



Financial Report

2016

*Care you
can trust.*





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Directors' report

The Directors present their report together with the financial statements of BaptistCare NSW & ACT (the Company) for the financial year ended 30 June 2016 and the auditor's report thereon.

1. Directors

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

Graham Henderson

MB BS FRCS FRCOG FRANZCOG

Grad Dip Div MAICD

Chairperson

Gynaecologist

Board Member from July 1995

Chairperson from December 2008

Member of the Audit & Risk Committee from February 2009

Member of the Governance & Nominations Committee from November 2007

Member of the Social & Affordable Housing Fund Committee from 30 May 2016

Member of Carlingford Baptist Church

Judith Carpenter

BA TCert MIMCA MAICD

Vice Chairperson

Human Resources Consultant

Board Member from July 2002

Vice Chairperson from September 2009

Member of the Remuneration & Performance Committee from May 2003 and Committee Chairperson from July 2010

Director of Bedford College

Member of Ashfield Baptist Church

John Church

FFin FCIS FAICD FTIA

Solicitor, Public Notary &

Company Director

Board Member from September 1984

Member of the Audit & Risk Committee from May 1992

Member of the Governance & Nominations Committee from November 2009

Member of the Social & Affordable Housing Fund Committee from 30 May 2016

Trustee of BCS Foundation from November 1999

Director of B.C.S. Foundation Pty. Limited from November 1999

Consultant to Church & Grace

Director of Milton Corporation Limited

Member of Gordon Baptist Church

Judy Clendinning

BCom DipEd MACC MACA

Relationship & Family Counsellor

Board Member from November 2013

Member of Audit & Risk Committee from November 2014

Member of Northside Baptist Church

Craig Collins

BBus (Land Economics)

Chief Executive Officer

Hospitality Sector Company

Board Member from November 2012

Member of the Social & Affordable Housing Fund Committee from 30 May 2016

Trustee of BCS Foundation from December 2012 to 16 November 2015

Director of B.C.S. Foundation Pty. Limited from December 2012 to 16 November 2015

Member of Epping Baptist Church

Corinne Glasby*BEC FIAA*

Actuary

Board Member from June 2007

Member of the Audit & Risk Committee from November 2007

Chairperson of the Audit & Risk Committee from 1 January 2016 to 28 August 2016

Member of the Social & Affordable Housing Fund Committee from 30 May 2016

Trustee of BCS Foundation from December 2010

Director of B.C.S. Foundation Pty. Limited from December 2010

Member of Epping Baptist Church

Ian Jackson*EdD MA MEd BA DipEd**MaPS MAICD*

Consultant – Special Schools

Non-government

Education Organisation

Board Member from November 2013

Trustee of BCS Foundation from 13 January 2016

Director of B.C.S. Foundation Pty. Limited from 13 January 2016

Member of Mortdale-Oatley Baptist Church

Peter Murphy*BBus MCom MA (Christian Studies)**FCPA GAICD*

Chief Executive Officer

Profit for Members

Superannuation Fund

Board Member from 18 April 2016

Member of the Audit & Risk Committee from 18 April 2016 and Committee Chairperson from 29 August 2016

Chairperson of the Social & Affordable Housing Fund Committee from 30 May 2016

Director of Responsible Investment Association of Australasia

Director of Brightlight Holdings

Director of Brightlight Foundation

Director of Brightlight Impact Advisory

Member of Blakehurst Baptist Church

Gregory Sheridan*Licensed Builder*

Project Manager /

Building Consultant

Board Member from July 2012

Member of the Remuneration & Performance Committee from November 2012

Member of the Social & Affordable Housing Fund Committee from 30 May 2016

Member of Dural Baptist Church

Ian Wilson OAM*BHealthScience(Mgt)**Dip Health Admin*

Retired Aged Care/

Community Services

Chief Executive Officer

Board Member from March 2010

Chairperson of the Governance & Nominations Committee from November 2010

Member of Kiama Baptist Church

DIRECTORS' REPORT (CONTINUED)

Ruth Wilson <i>BSocialStudies</i> Retired Aged Care Policy Adviser	Board Member from December 2012 Member of the Governance & Nominations Committee from November 2013 Member of Woonona Baptist Church
Robyn Worsley <i>RN</i> Quality Manager Calvary Ryde Retirement Community	Board Member from 21 March 2016 Member of the Remuneration & Performance Committee from 18 April 2016 Member of Carlingford Baptist Church
Robert Dunn <i>BA(Hons) CA</i> Chief Executive Officer International Aid & Development Organisation	Board Member from July 2004 to 31 December 2015 Chairperson of the Audit & Risk Committee from July 2004 to 31 December 2015 Member of the Remuneration & Performance Committee from July 2004 to 31 December 2015 Member of Castle Hill Baptist Church

2. Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board		Audit & Finance Committee		Remuneration & Performance Committee		Governance & Nominations Committee		Social & Affordable Housing Fund Committee	
	A	B	A	B	A	B	A	B	A	B
Graham Henderson	11	12	4	4	-	-	1	1	1	1
Judith Carpenter	12	12	-	-	2	2	-	-	-	-
John Church	11	12	4	4	-	-	1	1	1	1
Judy Clendinning	10	12	2	4	-	-	-	-	-	-
Craig Collins	9	12	-	-	-	-	-	-	1	1
Corinne Glasby	9	12	3	4	-	-	-	-	1	1
Ian Jackson	12	12	-	-	-	-	-	-	-	-
Peter Murphy	3	3	1	1	-	-	-	-	1	1
Gregory Sheridan	10	12	-	-	1	2	-	-	1	1
Ian Wilson	8	12	-	-	-	-	1	1	-	-
Ruth Wilson	11	12	-	-	-	-	-	1	-	-
Robyn Worsley	4	4	-	-	-	-	-	-	-	-
Robert Dunn*	6	7	1	2	1	1	-	-	-	-

*Resigned during the financial year

A - Number of meetings attended

B - Number of meetings held during the time the Director held office during the year

3. Board of Directors

The Members of BaptistCare NSW & ACT elect the Board from among its Membership. Company Members must be Members of Baptist Churches affiliated with The Association of Baptist Churches of NSW & ACT.

The Board currently comprises 12 Directors (the maximum number) who serve in a voluntary capacity subject to the Constitution and the *Australian Charities and Not-for-profits Commission Act 2012*. The Directors are elected for an approximate three year term. One third of the Board retires each year, but may be re-elected. No person is entitled to be a Director for more than four consecutive terms (as defined in the Constitution) and the chair can serve for a maximum of two consecutive terms of three years, plus up to one additional year if the Board so determines.

Each Director has a duty to ensure that the management of the Company is competent, ethical and prudent. At all times their duty is to act honestly and in good faith to advance the interests of the Company.

Board functions

The Board takes responsibility for corporate governance. The functions of the Board include:

- Reviewing and approving corporate strategies, the annual budget and financial plans;
- Overseeing and monitoring organisational performance including approving the annual financial report and liaising with the Company's auditor;
- Appointing the Chief Executive Officer and assessing the performance and remuneration of the Chief Executive Officer and Members of the senior management team;
- Ensuring effective management processes and approving major corporate initiatives;
- Enhancing and protecting the reputation of the organisation;
- Ensuring the significant risks facing the Company have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place; and
- Reporting to Members.

The Board has established the following committees:

- Audit & Risk Committee;
- Remuneration & Performance Committee;
- Governance & Nominations Committee; and
- Social & Affordable Housing Committee.

Audit & Risk Committee

The Audit & Risk Committee currently consists of 5 Directors. Its principal functions are to:

- Review the annual financial statements, including review and discussion with the external auditor regarding their audit engagement;
- Recommend the appointment of the external auditor;
- Review the annual budget and recommend its approval to the Board;
- Review and monitor the Treasury function including the investment policy and procedures;
- Review the performance reports against budget prepared by management;
- Monitor cash flows and capital expenditure;
- Review the adequacy of the insurance portfolio;

DIRECTORS' REPORT (CONTINUED)

- Monitor risk profile developed by management (with assistance from the external auditors as appropriate) covering the principal enterprise-wide risks, including strategic, operational, legal and financial;
- Oversee the risk management system including its resourcing and review the operational effectiveness of the policies and procedures relating to risk and control; and
- Review the effectiveness of approach to achieving compliance with laws, regulations, industry codes, contracts and company policies including quality assurance programs.

Remuneration & Performance Committee

The Remuneration & Performance Committee currently consists of 3 Directors. Its principal functions are to:

- Advise the Board on remuneration strategy, policies and practices generally;
- Monitor remuneration strategy to ensure it enhances performance, reflects the needs of all stakeholders and the principles of good corporate governance as well as the missional nature of the Company;
- Monitor the performance on the Chief Executive Officer (CEO) against agreed performance measures and the performance review process for the senior management team;
- Make specific recommendations on the remuneration and other terms of employment of the CEO and Members of the senior management team; and
- Review and advise the Board on succession planning for the CEO and the senior management team.

Governance & Nominations Committee

The Governance & Nominations Committee currently consists of 4 Directors and advises the Board on:

- Ethical standards and corporate governance policies and practice; and
- Board composition, succession and performance.

Social & Affordable Housing Fund Committee

The Social & Affordable Housing Fund Committee currently consists of 6 Directors and advises the Board on:

- Interactions with Management to enable timely key decision making at critical points in the development and lodgement of the Request For Proposal {Family and Community Services (FACS) NSW}.

Management

Responsibility for implementing strategies approved by the Board and day-to-day management of the Company has been delegated by the Board to the Chief Executive Officer.

4. 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 make an application for Membership;
- On application to the Board, Life Membership is available where donations totalling \$500 or more are received by the Company in one donation, or such greater amount as the Company in general meeting shall prescribe; and

- Members of the Assembly Council of The Association of Baptist Churches of NSW & ACT are also entitled to apply for Membership (which would apply during the term of their respective offices).

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 160 Members (2015: 161 Members) including 22 Honorary Life Members (2015: 24 Honorary Life Members).

The Company is a company limited by guarantee. The Company's Constitution (clause 1.6) states that every Member has a liability in the case of a winding-up. The extent of the liability of any Member under the guarantee is a sum not exceeding \$100 per Member, provided that in the case of persons who were Members on or before 20th March 1992 the amount shall not exceed 10 cents. The total amount that Members of the Company are liable to contribute as at 30 June 2016 is \$15,101 (2015: \$15,101).

5. Principal activities

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.

The principal activities of the Company during the course of the financial year were providing:

- Residential Care for older people;
- Home services for older people and disability participants;
- Retirement Village Units;
- Community housing; and
- A range of other care services including carer respite, community centres, counselling services (relationship, family counselling, domestic violence intervention services) and chaplaincy services.

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

6. 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 organisation for the period 2016 to 2020, taking into account the key trends in society, along with the challenges and opportunities that are before us as a care provider. The plan is reviewed annually.

Inequality is growing in Australia, with income and wealth becoming more concentrated in the hands of fewer people over the past two decades. The rising needs of the 'working poor', particularly single parent families and older people impacted by housing stress, along with a forecast of rising living costs and wage stagnation, can be expected to create growing situational distress, and therefore demand for BaptistCare services.

DIRECTORS' REPORT (CONTINUED)

The Plan focuses the Company's service areas on how they can best serve our target customer groups:

- 1 Communities living with disadvantage and marginalisation;
- 2 People experiencing situational distress;
- 3 Older People; and
- 4 Carers.

BaptistCare's Purpose will be fulfilled by focusing on meeting the needs of the target customer groups, through the services provided in our core service areas.

<u>Core Service Area:</u>	<u>BaptistCare Business Stream:</u>
Chaplaincy	All Business Streams Community Services
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

BaptistCare's preferred approach to delivering 'Care you can trust' and meeting the changing needs of customers is an integrated approach to service delivery that enables the organisation to organise its range of services around individual customers. This approach is facilitated by outstanding customer service, care planning, and development of our people; both 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 housing units that will focus on housing for women and children transitioning to living independently after experiencing domestic violence, and older people at risk of homelessness;
- 2 To develop our ability to deliver integrated 'wrap around' housing support services that include Chaplaincy, case management, social and financial inclusion, and counselling, in all locations where social housing is provided;
- 3 To empower the customer to achieve change, through an integrated, community based, 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 village portfolio through both development and acquisition, while aiming to offer a continuum-of-care to customers, and filling the emerging gap in the market that was formerly occupied by low-care residential hostels;
- 6 To increase the focus on meeting missional needs for Residential Aged Care services, and continue to invest 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.

The Company measures its performance through the establishment and monitoring of indicators and benchmarks, which are regularly reported to the senior management and the Board. These include:

- Client surveys for each area of our operations;
- Staff turnover and responses to the biennial Staff Satisfaction Survey;
- Work, Health and Safety measurements, incidents and lost time incident frequency rate;
- 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.

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

7. Operating and financial review

Result of operations

The operating surplus of the Company for the year ended 30 June 2016 was \$8,467,000 (2015: \$3,468,000).

Review of operations

During the year:

- An average of 1,682 residents were cared for in the Company's aged care facilities, 32% of whom were supported concessional residents;
- 80 new luxury independent living apartments were unveiled in November 2015 at Kellyville's award winning community, The Gracewood;
- Orana's \$23 million re-development and new 60 bed wing welcomed residents in March 2016; With its modern new look and premium features Orana has become one of the Central Coast's superior aged care facilities;
- Our largest ever upgrade of Parkes-based BaptistCare Niola Centre commenced in March 2016, with a \$10 million refurbishment program;
- Garimaleh Place, comprising 20 new units in Lismore, was completed in May 2016 increasing our Community Housing portfolio to 166 dwellings in seven locations across NSW – representing growth of 60% over the past five years;
- 46,780 meals were served in our facilities and over 6,400 food parcels were distributed;
- Our team of 1,100 home care workers delivered over 890,000 hours of support to people in their own homes;

DIRECTORS' REPORT (CONTINUED)

- The YouChoose app (www.youchoose.org.au) was launched to the community on behalf of the Home Services Division in April 2016;
- BaptistCare's Support Services & Community Services teams were accredited as a White Ribbon Workplace in June 2016;
- 629 No Interest Loans (NILS program) were approved to a total value of \$0.6 million;
- 348 Low Interest Loans (StepUP program) were approved to a total value of \$1.0 million; and
- BaptistCare HopeEnterprises, an enterprise offering people a sustainable pathway out of long term unemployment, was launched.

For an interactive and comprehensive review of the Company's 2015/16 operating year, visit www.baptistcareannualreport2016.org.au.

8. Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the business that occurred during the financial year under review.

In February 2017, Home Care Packages (HCP) will become deregulated with package allocations to specific providers being revoked. Consumers will consequently hold the package allocation and have the ability to choose their preferred provider. The impact of this change will result in any surplus funds remaining to be returned to the Department of Social Services and Consumer on exit from the packages. This is a change from prior years where any surplus funds were able to be retained and recognised as revenue.

9. Events subsequent to reporting date

On 17 August 2016, the Company submitted a proposal to build 500 units under the NSW State Government's Social and Affordable Housing Plan. If the proposal is successful the construction will occur over a 3 year period. The Company will borrow approximately \$153 million to assist with financing the project. There have been no other events subsequent to balance date which would have a material effect on the Company's financial statements at 30 June 2016.

10. 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.

11. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' report for the financial year ended 30 June 2016.

12. Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and in accordance with that Corporations 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:



Judith Carpenter
Director - Vice Chairperson
Dated at Sydney, this 26th day of September 2016

Auditor's Independence Declaration



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 2016, 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.

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Stephen Isaac
Partner

Sydney

26 September 2016

Statement of comprehensive income

In thousands of AUD

	Note	2016	2015
Recurrent government subsidies and contributions		188,225	192,333
Gross income from residents and clients		50,640	47,971
Accommodation and ingoing contribution income		9,854	9,178
Donations and legacies – churches and personal	5	1,943	1,863
Other income	6	9,855	8,984
Revenue and other income		260,517	260,329
Personnel expenses	7	(180,638)	(183,740)
Property expenses		(18,340)	(20,578)
Depreciation and amortisation expenses	13,14	(23,443)	(18,463)
Impairment of property, plant and equipment	13	(1,668)	(4,142)
Housekeeping expenses		(12,737)	(11,997)
Catering expenses		(11,775)	(10,048)
Communication expenses		(1,610)	(1,527)
Motor vehicle expenses		(1,281)	(1,400)
Net gain/(loss) on sale of property, plant and equipment and intangible assets		5,761	(89)
Other expenses		(13,488)	(11,580)
Expenses		(259,219)	(263,564)
Surplus/(deficit) before net finance income		1,298	(3,235)
Finance income		7,370	6,869
Finance costs		(201)	(166)
Net finance income	8	7,169	6,703
Surplus for the year		8,467	3,468
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		(632)	24
Net change in fair value of available-for-sale financial assets transferred to profit or loss		-	(2)
Total comprehensive income for the year		7,835	3,490

The notes on pages 20 to 39 are an integral part of these financial statements.

Statement of financial position

In thousands of AUD

	Note	2016	2015
Assets			
Cash and cash equivalents	9	18,452	24,932
Receivables	10	23,139	14,981
Inventories		185	182
Investments	11	126,239	129,139
Assets held for sale	12	4,062	7,354
Total current assets		<u>172,077</u>	<u>176,588</u>
Investments	11	53,863	37,596
Property, plant and equipment	13	387,424	337,630
Intangible assets	14	7,213	9,141
Total non-current assets		<u>448,500</u>	<u>384,367</u>
Total assets		<u>620,577</u>	<u>560,955</u>
Liabilities			
Payables	15	399,741	349,366
Loans and borrowings	16	746	707
Employee benefits	17	25,566	27,160
Provisions	18	3,251	5,239
Deferred income	19	6,470	279
Total current liabilities		<u>435,774</u>	<u>382,751</u>
Loans and borrowings	16	2,316	3,052
Employee benefits	17	2,927	3,049
Deferred income	19	12,585	12,864
Total non-current liabilities		<u>17,828</u>	<u>18,965</u>
Total liabilities		<u>453,602</u>	<u>401,716</u>
Net assets		<u>166,975</u>	<u>159,239</u>
Accumulated funds			
Reserves	20	1,520	2,251
Retained earnings		165,455	156,988
Total accumulated funds		<u>166,975</u>	<u>159,239</u>

The notes on pages 20 to 39 are an integral part of these financial statements.

Statement of changes in funds

<i>In thousands of AUD</i>	Capital works fund - Retirement Villages	Fair value reserve	Other reserve	Retained surplus	Total funds
Balance as at 1 July 2014	445	1,538	1,545	151,898	155,426
Surplus for the year	-	-	-	3,468	3,468
Other comprehensive income <i>Items that may be reclassified subsequently to profit or loss:</i>					
Change in fair value of available-for-sale financial assets	-	22	-	-	22
Total comprehensive income for the year	-	22	-	3,468	3,490
Capital works fund from Angus Bristow Village	167	-	-	156	323
Transfer to retained surplus	79	-	(1,545)	1,466	-
Balance as at 30 June 2015	691	1,560	-	156,988	159,239
Balance as at 1 July 2015	691	1,560	-	156,988	159,239
Surplus for the year	-	-	-	8,467	8,467
Other comprehensive income <i>Items that may be reclassified subsequently to profit or loss:</i>					
Change in fair value of available-for-sale financial assets	-	(632)	-	-	(632)
Total comprehensive income for the year	-	(632)	-	8,467	7,835
Capital works fund to Retirement Villages	(99)	-	-	-	(99)
Balance as at 30 June 2016	592	928	-	165,455	166,975

The notes on pages 20 to 39 are an integral part of these financial statements.

Statement of cash flows

In thousands of AUD

	Note	2016	2015
Cash flows from operating activities			
Cash receipts from residents, clients, government subsidies and other income		255,924	267,129
Cash paid to suppliers, residents and employees		(245,845)	(234,504)
Cash generated from operations		10,079	32,625
Dividends received		565	639
Interest received		6,804	8,360
Net cash from operating activities		<u>17,448</u>	<u>41,624</u>
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(79,067)	(36,098)
Proceeds from sale of assets held for sale		10,100	-
Proceeds from sale of option over assets held for sale		1,200	-
Proceeds from disposal of property, plant and equipment		2,410	8,709
Acquisition/(Proceeds) from bank bills and deposits		(13,999)	(35,039)
Proceeds from disposal of available-for-sale financial assets		1	4,130
Proceeds from disposal of intangible assets		3,488	-
Acquisition of intangible assets		(910)	-
Payments for purchasing net assets from Kitty Doyle Home Units Trust and Angus Bristow Retirement Village		-	(4,000)
Net cash used in investing activities		<u>(76,777)</u>	<u>(62,298)</u>
Cash flows from financing activities			
Net cash inflow from residential aged care accommodation bonds		45,267	3,949
Net cash inflow from retirement village ingoing contributions		8,579	28,906
Payment of finance lease liabilities		(997)	(1,098)
Net cash from financing activities		<u>52,849</u>	<u>31,757</u>
Net (decrease)/increase in cash and cash equivalents		(6,480)	11,083
Cash and cash equivalents at beginning of year		24,932	13,849
Cash and cash equivalents at end of year	9	<u>18,452</u>	<u>24,932</u>

The notes on pages 20 to 39 are an integral part of these financial statements.

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Notes to the financial statements

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 2016.

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 26 September 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as available-for-sale, 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, dated 24 March 2016 and in accordance with that Corporations 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.

(e) Reclassification of prior year

Management of the Company, while preparing financial statements of the Company for the year ended 30 June 2016, reclassified Government concessional subsidies of \$9,344,000 in the prior year from other income to ‘Recurrent government subsidies and contributions in

the Statement of comprehensive income and Operating Segments note (Note 4). This change better reflects the nature of the balance.

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) *Non-derivative financial assets*

The Company initially recognises loans and receivables and deposits on the date that they originate. All other financial assets are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that are created or retained by the Company is recognised as a separate asset or liability.

The Company has the following non-derivative financial assets: held-to-maturity financial assets, receivables (excluding prepayments), cash and cash equivalents and available-for-sale financial assets.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Receivables (excluding prepayments)

Receivables are recognised initially at fair value and are subsequently measured at amortised cost, less any impairment losses (see note 3(f)).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value, and are used by the Company in the management of its short-term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories of financial assets. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(f)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to net finance income in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)**(a) Financial instruments (continued)***(ii) Non-derivative financial liabilities*

Financial liabilities are recognised initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings and payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Trade payables and accrued expenses

Trade payables and accrued expenses are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled within 30 to 45 days.

Refundable accommodation deposits (RAD) and accommodation bonds

RADs and accommodation bonds are repayable to the departing person or their estate in accordance with the applicable Aged Care legislation, generally within 14 days, except in the case of death when subject to probate. The liability for accommodation bonds is carried at the amount that would be payable on the departure of the resident.

*Refundable retirement village ingoing contributions***Pre 30 October 1990**

Contributions are repayable to the departing person when the new resident entering the unit makes the full payment of contribution due for the unit, except in the case of death when subject to probate.

1 November 1990 onwards

Contributions are repayable to the departing person either within 14 days of occupancy by the new resident or within 6 months, whichever ever occurs earlier, except in the case of death when subject to probate.

The liability for ingoing contributions is carried at the amount that would be payable on the departure of the resident.

(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.

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 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 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 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) *Bed Licences*

Bed licences are granted in perpetuity for no consideration and their useful life is considered to be indefinite.

(ii) *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)).

(iii) *Service concession arrangement*

The Company recognises an intangible asset arising from a service concession arrangement when it has the right to charge for usage of the concession facility. An intangible asset received as consideration for operating the facility is calculated as the present value of future lease payments plus the fair value of the property, plant and equipment acquired. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)**(c) Intangible assets (continued)****(iv) 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 comprehensive income as incurred.

(v) 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 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**

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its 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 other expenses in the statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through other expenses in the statement of comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve, to finance costs in the statement of comprehensive income. The cumulative loss that is removed from other comprehensive income and recognised in finance costs in the statement of comprehensive income is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in finance costs in the statement of comprehensive income, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of comprehensive income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(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 comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)**(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 profit or loss. 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 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.

(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) Accommodation bond and ingoing contribution income

Retention income from accommodation bonds, interest on unpaid refundable accommodation deposit and the non-refundable portion of ingoing contributions are recognised as income according to the relevant resident agreement in accordance with government regulations.

(v) Donations and legacies

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

(vi) 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*. The resident income and expenditure is controlled by the residents' committees. As such the net impact is not recognised in the Company's financial statements, unless the Company is required to make good a deficit of a retirement village in accordance with the Act.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)**(l) Government grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognised in the statement of comprehensive income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognised.

(m) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straightline 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 comprehensive income. This is offset by contribution income from the lessor of the same amount, which is also recognised in the statement of 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.

(n) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in finance income in the statement of comprehensive income, using the effective interest method. Dividend income is recognised in finance income in the statement of 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.

(o) Income tax

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

4. Operating segments

As the Company is a not-for-profit entity, it is not required to disclose segment reporting, however for the purposes of the Department of Social Services segment information has been included. The Company applies the requirements of AASB 8 *Operating Segments*.

The Company comprises the following main business segments:

- Residential Aged Care – The residential care of frail older people in residential facilities.
- Retirement Villages – Self-care units operating as part of a village setting.
- Home Care – A range of community care services for older people.
- Community Services – Support through counselling services, no-interest loan schemes, affordable food, homelessness services, crisis and medium term housing programmes.

Other segments comprise service delivery operations, land holdings and rental properties held for future development, strategic projects and corporate support services.

4. Operating segments (continued)

Information about reportable segments

<i>In thousands of AUD</i>	Residential Aged Care		Retirement Villages		Home Care		Community Services		Other Segments		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External revenues	164,198	159,178	10,044	9,013	79,174	87,703	7,744	5,633	(643)	(1,198)	260,517	260,329
Segment revenue	164,198	159,178	10,044	9,013	79,174	87,703	7,744	5,633	(643)	(1,198)	260,517	260,329
Segment result	11,815	3,162	(1,665)	(1,326)	5,167	9,552	(2,364)	(1,006)	(4,487)	(6,914)	8,467	3,468
Segment result											8,467	3,468
Segment assets	304,902	261,457	113,491	108,282	42,570	32,068	25	1,851	159,589	157,297	620,577	560,955
Total assets											620,577	560,955
Segment liabilities	304,902	261,457	113,491	108,282	42,570	32,068	25	1,851	(7,386)	(1,942)	453,602	401,716
Total liabilities											453,602	401,716
Acquisition of property, plant and equipment and intangible assets	51,916	23,643	24,433	23,412	1,846	2,123	835	796	947	7,054	79,977	57,028
Depreciation and amortisation expense	(13,410)	(9,684)	(4,575)	(3,887)	(1,489)	(1,805)	(432)	(387)	(3,537)	(2,700)	(23,443)	(18,463)
Impairment of properties	(1,416)	(1,463)	(252)	(222)	-	-	-	-	-	(2,457)	(1,668)	(4,142)

Geographical segments

BaptistCare NSW & ACT conducts all of its operations in Australia.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Operating segments (continued)

The Company presents the following additional information in relation to Residential Aged Care operations:

In thousands of AUD

	2016	2015
Residential Aged Care		
Recurrent government subsidies and contributions	115,544	110,215
Resident charges	37,380	39,238
Accommodation bond income	5,644	4,850
Donations	291	39
Other income	5,339	4,836
Segment revenue	164,198	159,178
Care employee expenses	79,408	81,835
Other employee expenses	22,397	23,621
Management fees	9,831	9,182
Depreciation, amortisation and impairment expenses	14,826	11,147
Property expenses	10,904	15,285
Housekeeping expenses	4,029	4,049
Catering expenses	13,996	9,247
Net gain on sale of intangible assets	(3,011)	-
Other expenses	5,717	8,352
Segment expenses	158,097	162,718
Segment result	6,101	(3,540)
Finance income	6,660	7,604
Finance costs	(946)	(903)
Surplus for the year	11,815	3,161
Segment current assets	90,308	95,116
Segment non-current assets	214,594	166,341
Segment assets	304,902	261,457
Segment current liabilities	297,867	250,775
Segment non-current liabilities	7,035	10,682
Segment liabilities	304,902	261,457
Segment net assets	-	-
Segment assets and liabilities above include:		
Property, plant and equipment	179,425	124,631
Accommodation bond liabilities	267,674	228,088

The Company is using the Alternate Audit Approach for Home Care Programs. The following additional information comprises the Australian Government funded community aged care services included in the Alternate Audit Approach and administered through the Department of Social Services' Aged Care Program:

<i>In thousands of AUD</i>	2016	2015
Home Care services		
Recurrent government subsidies and contributions	29,262	31,246
Resident charges	4,195	3,573
Other income	45	103
Segment revenue	33,502	34,922
Personnel expenses	22,231	24,000
Depreciation and amortisation expenses	103	1,781
Other expenses	11,796	9,596
Segment expenses	34,130	35,377
Segment result	(628)	(455)
Finance income	291	405
Deficit for the year	(337)	(50)
Segment current assets	4,864	6,959
Segment non-current assets	882	1,296
Segment assets	5,746	8,255
Segment current liabilities	5,746	7,250
Segment non-current liabilities	-	1,005
Segment liabilities	5,746	8,255
Segment net assets	-	-

5. Donations and legacies - churches and personal

<i>In thousands of AUD</i>	2016	2015
Received from BCS Foundation	629	595
Other donations	1,314	1,268
	1,943	1,863

6. Other income

<i>In thousands of AUD</i>	2016	2015
Revenue from sale of goods	5,157	4,719
Other revenue	4,698	4,265
	9,855	8,984

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Personnel expenses

<i>In thousands of AUD</i>	2016	2015
Wages and salaries	145,854	148,622
Other associated personnel expenses	16,097	16,272
Workers compensation	4,602	4,710
Contributions to defined contribution plans	14,085	14,136
	<u>180,638</u>	<u>183,740</u>

8. Finance income and finance costs

<i>In thousands of AUD</i>	2016	2015
Interest on Investments	6,804	6,228
Dividend income on available-for-sale financial assets	565	639
Net gain on disposal of available-for-sale financial assets	1	2
Finance Income	<u>7,370</u>	<u>6,869</u>
Unwinding of discount on finance lease	(201)	(166)
Finance Costs	<u>(201)</u>	<u>(166)</u>
Net finance income	<u>7,169</u>	<u>6,703</u>

9. Cash and cash equivalents

<i>In thousands of AUD</i>	2016	2015
Cash at bank and on hand	186	278
Bank deposits at call	18,266	24,654
Cash and cash equivalents	<u>18,452</u>	<u>24,932</u>

10. Receivables

<i>In thousands of AUD</i>	2016	2015
Current		
Receivables - Clients	550	178
Receivables - Residents	8,958	5,300
Other receivables and prepayments	13,631	9,503
	<u>23,139</u>	<u>14,981</u>

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

<i>In thousands of AUD</i>	2016	2015
Balance at beginning of the year	322	425
Impairment loss recognised	38	112
Amounts written off	(58)	(215)
Balance at end of the year	<u>302</u>	<u>322</u>

11. Investments

In thousands of AUD

	2016	2015
Current		
Interest bearing deposits held-to-maturity	126,239	129,139
	<u>126,239</u>	<u>129,139</u>
Non-current		
Interest bearing deposits held-to-maturity	45,400	27,500
Available-for-sale equity securities	8,463	10,096
	<u>53,863</u>	<u>37,596</u>

The carrying value of available-for-sale securities is equal to its fair value at 30 June 2016 and 30 June 2015.

12. Assets held for sale

In thousands of AUD

	2016	2015
Granville Property	1,232	-
Land - 28 Memorial Avenue, Kellyville	2,830	-
Mt Annan Land	-	7,354
	<u>4,062</u>	<u>7,354</u>

13. Property, plant and equipment

During the year the useful life of existing buildings was reassessed as a result of future redevelopments of two sites and based on this assessment the carrying amounts of these assets were reduced by \$1,941,000 (2015:\$3,799,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Property, plant and equipment (continued)

<i>In thousands of AUD</i>	Freehold land	Buildings	Plant, furniture and equipment	Computer equipment	Motor vehicles	Leased assets	Capital works in progress	Total
Cost or deemed cost								
Balance at 1 July 2015	58,805	255,970	54,251	9,080	11,533	23,423	57,861	470,923
Additions	-	149	1,986	235	3,532	631	72,534	79,068
Disposals	-	(2,436)	(1,452)	(333)	(3,906)	(779)	(521)	(9,427)
Transfer to assets held for sale	(2,830)	(3,770)						(6,600)
Transfer (from) / to capital works in progress	-	69,720	3,958	381	-	-	(74,059)	-
Balance at 30 June 2016	55,975	319,633	58,743	9,363	11,159	23,276	55,815	533,963
Depreciation and impairment losses								
Balance at 1 July 2015	-	78,465	32,642	6,587	4,418	11,181	-	133,293
Depreciation for the year	-	12,767	4,611	1,196	1,913	651	-	21,138
Disposals	-	(2,401)	(1,452)	(317)	(2,150)	(699)	-	(7,020)
Impairment loss	-	1,258	410	-	-	-	-	1,668
Reclassification to assets held for sale	-	(2,539)	-	-	-	-	-	(2,539)
Balance at 30 June 2016	-	87,549	36,211	7,466	4,181	11,133	-	146,540
Carrying amounts								
At 1 July 2015	58,805	177,505	21,609	2,493	7,115	12,242	57,861	337,630
At 30 June 2016	55,975	232,083	22,532	1,897	6,979	12,143	55,815	387,424

14. Intangible assets

<i>In thousands of AUD</i>	Computer software	Bed licenses	Service concession arrangement	Capital works in progress	Total
Cost					
Balance at 1 July 2015	14,718	477	2,547	803	18,545
Acquisitions	1,713	-	-	(803)	910
Disposals	(120)	(477)	-	-	(597)
Balance at 30 June 2016	16,311	-	2,547	-	18,858
Amortisation and impairment losses					
Balance at 1 July 2015	8,767	-	637	-	9,404
Amortisation for the year	2,178	-	127	-	2,305
Disposals	(64)	-	-	-	(64)
Balance at 30 June 2016	10,881	-	764	-	11,645
Carrying amounts					
At 1 July 2015	5,951	477	1,910	803	9,141
At 30 June 2016	5,430	-	1,783	-	7,213

15. Payables

<i>In thousands of AUD</i>	2016	2015
Current		
Trade payables and accrued expenses	28,031	22,359
Refundable residential aged care accommodation bonds	267,674	228,087
Refundable retirement village ingoing contributions	104,036	98,920
	<u>399,741</u>	<u>349,366</u>

Residential aged care 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Loans and borrowings

<i>In thousands of AUD</i>	2016	2015
Current		
Charitable loan funds	10	12
Finance lease liability	736	695
	<u>746</u>	<u>707</u>
Non-current		
Finance lease liability	2,316	3,052
	<u>2,316</u>	<u>3,052</u>
<i>In thousands of AUD</i>	2016	2015
Finance lease liabilities		
Future minimum lease payments:		
Less than one year	736	695
Between one and five years	941	1,569
More than five years	1,375	1,483
	<u>3,052</u>	<u>3,747</u>

17. Employee benefits

<i>In thousands of AUD</i>	2016	2015
Current		
Salary, wages and superannuation payable	4,555	6,841
Liability for annual leave	12,906	12,649
Liability for long-service leave	8,105	7,670
	<u>25,566</u>	<u>27,160</u>
Non-current		
Liability for long-service leave	2,927	3,049
	<u>2,927</u>	<u>3,049</u>

18. Provisions

<i>In thousands of AUD</i>	Restructuring redundancies	Onerous operating lease contracts	Make good	Total
Balance at 1 July 2015	1,875	383	2,981	5,239
Provisions made during the year	820	111	61	992
Provisions used during the year	(475)	(82)	(953)	(1,510)
Provisions reversed during the year	(800)	-	(670)	(1,470)
Balance at 30 June 2016	<u>1,420</u>	<u>412</u>	<u>1,419</u>	<u>3,251</u>
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.

19. Deferred income

<i>In thousands of AUD</i>	2016	2015
Current		
Government grants	213	213
Government contributions	66	66
Unspent client funds - Consumer Directed Care	6,191	-
	<u>6,470</u>	<u>279</u>
 <i>In thousands of AUD</i>	 2016	 2015
Non-current		
Government grants	7,250	7,463
Government contributions	5,335	5,401
	<u>12,585</u>	<u>12,864</u>

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.

20. Reserves

Capital works fund - Retirement Villages

The capital works fund - Retirement Villages has been created to set aside funds for future maintenance upgrade of Retirement Villages.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

21. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	2016	2015
Less than one year	1,738	2,126
Between one and five years	3,956	5,031
More than five years	2,060	2,808
	<u>7,754</u>	<u>9,965</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Operating leases (continued)

During the financial year ended 30 June 2016, \$2,061,000 was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (2015: \$2,521,000).

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 (2015: \$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 significant net impact on the net result for the current and previous years.

22. Capital and other commitments

<i>In thousands of AUD</i>	2016	2015
Capital expenditure commitments	51,600	69,800

Included in capital expenditure commitments are costs for the design, leading to construction, for major projects at Kellyville & Orana Centre for Aged Care.

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 7) was \$2,381,559 for the year ended 30 June 2016 (2015: \$2,272,495).

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 is a related party of the Company. 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 \$628,930 (2015: \$595,175) during the year ended 30 June 2016 to the Company (see note 5).

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. Service concession arrangement

The Company entered into a service concession agreement with effect from 1 July 2010, to manage the Mid- Richmond Residential Aged Care Facility. Under the terms of the agreement, the Company acquired assets used in the operation of the facility and entered into a lease agreement with the State of New South Wales to lease the land and buildings for 20 years, when the operation of the concession will end.

26. Subsequent events

Except for the matter outlined below, there have been no other events subsequent to balance date which would have a material effect on the Company's financial statements at 30 June 2016.

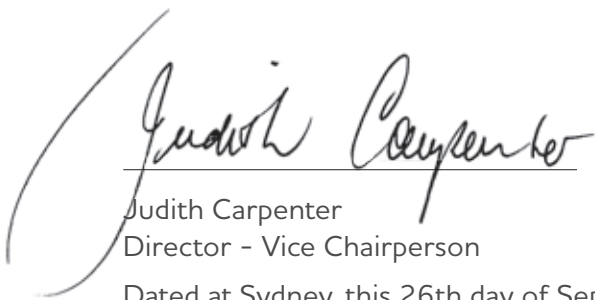
On 17 August 2016, the Company submitted a proposal to build 500 units under the NSW State Government's Social and Affordable Housing Plan. If the proposal is successful the construction will occur over a 3 year period. The Company will borrow approximately \$153,000,000 to assist with financing the project. There have been no other events subsequent to balance date which would have a material effect on the Company's financial statements at 30 June 2016.

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 15 to 39 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 2016 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.



Judith Carpenter
Director - Vice Chairperson

Dated at Sydney, this 26th day of September 2016

Independent audit report



We have audited the accompanying financial report of BaptistCare NSW & ACT (the Company), which comprises statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in funds and the statement of cash flows for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Company.

This audit report has also been prepared for the Members of the Company pursuant to the *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC).

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standard – Reduced Disclosure Requirements and the ACNC and the Act. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in

order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report gives a true and fair view, in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, and the ACNC, which is consistent with our understanding of the Company's financial position and of its performance.

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



Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Auditor's opinion

In our opinion the financial report of BaptistCare NSW & ACT is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standard – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

KPMG

KPMG

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Stephen Isaac
Partner

Sydney

26 September 2016



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