

**Gnocci Holdings Pty Ltd as trustee for The Gnocci
Charitable Trust trading as Aurum Catering
Management Services**

ABN 96 137 829 488

Annual Report - 30 June 2014

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2014

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Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	2014	2013
		\$	\$
Revenue		8,626,349	8,114,966
Cost of sales		(6,880,911)	(7,000,315)
Gross profit		1,745,438	1,114,651
Other income		25,229	16,274
Proceeds on wind up of associated entity	3	18,158	3,857
		<u>1,788,825</u>	<u>1,134,782</u>
Expenses			
Administration costs		(56,665)	(21,777)
Advertising and promotion		(10,188)	(15,948)
Bank charges		(1,962)	(909)
Communications		(15,100)	(13,150)
Debt forgiveness		-	(99,462)
Depreciation and amortisation	8	(48,427)	(41,597)
Employee benefits expense	4	(733,390)	(572,946)
Loss on sale of asset		(4,853)	-
Information technology		(10,789)	(11,485)
Insurance		(11,111)	(9,404)
Loan finance costs		(168,700)	(174,967)
Memberships and subscriptions		(11,091)	(283)
Printing, postage and stationery		(26,127)	(14,534)
Professional fees		(117,182)	(104,240)
Property costs		(62,786)	(36,625)
Recruitment and training		(37,009)	(4,374)
Utilities		(2,702)	(2,980)
Vehicle expenses		(41,123)	(25,389)
Other expenses		(22,008)	(13,424)
Total expenses		<u>(1,381,213)</u>	<u>(1,163,494)</u>
Surplus/ (deficit) for the year attributable to the members of Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust		407,612	(28,712)
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income/ (loss) for the year attributable to the members of Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust		<u>407,612</u>	<u>(28,712)</u>

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to these financial statements.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Statement of financial position
As at 30 June 2014

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	5	849,801	734,286
Trade receivables	6	602,827	606,257
Other receivables	7	65,180	10,880
Inventory		61,773	61,773
Total current assets		<u>1,579,581</u>	<u>1,413,196</u>
Non-current assets			
Plant and equipment	8	342,558	187,634
ICT capital WIP		174,986	-
Other Assets		49,338	-
Goodwill	16	1,661,003	1,661,003
Total non-current assets		<u>2,227,885</u>	<u>1,848,637</u>
Total assets		<u>3,807,466</u>	<u>3,261,833</u>
Liabilities			
Current liabilities			
Trade and other payables	9	853,944	704,591
Employee benefits	10	180,367	191,699
Loans	14	1,687,000	-
Total current liabilities		<u>2,721,311</u>	<u>896,290</u>
Non-current liabilities			
Loans	14	-	1,687,000
Total non-current liabilities		<u>-</u>	<u>1,687,000</u>
Total liabilities		<u>2,721,311</u>	<u>2,583,290</u>
Net assets		<u>1,086,155</u>	<u>678,543</u>
Equity			
Settled sum		10	10
Retained surpluses		1,086,145	678,533
Total equity		<u>1,086,155</u>	<u>678,543</u>

The statement of financial position should be read in conjunction with the accompanying notes to these financial statements.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Statement of changes in equity
For the year ended 30 June 2014

	Settled sum \$	Retained surpluses \$	Total equity \$
Balance at 1 July 2012	10	885,245	885,255
Deficit for the year	-	(28,712)	(28,712)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(28,712)	(28,712)
Distribution to beneficiaries	-	(178,000)	(178,000)
Balance at 30 June 2013	10	678,533	678,543
Surplus for the year	-	407,612	407,612
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	407,612	407,612
Distribution to beneficiaries	-	-	-
Balance at 30 June 2014	10	1,086,145	1,086,155

The statement of changes in equity should be read in conjunction with the accompanying notes to these financial statements.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Statement of cash flows
For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from income		9,498,411	8,675,314
Payments to suppliers and employees		(8,958,349)	(8,621,893)
Other income received		193	19,455
Net cash from operating activities	13	540,255	72,876
Cash flows from investing activities			
Interest received		18,115	16,274
Proceeds from sale of property, plant and equipment		129,124	79,655
Payments for property, plant and equipment	8	(325,223)	(200,606)
Payments for project investments		(246,756)	-
Net cash used in investing activities		(424,740)	(104,677)
Cash flows from financing activities			
Loans repayments from related parties		-	194,305
Loan repayments to related parties		-	(188,000)
Distribution to beneficiaries		-	(178,000)
Net cash used in financing activities		-	(171,695)
Net decrease in cash and cash equivalents		115,515	(203,496)
Cash and cash equivalents at the beginning of the financial year		734,286	937,782
Cash and cash equivalents at the end of the financial year	5	849,801	734,286

The statement of cash flows should be read in conjunction with the accompanying notes to these financial statements.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Notes to the financial statements
For the year ended 30 June 2014

Note 1. Significant accounting policies

Gnocci Holdings Pty Ltd as trustee for the Gnocci Charitable Trust is a not-for-profit entity. These financial statements are individual financial statements of the Charitable Trust and are for the year ended 30 June 2014. The financial report covers Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust ('Charitable Trust') as an individual entity domiciled in Australia. The financial report is presented in Australian dollars, which is the functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the Directors' declaration. In the opinion of the Directors, the Charitable Trust is not publicly accountable nor a reporting entity.

The financial report was authorised for issue by the Directors on 26 November 2014.

The Charitable Trust's registered office is located at First Floor, Unit 16, 100 Railway Road, SUBIACO WA 6008.

The parent and ultimate parent of the Charitable Trust is Baptistcare Inc.

The Charitable Trust is primarily involved in the food service industry.

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

(a) New, revised or amending Accounting Standards and Interpretations adopted

The Charitable Trust has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- a. AASB 13 *Fair Value Measurement*
- b. AASB 119 *Employee Benefits* (2011)

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Charitable Trust.

(b) Basis of preparation and accounting

These Tier 2 general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to make judgments, estimates and assumptions in the process of applying the Charitable Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(c) Revenue recognition

- (i) *Revenue*
Revenue is recognised to the extent services have been performed and when it is probable that the economic benefit will flow to the Charitable Trust and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.
- (ii) *Interest*
Interest revenue is recognised as interest becomes receivable.
- (iii) *Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Notes to the financial statements
For the year ended 30 June 2014

(d) Income tax

As the Charitable Trust is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

(e) Cash and cash equivalents

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

(f) Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

(g) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

IT equipment	2-3 years
Plant and equipment	3-7 years
Motor vehicles	5-7 years
Office equipment	3-5 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Charitable Trust. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(h) Impairment

Non-financial assets:

At each reporting date, the Charitable Trust reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Statement of profit or loss and other comprehensive income.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Significant accounting policies (continued)

(h) Impairment (continued)

Financial assets measured at amortised cost:

The Charitable Trust considers evidence of impairment for financial assets measured at both a specific asset and a collective level. All individually significant assets are assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Trust considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Refer to Note 16. Impairment of goodwill for further information regarding the impairment of goodwill.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Charitable Trust prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Employee benefits

(i) Wages and salaries and annual leave

Short term employee benefits are expensed as the related service is provided. Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

A liability is recognised for the amount expected to be paid if the Charitable Trust has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Amounts recognised as employee benefits are the amount of future benefit that employees have earned in return for their services in the current and prior periods.

(ii) Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(k) Goodwill

Goodwill arising on the acquisition of the catering business is measured at cost less accumulated impairment losses.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Notes to the financial statements
For the year ended 30 June 2014

Note 1. Significant accounting policies (continued)

(l) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle.

(n) Finance costs

Interest expense is recognised using the effective interest rate method.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of useful lives of assets

The Charitable Trust determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Charitable Trust assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the Charitable Trust and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Long service leave provision

As discussed in note 1, 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 attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Revenue

An amount of \$18,158 was received from the windup of Dee Catering in the financial year ended 30 June 2013. Refer to Note 14 Related party transactions.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Notes to the financial statements
For the year ended 30 June 2014

Note 4. Employee benefits expense

	2014	2013
	\$	\$
Employee benefits expense	<u>733,390</u>	<u>572,946</u>

The current year employee benefits expense is representative of the administration wages and associated costs. All other wages have been allocated to the cost of sales.

Note 5. Current assets - cash and cash equivalents

	2014	2013
	\$	\$
Cash on hand	720	86
Cash at bank	2,555	529,190
Cash on investment	846,516	205,000
Trust cash on hand	10	10
	<u>849,801</u>	<u>734,286</u>

Note 6. Current assets - trade and other receivables

	2014	2013
	\$	\$
Trade receivables – related parties	478,887	495,691
Trade receivables	123,940	110,566
Total trade and other receivables	<u>602,827</u>	<u>606,257</u>

Note 7. Current assets - other

	2014	2013
	\$	\$
Staff expenses	4,656	-
Prepayments	41,603	3,400
Security deposits	9,115	7,480
Refurbishment project – Baptistcare	9,806	-
	<u>65,180</u>	<u>10,880</u>

Note 8. Non-current assets - Plant and equipment

	2014	2013
	\$	\$
Furniture and fittings - at cost	30,667	8,845
Less: Accumulated depreciation	(5,643)	(2,473)
	<u>25,024</u>	<u>6,372</u>
IT and communication - at cost	144,409	75,075
Less: Accumulated depreciation	(37,748)	(14,106)
	<u>106,661</u>	<u>60,969</u>
Motor vehicles - at cost	222,682	138,806
Less: Accumulated depreciation	(12,652)	(18,513)
	<u>210,030</u>	<u>120,293</u>
Plant and equipment - at cost	907	-
Less: Accumulated depreciation	(64)	-
	<u>843</u>	<u>-</u>
	<u>342,558</u>	<u>187,634</u>

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Notes to the financial statements
For the year ended 30 June 2014

Note 8. Non-current assets - Plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Furniture and fittings	IT and communication s	Motor vehicles	Plant and equipment	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	6,372	60,969	120,293	-	187,634
Additions	21,822	74,110	198,818	907	295,657
Disposals	-	(2,153)	(90,153)	-	(92,306)
Depreciation expense	(3,170)	(26,265)	(18,928)	(64)	(48,427)
Balance at 30 June 2014	25,024	106,661	210,030	843	342,558

Note 9. Current liabilities - trade and other payables

	2014	2013
	\$	\$
Trade payables	350,997	241,556
Accrued expenses	152,786	174,898
GST payable	186,582	202,676
PAYG payable	65,817	58,244
Superannuation payable	36,486	26,406
Reimbursable expense – Baptistcare	57,461	-
Other payables	3,815	811
	<u>853,944</u>	<u>704,591</u>

Note 10. Current liabilities – employee provisions

	2014	2013
	\$	\$
Annual leave provision	151,695	111,619
Long service leave provision	28,672	80,080
	<u>180,367</u>	<u>191,699</u>

Note 11. Key management personnel disclosures

The aggregate compensation made to Directors and other members of key management personnel of the Charitable Trust is set out below:

	2014	2013
	\$	\$
Aggregate compensation	<u>294,843</u>	<u>279,077</u>

Note 12. Contingent liabilities and Commitments

The Charitable Trust had no contingent liabilities as at 30 June 2014 and 30 June 2013.

The Charitable Trust had no commitments for expenditure as at 30 June 2014 and 30 June 2013.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Notes to the financial statements
For the year ended 30 June 2014

Note 13. Reconciliation of surplus/ (deficit) to net cash from operating activities

	2014	2013
	\$	\$
Surplus/ (deficit) for the year	407,612	(28,712)
<i>Adjustments for:</i>		
- Depreciation	48,427	41,597
- Loss on sale of fixed assets	(25,079)	(3,857)
- Interest received	(18,115)	(16,274)
- Debt forgiveness	-	99,462
- GST on capital assets	40,259	10,996
Increase/decrease in trade and other receivables	3,430	(238,655)
Increase/decrease in other current assets	(54,300)	12,688
Increase/decrease in trade and other payables	149,353	211,432
Increase/decrease in employee provisions	(11,332)	(15,801)
Net cash from operating activities	<u>540,255</u>	<u>72,876</u>

Note 14. Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 11.

(b) Transactions to related parties

There were no significant transactions with related parties during the current financial year outside of the Charitable Trusts commercial operations, as detailed below. The Charitable Trust forgave a loan of \$99,462 to Dee Catering during the year ended 30 June 2013 as the entity was wound up.

	2014	2013
	\$	\$
Sales to Baptistcare Inc.	8,233,083	7,642,340
Purchases from Baptistcare Inc.	196,056	175,000

(c) Receivable from and payable to related parties

The Charitable Trust had the following receivables and payables with Baptistcare:

	2014	2013
	\$	\$
Trade receivables	547,071	495,691
Trade payables	57,461	28,117

(d) Loans from related parties

The Charitable Trust has a loan payable to Baptistcare of \$1,687,000 as at 30 June 2014 (2013: \$1,687,000). The loan is unsecured and interest only at a rate of 10% per annum and is repayable in June 2015.

Note 15. Events after the reporting period

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the Charitable Trust's operations, the results of those operations, or the Charitable Trust's state of affairs in future financial years.

Notes to the financial statements
For the year ended 30 June 2014

Note 16. Impairment of goodwill

Goodwill is assessed annually for impairment testing purposes.

Goodwill has been assessed as unimpaired as at 30 June 2014 and the difference in fair value and carrying value is not recognised in the financial statements.

The estimated recoverable amount of the Charitable Trust has been determined based on value in use calculation which use cash flow projections from financial budgets approved by management and the board covering a five year period using a discount rate of 12.0% (WACC). The cash flows beyond the budget have been extrapolated using a steady 2% long term growth rate which is consistent with the long term average growth rate for the aged care sector.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Directors' declaration

In the opinion of the Directors':

- (a) the Charitable Trust is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 7 to 14 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (i) giving a true and fair view of the Charitable Trust's financial position as at 30 June 2014 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits Regulation 2013; and
- (c) there are reasonable grounds to believe that the Charitable Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Dated at...1/66 Mill Point Rd, South Perth, Western Australia ... 27thday of ... November.2014



Chairman