BaptistCare NSW & ACT

ABN 90 000 049 525

Annual Financial Report

30 June 2018

BaptistCare NSW & ACT

Contents

BaptistCare NSW & ACT

Directors' report
For the year ended 30 June 2018

The Directors present their report together with the financial statements of BaptistCare NSW & ACT (the Company) for the financial year ended 30 June 2018 and the auditor's report thereon.

BaptistCare NSW & ACT is a public company incorporated under the *Corporations Act 2001*, is limited by guarantee, is registered as a charity with the Australian Charities and Not-for-profits Commission, is endorsed as an Income Tax Exempt Charity by the Australian Taxation Office and recognised as a Public Benevolent Institution.

1. Objectives and Strategies

The purpose of the Company is 'Transforming Lives By Expressing The Love Of Christ'.

The Company's vision is to be 'The Trusted Name In Life Transforming Care', an aspirational goal to facilitate life transforming care for and with our clients.

The BaptistCare Strategic Plan sets the direction for the Company for the period 2016 to 2020. This plan is reviewed annually as part of the business planning process and gives focus to how the Company will achieve its purpose by successfully serving the following groups: communities living with disadvantage and marginalisation, people experiencing situational distress, older people and carers.

The Company's strategic approach to delivering its promise 'Care you can trust' and its focus on adapting to meet the changing needs of customers is an integrated approach to service delivery that enables the Company to organise its range of services around the needs of individual customers. This approach is facilitated by outstanding customer service, care planning, and the development of employees and volunteers.

The Company's strategic objectives are:

1. To become a major provider of social and affordable Housing over the next five years by developing a portfolio of 1,000 dwellings to house families transitioning to living independently after being impacted by domestic violence, and older people at risk of homelessness;
2. To develop the ability to deliver integrated 'wrap around' housing support services including Chaplaincy, case management, social and financial inclusion, and counselling, in all locations where social housing is provided;
3. To empower our customers to achieve change, through an integrated, Community Service delivery approach, linked to multiple and complex levels of need arising from disadvantage and marginalisation;
4. To grow the Home Services customer base through providing high quality, comprehensive, price competitive services in both existing and new geographic areas, as part of BaptistCare's integrated person centred care strategy;
5. To grow the Retirement Living portfolio through both development and acquisition, while aiming to offer a continuum-of-care service to customers;
6. To continue the focus on meeting missional needs for Residential Aged Care services, and investing in service improvement, support systems, property development, improvement and acquisition;
7. To ensure sufficient attraction and retention of suitably qualified and skilled staff and volunteers to meet business requirements, and create safe working environments for all staff and volunteers; and
8. To leverage information technology as a key enabler of business transformation.

Further information is available in the strategic plan and annual report, which are available for public distribution and can be accessed on the website, www.baptistcare.org.au/about-baptistcare/publications.aspx.

2. Principal activities

The Company has four primary divisions which work together to achieve the objectives of the Company. These divisions are as follows:

- Residential Aged Care;
- Home Services for older people, carers and people living with a disability;
- Housing and Retirement Living (which includes social and affordable housing); and
- Community Services (which includes community centres, counselling services (relationship counselling, family counselling, domestic violence intervention services) and chaplaincy services.

The principal activities of these four divisions are as follows:

Core Service Area:	BaptistCare Division:
Chaplaincy	All Divisions
Counselling	Community Services
Social & Financial Inclusion	Community Services
Community Housing	Housing & Retirement Living
Housing Support	Community Services
Home Care	Home Services
Retirement Village	Housing & Retirement Living
Residential Aged Care	Residential Services

3. Financial Position, Operational Highlights and Significant Changes in State of Affairs

The operating surplus of the Company for the year ended 30 June 2018 was $14,193,000 (2017: $393,000).

Operational highlights for the year are as follows:

- August 2017: The Company celebrated outstanding staff achievement at its annual You Can Awards Celebration Dinner. 23 outstanding awardees were honoured.
- October 2017: In celebration of National Carers Week, the Company honoured local carers in the Northern Rivers region by hosting a free BBQ. In addition, Alan Gravolin, one of the Company's Stronger Carers Peer Support volunteer coaches, was announced as NSW Carer of the Year.
- December 2017: The Company launched My Safety, a portal allowing all staff to log safety events such as hazards and incidents. This portal progresses the Company's commitment to providing a safe workplace for staff and volunteers and reducing injury rates.
- January 2018: The new Hopestreet Women's Centre was officially opened in Darlinghurst with the help of the Minister for Family and Community Services, Minister for Social Housing, Prevention of Domestic Violence and Sexual Assault, the Hon. Pru Goward MP. This Centre is designed to be a safe space where marginalised women in Sydney's inner city can access free and confidential professional support.
- January 2018: The Company appointed Trevor Wight in the part-time role of Church Relationships Manager. This appointment increases the Company's aim of working more closely with the Association of Baptist Churches of NSW and ACT.
- February 2018: The Company's Residential Services division introduced the My Day My Way (MDMW) program. This program is a whole-of-organisation approach to deliver better, relational, and person-centred care, ensuring our residents feel understood and valued. The model will be embedded in every aged care centre in the coming two years.
- February 2018: The Company celebrated having provided $11.5 million in no and low interest loans to people in need. The milestone took ten years to reach, and saw more than 7,000 people receive over 8,400 no-interest or low-interest loans from us, under the auspicing body of Good Shepherd Microfinance and in partnership with NAB and the NSW Office of Fair Trading.
- February 2018: The Hon. Pru Goward MP turned the first sod at our Social and Affordable Housing Fund (SAHF) development in Goulburn. The 20-unit complex is a part of the 2,200 residences being delivered through the NSW Government's $1.1bn SAHF project.
- March 2018: Following the decommissioning of our Carlingford site, our day and overnight respite centre for older Australians living with dementia and their carers, which has been operating for more than 12 years, was relocated to Kellyville with the updated name of Willmette.
- March 2018: Our residents and staff at BaptistCare Dorothy Henderson Lodge were host to a crowd of well-wishers, as they celebrated the Lodge's 25th Anniversary in Sydney's Macquarie Park .
- March 2018: The Company joined the Everybody's Home campaign, challenging all political parties to rethink housing policy and embrace new models of development, ownership and support to address critical shortage in supply of affordable or social rental properties which is contributing to record levels of homelessness.

- April 2018: Better Homes and Gardens' gardening guru, Jason Hodges joined residents of The Gracewood Retirement Village in Kellyville to celebrate its fifth birthday.
- April 2018: The Company announced development of the third and final stage of independent living apartments at The Gracewood, which will include 88 new apartments and some exciting new outdoor amenities. Completion of the village will fully realise the Kellyville site, with retirement living, home care, a social club and residential aged care all in one location.
- May 2018: The Company's third annual major fundraising activity, the Halo Ball, was held in Sydney and focused on the often voiceless victims of domestic and family violence: the children. $140,000 was raised.
- May 2018: The Company's annual Palliative Care in Aged Care Conference was held and featured some of Australia's most respected speakers, thinkers and practitioners in the field. The conference included the launch of the Company's new book, titled 'Dying with Loving Words', aimed at helping and equipping families and carers to connect and communicate with their loved ones.
- June 2018: The Company renewed its Enterprise Agreement (EA) for aged care staff. The EA provided increases to wages while also addressing a number of factors to ensure the Company's ongoing competitiveness as an employer in aged care. The increase in wages continues to see the Company's rates of pay among the highest in the aged care industry in NSW and the ACT.
- June 2018: An unannounced accreditation visit under the new regulatory process occurred at our Griffith ACT residential facility. The subsequent outcome resulted in a sanction being imposed on the facility on 26th July 2018. Management took immediate steps to address the issues and appointed an Administrator and Nurse Advisor. In his first report, the Administrator confirmed that his "assessment of the issues in relation to serious risk is that any previous risk has been mitigated and that there is no immediate or future risk to current or future residents".
- Our Social and Affordable Housing Fund (SAHF) developments continue to progress, with six of eight Development Applications approved in this year. Early work or construction has commenced on all six sites, with our first sites at Lismore and Goulburn due to be completed and ready for tenants by early 2019.
- The Company's Pastoral Care Volunteer program continues to grow, with volunteers extending the work of our Chaplaincy teams, and providing support to our customers who are living in our aged care centres and in their own homes. Training has been delivered at the Central Coast, Gymea and Pennant Hills. 80 participants have graduated and 35 have become active Pastoral Care Volunteers with us.

More information is contained at www.baptistcareannualreport2018.org.au.

Significant changes in the state of affairs of the Company during this financial year are as follows:

- November 2017: After 16 months of redevelopment, and 60 years after the centre was first opened, the Company officially opened its new look $11 million Niola Centre with a street festival and unveiling by Parkes Shire Mayor, Cr Ken Keith.
- December 2017: The Development Application was approved for the Company's 12-unit expansion of BaptistCare Maranoa Village, in Alstonville. Construction is in progress and preparations are now underway for the marketing and sales of the new units. The new units are due for completion in late 2018.
- February 2018: The HopeStreet identity, established and grown at Woolloomooloo, was expanded across a number of the Company's Community Centres. Each of our Community Centres provides services that meet the local needs of disadvantaged communities and people living on the margins, and the expansion of the HopeStreet brand affirms the uniqueness of each of our Community Centres and the communities they operate in.

4. Measurement of Performance

The Company measures its performance through the establishment and monitoring of indicators and benchmarks, which are regularly reviewed by the Board and Senior Management. These include:

- Customer satisfaction surveys for each area of operations;

Directors' report (continued)
For the year ended 30 June 2018

- Staff turnover and responses to the Staff Satisfaction Survey;
- Work, Health and Safety measurements;
- The cost-effectiveness of fundraising;
- Progress on major capital projects;
- Returns on investments; and
- Various financial indicators, including performance against the Board-approved budget for the year.

5. Board of Directors

The Members of BaptistCare NSW & ACT elect the Board.

The Board currently comprises 11 Directors (the maximum number is 12) who serve in a voluntary capacity and subject to the Company's Constitution, the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012*.

Details of the Directors of the Company at any time during or since the end of the financial year are:

Name	Qualifications & Experience	Appointed	Special Responsibilities at Balance Date
Judith Carpenter	*BA TCert MIMCA MAICD* Human Resources Consultant	July 2002	Chair from 21 November 2016 Member of Remuneration & Performance Committee from May 2003 and Committee Chair from July 2010 Member of Ashfield Baptist Church
Corinne Glasby	*BEc FIAA* Actuary	June 2007	Vice Chair from 21 November 2016 Member of Audit & Risk Committee from November 2007 Trustee of BCS Foundation from December 2010 Director of B.C.S. Foundation Pty Limited from December 2010 Member of Epping Baptist Church
Stuart Abbott	*B Bus* Company Director and Chief Executive Officer	February 2017	Member of the Property Strategy & Building Governance Committee from May 2017 Member of Thornleigh Community Baptist Church
Owen Chew Lee	*BCA BSc FCA GAICD* Banker and Company Director	June 2017	Member of the Audit & Risk Committee from June 2017 Member of the Remuneration & Performance Committee from June 2017 Member of Gordon Baptist Church
John Church	*FFin FCIS FAICD FTIA* Solicitor, Public Notary & Company Director	September 1984	Member of Audit & Risk Committee from May 1992 Member of Governance & Nominations Committee from November 2009 Trustee of BCS Foundation from November 1999 Director of B.C.S. Foundation Pty Limited from November 1999 Member of Gordon Baptist Church
Craig Collins	*BBus (Land Economics)* Chief Executive Officer, Hospitality Sector Company	November 2012	Member of Property Strategy & Building Governance Committee from May 2017 Member of Epping Baptist Church
Ruth McLean	*BSocialStudies* Retired Aged Care Policy Adviser	December 2012	Member of Governance & Nominations Committee from November 2013 Member of Care & Services Committee from May 2017 Member of Woonona Baptist Church

Directors' report (continued)

For the year ended 30 June 2018

Peter Murphy	*BBus MCom MA (Christian Studies) FCPA GAICD* Management Consultant	April 2016	Member of Audit & Risk Committee from April 2016 and Committee Chair from August 2016 Member of Blakehurst Baptist Church
Cameron Webb	*BBus (Retail Management), MBA AAICD* IT Executive, Retail	November 2016	Chair of Property Strategy & Building Governance Committee from May 2017 Member of Dural Baptist Church
Ian Wilson OAM	*BHealthScience(Mgt) Dip Health Admin* Retired Chief Executive Officer, Aged Care/ Community Services	March 2010	Chair of Governance & Nominations Committee from November 2010 Member of Kiama Baptist Church
Robyn Worsley	*Retired Registered Nurse*	March 2016	Member of Remuneration & Performance Committee from April 2016 Chair of Care & Services Committee from May 2017 Member of Carlingford Baptist Church

6. Directors' meetings

The number of meetings of the Board of Directors (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors during the financial year is as follows:

Director	Board	Audit & Risk Committee	Remuneration & Performance Committee	Governance & Nominations Committee	Care & Services Committee	Property Strategy & Building Governance Committee
Judith Carpenter	5	5	2	5	3	7
Corinne Glasby	6	6	-	-	-	-
Stuart Abbott	4	-	-	-	-	7
Owen Chew Lee	5	6	2	-	-	-
John Church	5	6	-	7	-	-
Craig Collins	5	-	-	-	-	3
Ruth McLean	5	-	-	6	2	-
Peter Murphy	5	6	-	-	-	-
Cameron Webb	5	-	-	-	-	7
Ian Wilson OAM	5	-	-	5	-	-
Robyn Worsley	6	-	2	-	3	-
Total number of meetings	7	7	2	7	3	7

7. Company Members

Membership of the Company is available to all Members of Churches affiliated with The Association of Baptist Churches of NSW & ACT in the following ways:

- Each Church may nominate one person as their representative for Membership;
- Individual Church Members may apply for Membership;
- An individual may apply for Life Membership if they have made a single donation of $500 or more to the Company, or such greater amount as the Company in general meeting shall prescribe; and
- A member of the Assembly Council of The Association of Baptist Churches of NSW & ACT may apply for Membership (which would apply during the term of their respective office).

Directors' report (continued)

For the year ended 30 June 2018

In addition, the Directors may appoint Honorary Life Members in recognition of their outstanding service to the Company. At any time there can only be 30 Honorary Life Members (unless otherwise approved by the Company in general meeting).

At the date of this report there are 153 Members (2017: 160 Members) including 22 Honorary Life Members (2017: 22 Honorary Life Members). Each Member has a liability in the case of a winding-up. The extent of the liability of any Member under the guarantee is as follows:

- Members prior to 20 March 1992: $0.10
- Members subsequent to 20 March 1992: $100 per Member

The total amount that Members of the Company are liable to contribute as at 30 June 2018 is $14,601 (2017: $15,101).

8. Events subsequent to reporting date

There have been no events subsequent to the balance date which would have a material effect on the Company's financial statements at 30 June 2018.

9. Government funding

The Company would like to acknowledge the following Government Departments which fund programmes that the Company operates or conducts:

- *Australian Government:* Department of Social Services and Department of Health.
- *New South Wales Government:* Department of Family and Community Services, NSW Health (through various Local Health Districts), Transport for NSW, Department of Attorney General and Justice, Corrective Services NSW, NSW Fair Trading, NSW Office of Environment & Heritage and Housing NSW.
- *Australian Capital Territory Government:* ACT Government Health and ACT Government Community Services.

10. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the Directors' report for the financial year ended 30 June 2018.

11. Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This Directors' report is made out in accordance with a resolution of the Directors:

J. A. Carpenter

Judith Carpenter

Director - Chairperson

Dated at Sydney, this 24th day of September 2018

KPMG

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the Directors of BaptistCare NSW & ACT

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Stephen Isaac

Partner

Sydney

24 September 2018

BaptistCare NSW & ACT

Statement of profit or loss and other comprehensive income
for the year ended 30 June 2018

In thousands of AUD	***Note***	**2018**	**2017**
Revenue	4	258,216	252,204
Other income	5	29,459	12,293
Revenue and other income		287,675	264,497
Personnel expenses	6	(184,317)	(177,815)
Property expenses		(23,611)	(21,907)
Depreciation and amortisation expenses	12,13	(26,988)	(24,764)
Impairment of intangible assets		-	(1,091)
Housekeeping expenses		(16,101)	(14,327)
Catering expenses		(10,843)	(11,840)
Communication expenses		(1,629)	(1,359)
Motor vehicle expenses		(1,177)	(1,430)
Other expenses		(16,831)	(15,987)
Expenses		(281,497)	(270,520)
Surplus/(deficit) before net finance income		6,178	(6,023)
Finance income		8,141	6,580
Finance costs		(126)	(164)
Net finance income	7	8,015	6,416
Surplus for the year		14,193	393
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedge – effective portion of changes in fair value		(7)	(197)
Items that will not be reclassified subsequently to profit or loss:			
Equity investments at FVOCI – net change in fair value		(106)	408
Total comprehensive income for the year		14,080	604

The notes on pages 15 to 33 are an integral part of these financial statements.

BaptistCare NSW & ACT

Statement of financial position
as at 30 June 2018

In thousands of AUD	***Note***	**2018**	**2017**
Assets			
Cash and cash equivalents	8	21,735	13,737
Receivables	9	27,885	33,212
Inventories		29	42
Investments	10	146,539	127,039
Assets held for sale	11	900	3,810
Total current assets		197,088	177,840
Receivables	9	1,996	1,996
Investments	10	137,277	113,371
Property, plant and equipment	12	425,680	422,186
Intangible assets	13	5,268	5,847
Total non-current assets		570,221	543,400
Total assets		767,309	721,240
Liabilities			
Payables	14	518,256	492,874
Loans and borrowings	15	84	603
Employee benefits	16	28,215	26,848
Provisions	17	4,858	2,193
Deferred income	18	13,221	9,698
Derivative financial liability		204	197
Total current liabilities		564,838	532,413
Loans and borrowings	15	2,496	1,723
Employee benefits	16	2,465	2,367
Deferred income	18	16,443	17,219
Total non-current liabilities		21,404	21,309
Total liabilities		586,242	553,722
Net assets		181,067	167,518
Accumulated funds			
Reserves	19	1,026	1,670
Retained earnings		180,041	165,848
Total accumulated funds		181,067	167,518

The notes on pages 15 to 33 are an integral part of these financial statements.

Statement of changes in funds

for the year ended 30 June 2018

In thousands of AUD	Capital works fund-Retirement Villages	Fair value reserve	Hedging reserve	Retained earnings	Total funds
Balance as at 1 July 2016	592	928	-	165,455	166,975
Surplus for the year	-	-	-	393	393
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Cash flow hedge – effective portion of changes in fair value	-	-	(197)	-	(197)
Items that will not be reclassified subsequently to profit or loss:					
Equity investments at FVOCI – net change in fair value	-	408	-	-	408
Total comprehensive income for the year	-	408	(197)	393	604
Net movement in Capital works fund	(61)	-	-	-	(61)
Balance as at 30 June 2017	531	1,336	(197)	165,848	167,518
Balance as at 1 July 2017	531	1,336	(197)	165,848	167,518
Surplus for the year	-	-	-	14,193	14,193
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Cash flow hedge – effective portion of changes in fair value	-	-	(7)	-	(7)
Items that will not be reclassified subsequently to profit or loss:					
Equity investments at FVOCI – net change in fair value	-	(106)	-	-	(106)
Total comprehensive income for the year	-	(106)	(7)	14,193	14,080
Net movement in Capital works fund	(69)	-	-	-	(69)
Transfer to Payables	(462)	-	-	-	(462)
Balance as at 30 June 2018	-	1,230	(204)	180,041	181,067

The notes on pages 15 to 33 are an integral part of these financial statements.

BaptistCare NSW & ACT

Statement of cash flows
for the year ended 30 June 2018

In thousands of AUD	Note	**2018**	**2017**
Cash flows from operating activities			
Cash receipts from residents, clients, government subsidies and other income		264,356	257,795
Cash paid to suppliers, residents and employees		(248,447)	(252,309)
Cash generated from operations		15,909	5,486
Dividends received		459	455
Interest received		5,354	6,125
Net cash from operating activities		21,722	12,066
Cash flows from investing activities			
Payments for property, plant and equipment		(30,099)	(59,446)
Payments for intangible assets		(1,701)	(2,144)
Proceeds from disposal of property, plant and equipment		1,180	1,429
Proceeds from sale of assets held for sale		24,154	3,275
Proceeds from sale of option over assets held for sale		-	1,473
Proceeds from disposal of equity instruments at FVOCI		-	2,048
Investment in interest bearing deposits		(25,322)	(62,145)
Investment in equity securities		(18,190)	-
Net cash used in investing activities		(49,978)	(115,510)
Cash flows from financing activities			
Net cash inflow from residential aged care accommodation bonds		30,659	43,677
Net cash inflow from retirement village ingoing contributions		6,314	56,177
Net cash inflow from drawdown of loan facility		-	2,726
Net cash outflow from facility fees		-	(2,890)
Payment of finance lease liabilities		(719)	(961)
Net cash from financing activities		36,254	98,729
Net increase/(decrease) in cash and cash equivalents		7,998	(4,715)
Cash and cash equivalents at beginning of year		13,737	18,452
Cash and cash equivalents at end of year	8	21,735	13,737

The notes on pages 15 to 33 are an integral part of these financial statements.

Index to notes to the financial statements

Notes to the financial statements
for the year ended 30 June 2018

1. Reporting entity

BaptistCare NSW & ACT (the "Company") is a public company limited by guarantee and is recognised as a Public Benevolent Institution domiciled in Australia. The address of the Company's registered office is 22 Brookhollow Avenue, Baulkham Hills, NSW 2153. The financial statements are as at and for the year ended 30 June 2018.

The Company is a not-for-profit entity and is primarily involved in the provision of aged and community care.

2. Basis of preparation

(a) Statement of compliance

In the opinion of the Directors, the Company is not publicly accountable. The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profit Commission Act 2012*. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements were approved by the Board of Directors on 24 September 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as equity securities and derivatives, which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(i) Recognition and initial measurement

Receivables issued are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when the Company becomes a part to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3. Summary of significant accounting policies (continued)

(a) Financial Instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except if in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice. This includes whether management's strategy focuses on earning contractual interest income, frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Financial assets that held for strategic purposes are measured at FVOCI.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

3. Summary of significant accounting policies (continued)

(a) Financial Instruments (continued)

Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Non-derivative financial liabilities – Measurement

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in OCI.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedge item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

3. Summary of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within the statement of profit or loss and other comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised as property expenses in the statement of profit or loss and other comprehensive income as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	25-40 years
• Leasehold improvements	3-40 years
• Plant, furniture and equipment	3-10 years
• Computer equipment	3-5 years
• Motor Vehicles	5-10 years
• Leased land	Lease term

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(c) Intangible assets

(i) Computer software

Computer software is recognised as an intangible asset unless the software is integral to the operation of the related property, plant and equipment. Computer software treated as an intangible asset is initially recognised at cost and subsequently measured at cost less accumulated amortisation and any accumulated impairment loss (see note 3(f)(ii)).

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in property expenses in the statement of profit or loss and other comprehensive income as incurred.

3. Summary of significant accounting policies (continued)

(c) Intangible assets (continued)

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value. Amortisation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer software	3-5 years
Service concession arrangement	20 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(d) Leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases and the leased assets are not recognised in the Company's statement of financial position.

Long-term land leases are recognised at the notional fair value of the leased land in the statement of financial position. This is offset by deferred contribution income from the lessor of the same amount, which is also recognised in liabilities. Both the asset and the liability are amortised over the term of the lease.

(e) 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, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Impairment

(i) Financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets (e.g. bid costs).

The Company measures loss allowances at an amount equal to lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

3. Summary of significant accounting policies (continued)

(f) Impairment (continued)

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets (e.g. bid costs).

The Company measures loss allowances at an amount equal to lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for expected credit losses in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying value of the assets.

Write off

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash-generating unit to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in impairment loss in the statement of profit or loss and other comprehensive income.

3. Summary of significant accounting policies (continued)

(f) Impairment (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the statement of profit or loss and other comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not depreciated.

(h) Employee benefits

(i) Defined contributions plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in the statement of profit or loss and other comprehensive income in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value and the fair value of any related assets is deducted.

The provision for employee benefits for long service is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national corporate bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company 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.

3. Summary of significant accounting policies (continued)

(i) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Make good

A make good provision is recognised when the Company enters into a lease contract that requires the property to be returned to the lessor in its original condition. The provision is based on the expected future cost of the refurbishment discounted to reflect current market assessments.

(ii) Restructuring – redundancies

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided.

(iii) Onerous operating lease contracts

A provision for onerous operating lease contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(j) Revenue

(i) Recurrent government subsidies and contributions

Recurrent government subsidies and contributions are recognised as income when the Company has an unconditional right to receive and the Company complies with the conditions associated.

(ii) Gross income from residents and clients

Gross income from residents and clients is recognised as income when services provided to residents and clients are rendered.

(iii) Daily accommodation payments (DAP)

The daily price of a room is calculated based on the lump sum RAD and the current interest rate (MPIR) at the time of admission. The DAP is subject to fluctuation depending on interest rate movements.

(iv) Refundable accommodation deposit

Persons entering an aged care facility may choose to pay a refundable accommodation deposit in lieu of having to pay a daily accommodation payment. Refundable accommodation deposits are held by the Company in the form of interest free loans from residents and are repayable in full on separation from the facility.

(v) Ingoing contribution income

Persons entering independent living units within NSW are required to pay a loan licence fee in the form of an interest free loan, repayable in the event of vacation of the unit. The original loan made by a resident is reduced to an agreed residual value over a specified period as set out in the Resident Agreement, and in accordance with the Retirement Villages Act NSW 1999. For each resident, the loan reduction (retention) is recognised as revenue on a straight-line basis over the expected period of occupancy. The Company has no loan licence fees outside NSW.

3. Summary of significant accounting policies (continued)

(j) Revenue (continued)

(vi) Donations and legacies

General donations and legacies are recognised in the statement of profit or loss and other comprehensive income as revenue when received or when the Company has an unconditional right to receive.

(vii) Deferred income - Consumer Directed Care (CDC)

CDC services that have not been utilised during the period are reported as deferred income.

(k) Retirement villages income and expenditure

The Company maintains separate resident statements of income and expenditure in accordance with the Retirement Villages Act 1999 (NSW) (the Act). The resident income and expenditure is controlled by the residents' committees. The Company records the net surplus on the income and expenditure statement as a liability to the individual village. The Company is required to make good any deficit of a retirement village in accordance with the Act.

(l) Lease payments

Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. The notional fair value of long-term land lease rentals is recognised as an expense in the statement of profit or loss and other comprehensive income. This is offset by contribution income from the lessor of the same amount, which is also recognised in the statement of profit or loss and other comprehensive income.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested, and dividend income. Interest income is recognised as it accrues in finance income in the statement of profit or loss and other comprehensive income, using the effective interest method. Dividend income is recognised in finance income in the statement of profit or loss and other comprehensive income on the date that the Company’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise the unwinding of the discount on finance leases and interest expense on the loan which is recognised using the effective interest method.

(n) Income tax

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

3. Summary of significant accounting policies (continued)

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

(i) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

AASB15 is effective for annual reporting periods beginning on or after 1 January 2019. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 15.

(ii) AASB 16 Leases

AASB 16 provides a new model for accounting for leases. The amendment removes the distinction between operating and finance leases. Lessees will be required to bring all leases on to the statement of financial position. Lessor accounting remains largely unchanged.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Company is assessing the impact on its financial statements resulting from the application of AASB 16.

(iii) AASB 1058 Income of Not-for-Profit Entities

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15. The requirements of AASB 1058 more closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation.

AASB 1058 is effective for annual reporting periods beginning on or after 1 January 2019. The Company is assessing the impact on its financial statements resulting from the application of AASB 1058.

4. Revenue

In thousands of AUD	**2018**	**2017**
Recurrent government subsidies and contributions	196,900	194,653
Gross income from residents and clients	48,810	49,555
Accommodation and ingoing contribution income	12,506	7,996
	258,216	252,204

5. Other income

In thousands of AUD	**2018**	**2017**
Net gain on sale of property, plant and equipment and assets held for sale	20,527	2,114
Donations and legacies - churches and personal	2,889	1,789
Rental income	1,816	1,878
Revenue from sale of goods	419	3,641
Fundraising	365	298
Other income	3,443	2,573
	29,459	12,293

Notes to the financial statements (continued)

for the year ended 30 June 2018

6. Personnel expenses

In thousands of AUD	2018	2017
Wages and salaries	149,608	146,750
Other associated personnel expenses	16,972	13,991
Workers compensation	3,307	2,879
Contributions to defined contribution plans	14,430	14,195
	184,317	177,815

7. Finance income and finance costs

In thousands of AUD	2018	2017
Interest on investments	7,618	6,093
Dividend income on equity securities	523	455
Other	-	32
Finance income	8,141	6,580
Unwinding of discount on finance lease	(126)	(164)
Finance costs	(126)	(164)
Net finance income	8,015	6,416

8. Cash and cash equivalents

In thousands of AUD	2018	2017
Cash at bank and on hand	201	482
Bank deposits at call	21,534	13,255
Cash and cash equivalents	21,735	13,737

9. Receivables

In thousands of AUD	2018	2017
Current		
Receivables - Clients	1,855	2,206
Receivables - Residents	2,076	8,140
Deposits Receivable	12,947	12,887
Other receivables and prepayments	11,719	10,290
Provision for bad and doubtful debts	(712)	(311)
	27,885	33,212
Non-current		
Other receivables and prepayments	1,996	1,996
	1,996	1,996

Notes to the financial statements (continued)
for the year ended 30 June 2018

The movement in the allowance for impairment in respect of receivables during the year was as follows:

In thousands of AUD	**2018**	**2017**
Balance at beginning of the year	311	302
Impairment loss recognised	630	230
Amounts written off	(229)	(221)
Balance at end of the year	712	311

10. Investments

In thousands of AUD	**2018**	**2017**
Current		
Interest bearing deposits	146,539	127,039
	146,539	127,039
Non-current		
Interest bearing deposits	112,322	106,500
Equity securities	24,955	6,871
	137,277	113,371

The carrying value of equity securities is equal to its fair value at 30 June 2018 and 30 June 2017.

11. Assets held for sale

In thousands of AUD	**2018**	**2017**
Land - Lot 101, Free Settlers Drive, Kellyville	900	-
Granville catering operation	-	980
Land - 28 Memorial Avenue, Kellyville	-	2,830
	900	3,810

During the year, the land at Memorial Avenue, Kellyville and the Granville operations were disposed of, resulting in a gain of $20,344,000 (refer note 5).

Notes to the financial statements (continued)
for the year ended 30 June 2018

12. Property, plant and equipment

In thousands of AUD	Freehold land & Improvements	Buildings	Plant, furniture & equipment	Computer equipment	Motor vehicles	Leased assets	Capital works in progress	Total
Cost or deemed cost								
Balance at 1 July 2017	59,532	386,075	70,045	9,210	10,967	23,301	20,810	579,940
Additions	101	621	2,733	501	190	91	25,862	30,099
Transfer (from) / to capital works in progress	-	15,274	3,195	-	-	208	(18,677)	-
Disposals	(2)	(44)	(2,798)	(36)	(2,342)	(3)	-	(5,225)
Reclassification	(35)	2,372	(1,613)	(10)	(687)	(27)	-	-
Transfer to assets held for sale	(900)	-	-	-	-	-	-	(900)
Balance at 30 June 2018	58,696	404,298	71,562	9,665	8,128	23,570	27,995	603,914
Depreciation								
Balance at 1 July 2017	84	94,924	37,962	7,997	5,072	11,715	-	157,754
Depreciation for the year	87	15,925	5,590	689	1,707	710	-	24,708
Disposals	-	(38)	(2,767)	(36)	(1,384)	(3)	-	(4,228)
Reclassification	152	1,830	(1,472)	(55)	(475)	20	-	-
Balance at 30 June 2018	323	112,641	39,313	8,595	4,920	12,442	-	178,234
Carrying amounts								
At 1 July 2017	59,448	291,151	32,083	1,213	5,895	11,586	20,810	422,186
At 30 June 2018	58,373	291,657	32,249	1,070	3,208	11,128	27,995	425,680

Notes to the financial statements (continued)

for the year ended 30 June 2018

13. Intangible assets

In thousands of AUD	Computer software	Service concession arrangement	Total
Cost			
Balance at 1 July 2017	17,248	2,547	19,795
Additions	1,701	-	1,701
Disposals	(4,394)	-	(4,394)
Balance at 30 June 2018	14,555	2,547	17,102
Amortisation			
Balance at 1 July 2017	13,056	892	13,948
Amortisation for the year	2,153	127	2,280
Disposals	(4,394)	-	(4,394)
Balance at 30 June 2018	10,815	1,019	11,834
Carrying amounts			
At 1 July 2017	4,192	1,655	5,847
At 30 June 2018	3,740	1,528	5,268

14. Payables

In thousands of AUD	2018	2017
Current		
Trade payables and accrued expenses	29,741	29,288
Capital works fund - Retirement Villages	462	-
Refundable residential aged care accommodation bonds	325,576	302,079
Refundable retirement village ingoing contributions	162,477	161,507
	518,256	492,874

Capital works fund – Retirement Village
In accordance with the Retirement Villages Act 1999 (NSW) (the Act) the operator of a retirement village may maintain a capital works fund. Section 99 (5) of the Act stipulates that the operator of the retirement village must not use the capital works fund except to meet the cost of capital maintenance, or as agreed by the residents of the retirement village, or as prescribed by the Regulations. The 2017 Capital works fund was recorded as an equity reserve.

Refundable residential aged care accommodation bonds and retirement village ingoing contributions
Residential aged care deposits (RADs) and accommodation bonds and retirement village ingoing contributions are classified as current liabilities as they may be contractually refundable within twelve months. It is anticipated that only a portion of the balance will be required to be repaid in that period and based on previous experience, the repayments are offset by inflows of accommodation bonds and ingoing contributions from residents.

15. Loans and borrowings

In thousands of AUD	**2018**	**2017**
Current		
Charitable loan funds	10	10
Finance lease liability	74	593
	84	603
Non-current		
Finance lease liability	1,649	1,723
Borrowings	847	-
	2,496	1,723

A $155,000,000 loan facility was established on 1 February 2017 to provide liquidity for the financing of the NSW State Government's Social and Affordable Housing Fund (SAHF) project. This includes a construction facility and term facility which will be drawn down in set tranches as each stage of SAHF progresses. The maturity date of the facility is 1 February 2023. The facility was drawn down by $2,726,000 as at 30 June 2018. Consistent with the accounting standards, the loan liability and loan transaction costs have been offset and are in a liability position of $847,000 at 30 June 2018.

In thousands of AUD	**2018**	**2017**
Finance lease liabilities		
Future minimum lease payments:		
Less than one year	74	593
Between one and five years	532	475
More than five years	1,117	1,248
	1,723	2,316

16. Employee benefits

In thousands of AUD	**2018**	**2017**
Current		
Salary, wages and superannuation payable	5,859	5,706
Liability for annual leave	13,062	12,868
Liability for long-service leave	9,294	8,274
	28,215	26,848
Non-current		
Liability for long-service leave	2,465	2,367
	2,465	2,367

Notes to the financial statements (continued)

for the year ended 30 June 2018

17. Provisions

In thousands of AUD	Onerous operating lease contract	Make good	Other	Total
Balance at 1 July 2017	766	1,335	92	2,193
Provisions made during the year	425	1,691	995	3,111
Provisions used during the year	(320)	-	(92)	(412)
Provisions reversed during the year	-	(34)	-	(34)
Balance at 30 June 2018	871	2,992	995	4,858

Onerous operating lease contract provision

A provision has been made to relocate and house Kitty Doyle residents, with whom leases are held, during construction of new dwellings on site as part of the Social and Affordable Housing Fund (SAHF) program with the NSW Government.

Make good provision

The Company has operating leases that require the asset to be returned to the lessor in its original condition. A provision has been recognised at present value for the expected cost of refurbishment.

18. Deferred income

In thousands of AUD	2018	2017
Current		
Government grants	213	213
Government contributions	66	66
Client funds - Consumer Directed Care	11,303	8,769
Independent Living Unit Deferred Management Fees (ILU DMF)	1,639	650
	13,221	9,698
Non-current		
Government grants	6,824	7,037
Government contributions	5,203	5,270
Independent Living Unit Deferred Management Fees (ILU DMF)	4,416	4,912
	16,443	17,219

In 2011, the Company received $8,530,000 for the construction of community housing at Goulburn and Lismore. The grant has been recognised as deferred income and is being amortised over forty years. The Company has agreed to provide the community housing for a period of 40 years and this obligation is secured by way of registered mortgages over the relevant properties. At the end of 40 years, the mortgages will be discharged and the properties will belong unencumbered to the Company.

19. Reserves

Fair value reserve
The fair value reserve includes the cumulative net change in the fair value of equity securities until the investment is derecognised or impaired.

Hedging reserve
Under the terms of the Social and Affordable Housing Fund (SAHF) financing facility, the Company is required to maintain an interest rate hedging strategy to address the risk of adverse interest rate movements. The hedging reserve includes the difference between the change in the fair value of the loan to that of the hedging instrument.

20. Operating leases

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	**2018**	**2017**
Less than one year	1,780	1,483
Between one and five years	3,639	3,289
More than five years	870	1,362
	6,289	6,134

The Company leases a number of properties under operating leases. The duration of the leases are between one and ten years and some leases include options to renew. Lease agreements may include fixed increases or may include contingent rentals based on market review or the Consumer Price Index.

During the financial year ended 30 June 2018, $2,657,000 (2017: $3,071,000) was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases. This includes a provision of $425,000 for the accommodation of the Kitty Doyle residents during the construction of new facilities.

The Company has two long-term operating leases of land in Queanbeyan and Goulburn with the State of New South Wales. The lease terms are both for 40 years, with no option to renew and the Company pays a nominal rent to the lessor. The notional fair value of the approximate lease rentals amounting to $178,000 (2017: $178,000) has been recognised as an expense in the statement of profit or loss and other comprehensive income. However, this is offset by contribution income from the lessor of the same amount, which is also recognised in the statement of profit or loss and other comprehensive income. Accordingly, there is no net impact on the net result for the current and previous years.

21. Capital and other commitments

In thousands of AUD	**2018**	**2017**
Capital expenditure commitments	167,564	185,214

Included in capital expenditure commitments are costs for the design and construction for major projects associated with the Social and Affordable Housing Fund (SAHF) program.

22. Financial instruments – Fair values and risk management

Accounting classifications

The following table shows the carrying amounts per category of financial assets and financial liabilities.

In thousands of AUD	2018 Fair value – hedging instruments	2017 Fair value – hedging instruments
Interest rate swaps used for hedging	(204)	(197)

Derivative assets and liabilities designated as cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedges are *expected to occur* and the fair values of the related hedging instruments.

	2018 Expected cash flows			2017 Expected cash flows		
In thousands of AUD	Carrying amount	12 months or less	More than one year	Carrying amount	12 months or less	More than one year
Interest rate swaps used for hedging	(204)	-	(204)	(197)	-	(197)

The following table indicates the periods in which the cash flows associated with cash flow hedges are *expected to impact profit or loss* and the fair values of the related hedging instruments.

	2018 Expected impact			2017 Expected impact		
In thousands of AUD	Carrying amount	12 months or less	More than one year	Carrying amount	12 months or less	More than one year
Interest rate swaps used for hedging	(204)	-	(204)	(197)	-	(197)

Market risk

Interest rate risk

Consistent with the requirements of the loan facility agreement, the Company hedges its interest rate risk exposure over the debt agreement.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Company assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Notes to the financial statements (continued)
for the year ended 30 June 2018

23. Contingencies

Where Government capital grants have been made towards buildings, they may be refundable to the Government in the event of sale of the property on which these buildings have been constructed or in the event of a change in the usage of the property for purposes not in accordance with the grants. Directors have no future plans which would trigger the refund of capital grants.

24. Related parties

Key management personnel compensation
The key management personnel compensation included in 'personnel expenses' (see note 6) was $2,477,581 for the year ended 30 June 2018 (2017: $2,453,766).

As part of their remuneration package, the Company also provides non-cash benefits to key management personnel and contributes to a superannuation fund on their behalf.

Transactions with other related parties
B.C.S. Foundation Pty. Limited acts as a trustee and custodian trustee for six charitable trusts, including the BCS Foundation. These trusts collectively distributed $933,275 (2017: $816,856) during the year ended 30 June 2018 to the Company.

During the year, Church & Grace acted for the Company in relation to several legal matters and received fees for the services provided. A Director of the Company, John Church is a consultant to Church & Grace but has no equity or beneficial interest in the firm and was not involved, directly or indirectly, in the provision of legal services to the Company and received no benefit in relation to these services. All transactions with Church & Grace were conducted at arm's length.

25. Subsequent events

There have been no events subsequent to the balance date which would have a material effect on the Company's financial statements at 30 June 2018.

Directors' declaration

In the opinion of the Directors of BaptistCare NSW & ACT (the Company):

(a) the financial statements and notes that are set out on pages 10 to 33 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2018 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 Commission Regulation 2013*; and

(b) 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 Directors.

J. A. Carpenter

Judith Carpenter

Director – Chairperson

Dated at Sydney, this 24th day of September 2018

Independent Auditor's Report

To the members of BaptistCare NSW & ACT

Opinion

We have audited the Financial Report, of BaptistCare NSW & ACT (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

i. giving a true and fair view of the Company's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year ended on that date; and

ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The Financial Report comprises:

i. Statement of financial position as at 30 June 2018;

ii. Statement of profit or loss and other comprehensive income, Statement of changes in funds, and Statement of cash flows for the year then ended;

iii. Notes including a summary of significant accounting policies; and

iv. Directors' declaration of the Company.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in BaptistCare's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.

ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

iii. Assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.

Our responsibilities include:

i. Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.

ii. Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

iii. Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.

iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

KPMG

Our responsibilities include:

i. Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.

ii. Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

iii. Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.

iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

v. Concluding on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.

vi. Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

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Stephen Isaac
Partner

Sydney
24 September 2018