements Administration Staff" was $47,946.02, an error may have incurred in inserting the "unamended" financials prior to the auditors adjustment. The effect on the bottom line of the Income Statement is nil, as we had a balanced financial year.

At what estimated level of occupancy will it be no longer necessary for the "owners" to make a contribution towards the total income?
The owners will make contributions to the total income if funds are required to meet expenses until there is full occupancy and the village is running fully independently.

Why is this Income Statement not called "Income and Expenditure Statement"?
This statement is now called an Income Statement as Income and Expenditure Statement is no longer the terminology used by Accountants / Charted Accountants, this change was made two years ago by our Auditors.

How is the "Contributions by Owners" determined, it appears to be a "balancing entry"?
The owners of the village contribute funds during the course of the year so that the village can meet its financial obligations during the period where there is not full occupancy. As the village can not meet all these obligations as at the 30 June (for progressively occupied village) there are no surpluses or deficits and the contributions by owners is a balancing entry to reflect this.

With no surplus or deficit shown, how are the maintenance fees calculated and checked against the actual figures at years end?
The maintenance fees are calculated based on an estimated budget considering that there is full occupancy. If maintenance fees were set according to the actual number of residents residing at the village and they had to meet to the financial obligations of the year's expenses, the maintenance fees initially would be far too high for residents to afford. That is why maintenance fees are set according to an estimated fully completed operating village budget.

When the village begins to run fully independently of the owners contributions surpluses or deficits will be carried forward and maintenance fee will be adjusted accordingly.

Interest earned of $441.36 from total yearly maintenance income of $223,398 for 2009 appears low, compared with the previous year?
Interest is earned on how much money is actually sitting in a bank for certain period of time. The funds held by the bank account of a village fluctuates, income coming in and payments going out, balances are always changing; it is not a savings account, whereby the collection of maintenance income sits in the account for a 12 month period without being redrawn.

The maintenance income is deposited and then it's spent on paying bills. As at the 30 June 2009 there was $37,932.40 in the cheque account.

The maintenance income of $223,398 was the progressive, month by month collection of maintenance monies collected during the 12 month period. The amount of $223,398 was not a constant amount in the cheque account at any time during the course of the year earning interest.

What does the "Reimbursements – Administration Staff" costs consist of?
All on site staff are make up the "Reimbursements – Admin Staff". The reimbursements include gross wage / holiday loading / superannuation / workcover / payroll tax.
This includes
Estate Coordinator
Estate Maintenance
Estate Attendant / Sleepover
Operations Manager

Why are the telephone costs so high?
The telephone expenses covers all telephone handsets / line rental in the Community Centre, as well as the Administration Office telephone & fax line, other telephone locations include, Kitchen, Communications Room , Sitting Room, Work shop and Security System. The costs of the telephone are all for administration and maintenance usage.

The provision for 2008/2009 in the Capital Items Replacement Funds does not reconcile with the "Capital Items Replacement Fund Statement?
On the Income Statement for the year ended 30 June 2009
Capital Items Replacement Fund $41,119.13

On the Balance Sheet as at the 30 June 2009
Provision for Capital Items Replacement Fund $41,207.16

Difference is additional $88.03 in the provision which relates to the auditors adjustment in 2008 for 10% additional provision on the long service leave amount of $880.27 (ie 10% of this amount is $88.03)

Can we have a list of the outstanding maintenance fees owed by residents and the length of time outstanding?
This information is on the Balance Sheet under Current Assets.
Receivables – Residents as at the 30 June 09 $3,769.30
The amounts outstanding as at the 30 June 2009 are between 1 - 2 months outstanding.

BUDGET 2009/2010

Why is the annual budget based on full occupancy of 348 units when realistically the occupancy rate will not be this in the coming year? There is some recognition of this however in the provision of funds allocated to the Capital Items Replacement Fund of $82,056.30 down to $50,000 which suggests an occupancy rate of about 200 or so.
The annual budget is based on full occupancy of 348 units in order to calculate what the maintenance fee per unit realistically should be based on full occupancy. If the maintenance fees were based on progressive occupancy then in the initial stages the first residents would be paying fees of approximately $3500 per month (as they were two residents who took up occupancy in Oct 07, and actual expenses for that month was approx $7000). Progressively this would lower as more residents more into the village, that is why the maintenance are not set on actual costs but an estimated full occupancy of all 348 occupied. The Capital Items Replacement Fund estimate (ie $50,000) is not based on occupancy rate but rather on expenditure. Therefore the estimated funds to the Capital Items Replacement Fund for 2009/2010 is approximately $50,000 because the village will still be under construction in 2009/2010 and will not be actually maintaining the expenses of 348 residences, but the budget needs to includes to account for estimated total cost (ie $82,056.30) as a cost to ensure that the maintenance fees payable by each residences is a more accurate consideration per type of residence to maintain the eventual spend of a fully occupied village.

Do you agree that it is inevitable that the actual expenditure during this current financial year will be well "under budget"?
Yes, due to the fact the village will not be fully constructed therefore not maintaining the expenses of a fully completed village.

Why not revise the budget to reflect a more realistic occupancy rate so that a meaningful comparison of actual costs and budget can be undertaken with a clear surplus or deficit being properly revealed before any contribution by the owners?
This is not required as basically the initial budget sets the benchmark for what maintenance fees should be to cover the estimated expenses of a village with 348. From this point onwards the maintenance fees in general will increase by CPI each year. As the village progresses, we can make comparisons and analysis the increases on the actuals from the previous year knowing that more residences will be occupied. Depending on the expenditure in certain areas decisions can be made with future budgets whether certain areas of spend should be increased or decreased hence determining the percentage increase for the following year. However at all times, the budget must always be considered as though the village is fully occupied and estimated expenditure must be based on that.

Regarding the Capital Items Replacement Fund, is the opening balance of the fund of $10,177.41 which is appears on the statement provided the actual cash held as at 30/06/09?
Yes