



BaptistCare



FINANCIAL REPORT
YEAR ENDED 30 JUNE 2014

*Care you
can trust.*

Current Directors as at 29 September 2014

Graham Henderson

Judith Carpenter

John Church

Judith Clendinning

Craig Collins

Robert Dunn

Ian Jackson

Corinne Glasby

Gregory Sheridan

Ian Wilson OAM

Ruth Wilson

Chief Executive Officer

Ross Low

Company Secretaries

Stuart Young

Ross Low

Registered Office

BaptistCare NSW & ACT

Level 2, 22 Brookhollow Avenue Baulkham Hills NSW 2153

PO Box 7626 Baulkham Hills NSW 2153

T (02) 9023 2500 F (02) 9023 2501

Solicitors

Church & Grace

Bankers

National Australia Bank Ltd

Auditors

KPMG

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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 2014 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 <i>MB BS FRCS FRCOG</i> <i>FRANZCOG Grad Dip Div</i> <i>MAICD</i> 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 Carlingford Baptist Church
Judith Carpenter <i>BA TCert MIMCA,</i> <i>MAICD</i> 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 <i>FFin FCIS FAICD FTIA</i> 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 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
Judith Clendinning <i>BCom DipEd MACC</i> <i>MACA</i> Relationship & Family Counsellor	Board member from 25 November 2013 Member of Northside Baptist Church
Craig Collins <i>BBus (Land Economics)</i> Chief Executive Officer Hospitality Sector Company	Board member from November 2012 Trustee of BCS Foundation from December 2012 Director of B.C.S. Foundation Pty. Limited from December 2012 Member of Epping Baptist Church

Robert Dunn <i>BA(Hons) CA</i> Chief Executive Officer International Aid & Development Organisation	Board member from July 2004 Chairperson of the Audit & Risk Committee from July 2004 Member of the Remuneration & Performance Committee from July 2004 Member of Castle Hill Baptist Church
Catherine Ellis <i>BNursing MA(Christian Studies) PG Dip (Management)</i> Health Policy Analyst	Board member from May 2005 Member of the Audit & Risk Committee from November 2005 to November 2007 and from February 2009 Member of Northside Baptist Church
Corinne Glasby <i>BEC FIAA</i> Actuary	Board member from June 2007 Member of the 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
Ian Jackson <i>EdD, MA, MEd, BA, DipEd, MAPS, GAICD</i> Professional Officer Non-Government Education Organisation	Board member from 25 November 2013 Member of Mortdale-Oatley Baptist Church
Gregory Sheridan <i>Licensed Builder</i> Project Manager / Building Consultant	Board member from July 2012 Member of the Remuneration & Performance Committee from November 2012 Member of Dural Baptist Church
Ian Wilson OAM <i>BHealthScience(Mgt) Dip Health Admin</i> 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
Ruth Wilson <i>BSocialStudies</i> Retired Aged Care Policy Adviser	Board member from December 2012 Member of Heathcote Engadine Baptist Church Member of the Governance & Nominations Committee from 25 November 2013

DIRECTORS' REPORT (CONTINUED)

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 & Risk Committee		Remuneration & Performance Committee		Governance & Nominations Committee	
	Attended	Entitled	Attended	Entitled	Attended	Entitled	Attended	Entitled
Graham Henderson	11	11	3	4			4	4
Judith Carpenter	10	11			2	2		
John Church	11	11	4	4			4	4
Judith Clendinning	5	6						
Craig Collins	9	11						
Robert Dunn	7	11	4	4	1	2		
Catherine Ellis	9	11	4	4				
Corinne Glasby	10	11	4	4				
Ian Jackson	5	6						
Gregory Sheridan	9	11			2	2		
Ian Wilson OAM	10	11					4	4
Ruth Wilson	9	11					3	3

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 Baptist Churches of NSW & ACT.

The Board currently comprises 12 Directors who serve in a voluntary capacity subject to the Constitution and the Corporations Act 2001. The Directors are elected for a three year term. One third of the Board retires each year, but may be re-elected. Commencing November 2009, no person is entitled to be a Director for more than four consecutive terms and office bearers can serve for a maximum of two consecutive terms of three years. 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; and
- Governance & Nominations Committee.

Audit & Risk Committee

The Board 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;
- 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 of 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;
- 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.

Management

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

DIRECTORS' REPORT (CONTINUED)

4 Company members

Membership of the Company is available to all members of Churches affiliated with the 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 accompanied by a subscription of \$22 (including GST). Renewals of members' subscriptions are due and payable on 1 July each year;
- On application to the Board, Life Membership is available where donations totalling \$500 or more are received by the Company over a period not exceeding three years; and
- Members of the Executive Committee of the Baptist Churches of NSW & ACT are also entitled to apply for membership.

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.

At the date of this report there are 167 members (2013: 170 members) including 27 Honorary Life Members (2013: 27 Honorary Life Members).

The Company is a company limited by guarantee. The Company's Constitution (Memorandum clause 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 2014 is \$15,601 (2013: \$15,801).

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 and Home Care for older people;
- Retirement Village Units;
- A range of other care services including carer respite, community centres, counselling services (relationship, family counselling, domestic violence intervention services), community housing and residential care for young people; and
- Support services including catering and an emergency response service.

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

6 Objectives and strategies

The Vision and long term objective of the Company is to be a passionate, innovative, Christian organisation, bringing life-transforming care to our clients.

The Company has identified five key issues for focus over the short-term:

- The ageing population;
- Growing communities of disadvantage;
- An ageing workforce and changing employment and volunteering trends;
- The dramatic developments in technology and environmental considerations; and
- The need for effective partnerships with churches, government and other non-government organisations.

In response to this, the Company's Strategic Plan has been developed to set the direction for the

organisation. The short-term strategic objectives, to which each division within the Company develops an appropriate action plan, are as follows:

- 1 Our Christian Mission and Values are actively demonstrated in the way we deliver our services, our relationships and our organisational culture;
- 2 Client well-being will be a key outcome for all;
- 3 Responding to the needs of increasingly frail and vulnerable older people will be the primary focus for our Residential Services division;
- 4 Develop strategies that focus on the needs of families, people impacted by abuse and trauma not being addressed by other organisations;
- 5 A people management model that is responsive to organisational needs;
- 6 Attract, engage and retain committed employees & volunteers;
- 7 Building stronger partnerships with our Churches;
- 8 Develop effective partnerships with government, not-for-profit and corporate sectors;
- 9 Improve the availability and quality of community housing;
- 10 The Service Delivery Model will provide an integrated range of services offering client choice and flexibility which maximises independence and wellbeing;
- 11 Service delivery and business operations are continuously improved;
- 12 Achieve sustainability in our operations and practices; and
- 13 Provide a sustainable income stream for our Community Services division.

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 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, <https://baptistcare.org.au/about-baptistcare/publications/>

7 Operating and financial review

Result of operations

The operating surplus of the Company for the year ended 30 June 2014 was \$1,806,000 (2013: deficit of \$3,891,000).

The result for the year takes into account a turnaround in operational performance. This followed a number of one-off costs arising from restructuring that the Company undertook in the previous financial year in response to the significant change which occurred in the aged care industry.

Review of operations

During the year:

- An average of 2,000 residents were cared for in our aged care facilities, 40% of whom were supported concessional residents;

DIRECTORS' REPORT (CONTINUED)

- A variety of Home Care services were provided to 9,500 clients in their homes;
- The Gracewood retirement village at Kellyville, consisting of 73 one, two and three bedroom apartments, was progressively populated during 2013-14 with over half occupied at 30 June 2014;
- Construction on the 160 bed residential aged care facility at Griffith in the ACT continued to progress, with an anticipated completion date early in 2015;
- BaptistCare Cooina Court at Macquarie Park underwent a \$2.3 million upgrade to reception, offices, and the undercover client arrival and departure area;
- BaptistCare acquired the Angus Bristow Retirement Village at Narellan from Hunters Hill Community Church on 24 February 2014; the Village consists of 48 villa style 2 and 3 bedroom units, 2 privately leased houses, a community hall and office space;
- Construction of 15 single bedroom Community Housing units was completed on 30 June 2014 at Goulburn with financial assistance from the National Rental Affordability Scheme;
- BaptistCare Maranoa - Lismore finished operations on Monday 15 July 2013 following over 40 years of service. All residents were supported to identify and transition into other suitable care and accommodation. The facility staff were also fully supported as they explored and secured alternative employment options. Following closure an assessment for future site usage was activated with consideration for additional Community Housing units;
- In September 2013 BaptistCare Home Services launched and began operation of the Stronger Carers program which is designed to equip carers with the skills, tools and confidence to care for family members living with dementia;
- A new Business Stream structure comprising Residential Services, Home Services, Housing & Retirement Living and Community Services was implemented in July 2013; a further defining of the service footprint for the Community Services Division into clusters and a clarification of business focus occurred during the year;
- The BaptistCare corporate office moved from 28 Cambridge Street in Epping to 22 Brookhollow Avenue in Baulkham Hills on 24 February 2014;
- The Company name changed from Baptist Community Services - NSW & ACT to BaptistCare NSW & ACT on Monday 3 February 2014, with the new name and brand launched across the BaptistCare network of services on Tuesday 18 March 2014; and
- Significant Information Technology systems development projects were undertaken; these included the implementation of a new payroll system and the continued rollout of an Integrated Records Information System for residential clinical care.

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 Company that occurred during the financial year under review.

9 Events subsequent to reporting date

On 12 August 2014 the HopeStreet Board agreed that the current HopeStreet programs be transitioned into a partnership arrangement between the Baptist Association of Churches and the Company to ensure that this vital urban presence in the inner-city continues. Under this new partnership model a HopeStreet Operations Plan is being developed by the Company to ensure ongoing sustainability of the programs and the continuation of this important work.

Other than the matter mentioned above, 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 2014.

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 Human Services;
- Department of Veterans' Affairs; and
- Department of Social Services.

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; and
- NSW Housing.

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 12 and forms part of the Directors' report for the financial year ended 30 June 2014.

12 Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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



Graham Henderson
Director - Chairperson

Dated at Sydney this 29th day of September 2014.



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 2014 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.

A handwritten signature in black ink that appears to read 'KPMG'.

KPMG

A handwritten signature in black ink that appears to read 'Chris Hollis'.

Chris Hollis
Partner

Sydney

29 September 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Statement of comprehensive income

	Note	2014 \$'000	2013 \$'000
Recurrent government subsidies and contributions		174,989	165,113
Gross income from residents and clients		46,658	47,679
Accommodation bond and ingoing contribution income		6,777	6,328
Donations and legacies – churches and personal	5	1,000	1,097
Other income	6	15,497	15,804
Revenue and other income		244,921	236,021
Personnel expenses	7	(176,612)	(177,502)
Property expenses		(18,230)	(18,822)
Depreciation and amortisation expenses	14, 15	(17,419)	(15,576)
Impairment of property, plant and equipment and assets held for sale, net of reversals	13, 14	(1,543)	(3,442)
Housekeeping expenses		(11,942)	(11,590)
Catering expenses		(9,264)	(9,746)
Communication expenses		(1,402)	(2,336)
Motor vehicle expenses		(1,605)	(1,514)
Net loss on sale of property, plant and equipment and intangible assets		(208)	(13)
Other expenses		(11,552)	(8,173)
Expenses		(249,777)	(248,714)
Deficit before net finance income		(4,856)	(12,693)
Finance income		6,843	9,021
Finance costs		(181)	(219)
Net finance income	8	6,662	8,802
Surplus/(deficit) for the year		1,806	(3,891)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		1,088	992
Net change in fair value of available-for-sale financial assets transferred to profit or loss		-	(468)
Total comprehensive income for the year		2,894	(3,367)

The notes on pages 18 to 38 are an integral part of these financial statements.

Statement of financial position

	Note	2014 \$'000	2013 \$'000
Assets			
Cash and cash equivalents	9	13,849	10,007
Receivables	10	33,371	30,054
Inventories	11	189	175
Investments	12	78,500	89,539
Assets held for sale	13	7,354	7,354
Total current assets		133,263	137,129
Investments	12	57,302	51,193
Property, plant and equipment	14	311,852	276,923
Intangible assets	15	5,293	5,978
Total non-current assets		374,447	334,094
Total assets		507,710	471,223
Liabilities			
Payables	16	305,761	272,068
Loans and borrowings	17	580	889
Employee benefits	18	24,578	23,276
Provisions	19	2,040	4,510
Deferred income	20	279	279
Total current liabilities		333,238	301,022
Loans and borrowings	17	1,893	2,461
Employee benefits	18	4,009	3,330
Deferred income	20	13,144	13,423
Total non-current liabilities		19,046	19,214
Total liabilities		352,284	320,236
Net assets		155,426	150,987
Accumulated funds			
Reserves	21	3,528	774
Retained surplus		151,898	150,213
Total accumulated funds		155,426	150,987

The notes on pages 18 to 38 are an integral part of these financial statements.

Statement of changes in funds

	Capital works fund - Retirement Villages \$'000	Fair value reserve \$'000	Other reserve	Retained surplus \$'000	Total funds \$'000
Balance at 1 July 2012	525	(74)	-	153,903	154,354
Deficit for the year	-	-	-	(3,891)	(3,891)
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	-	992	-	-	992
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	(468)	-	-	(468)
Total comprehensive income for the year	-	524	-	(3,891)	(3,367)
Transfer to retained surplus	(201)	-	-	201	-
Balance at 30 June 2013	324	450	-	150,213	150,987
Balance at 1 July 2013	324	450	-	150,213	150,987
Surplus for the year	-	-	-	1,806	1,806
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	-	1,088	-	-	1,088
Total comprehensive income for the year	-	1,088	-	1,806	2,894
Capital works fund from Angus Bristow Village	-	-	79	-	79
Transfer of Kitty Doyle assets	-	-	1,466	-	1,466
Transfer to retained surplus	121	-	-	(121)	-
Balance at 30 June 2014	445	1,538	1,545	151,898	155,426

The notes on pages 18 to 38 are an integral part of these financial statements.

Statement of cash flows

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Cash receipts from residents, clients, government subsidies and other income		241,473	236,013
Cash paid to suppliers, residents and employees		(238,989)	(233,231)
Cash generated from operations		2,484	2,782
Dividends received		945	837
Interest received		3,832	8,623
Net cash from operating activities		<u>7,261</u>	<u>12,242</u>
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(37,229)	(59,806)
Proceeds from disposal of property, plant and equipment		4,143	3,252
Proceeds from bank bills and deposits		5,018	15,010
Proceeds from disposal of available-for-sale financial assets		1,000	-
Acquisition of available-for-sale financial assets		-	(4)
Payments for purchasing net assets from Kitty Doyle Home Units Trust and Angus Bristow Retirement Village		(12,635)	-
Net cash used in investing activities		<u>(39,703)</u>	<u>(41,548)</u>
Cash flows from financing activities			
Net cash inflow from residential aged care accommodation bonds		13,053	18,800
Net cash inflow from retirement village ingoing contributions		24,289	14,359
Payment of finance lease liabilities		(1,058)	(976)
Net cash from financing activities		<u>36,284</u>	<u>32,183</u>
Net increase in cash and cash equivalents		3,842	2,877
Cash and cash equivalents at beginning of year		10,007	7,130
Cash and cash equivalents at end of year	9	<u>13,849</u>	<u>10,007</u>

The notes on pages 18 to 38 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 2014.

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

During the year, the Company changed its name from Baptist Community Services - NSW & ACT to BaptistCare NSW & ACT.

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-profits 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 29 September 2014.

(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 Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, 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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are included in the following notes:

- Note 14 – Property, plant and equipment
- Note 15 – Intangible assets
- Note 18 – Employee benefits
- Note 19 – Provisions

(e) Changes in accounting policies**(i) Short-term employee benefits**

The Company has adopted AASB119 Employee Benefits (2011) with a date of initial application of 1 July 2013.

As a result of AASB 119 (2011), the Company has changed its accounting policy for short-term employee benefits. The amended AASB119 (2011) defines the short-term benefits as benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. It was previously defined as those due to be settled within 12 months after the end of the period in which employees render the related service. This change may result in benefits previously classified as short-term being treated as other long-term employee benefits and measured on a discounted basis.

The Company assessed short-term employee benefits on adoption of the revised standard and noted it to have no material impact to the Company's financial statements.

(ii) Fair value measurement

The Company has adopted AASB 13 Fair Value Measurement with a date of initial application of 1 July 2013.

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with the transitional provisions of AASB 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. The change had no significant impact on the measurements of the Company's assets and liabilities.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2(e) which addresses changes in accounting policies.

(a) Basis of consolidation*Subsidiary*

The assets, liabilities, income and expenses of the Company's only controlled entity, B.C.S. Foundation Pty. Limited are of no material consequence to the Company and accordingly consolidated accounts have not been prepared.

(b) 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 is created or retained by the Company is recognised as a separate asset or liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Significant accounting policies (continued)**(b) Financial instruments (continued)****(i) Non-derivative financial assets (continued)**

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(g)).

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 changes 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(g)), 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.

(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 residential aged care accommodation bonds

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.

Post 29 October 1990

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.

Charitable loan funds

Borrowings received by the Company for the Charitable Loan Development Fund are held on an interest free basis and are repayable within 24 hours of request.

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Significant accounting policies (continued)**(c) Property, plant and equipment (continued)****(iii) Depreciation (continued)**

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	99 years

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

(d) Intangible assets**(i) Bed licences**

Bed licences are granted by the Department of Social Services in perpetuity and their useful life is considered to be indefinite.

Purchased bed licences are recognised at their cost of acquisition on the date of acquisition.

Bed licences are granted for no consideration. They are recognised at their fair value on the date of acquisition once they become operational only if it is probable that the future economic benefits attributable to the bed licences will flow to the Company and the fair value of bed licences can be measured reliably.

(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(g)(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.

(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.

- Bed licences indefinite
- Computer software 3-5 years
- Service concession arrangement 20 years

(e) Leased assets

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Significant accounting policies (continued)**(g) Impairment (continued)****(i) Financial assets (continued)**

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, being the depreciated replacement cost of the asset. 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.

(h) 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.

(i) Employee benefits

(i) Defined contribution 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 discount rate is the yield at the reporting date on Australian Government securities that have maturity dates approximating the terms of the Company's obligations.

(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.

(j) 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.

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.

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 for.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Significant accounting policies (continued)**(k) 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) Accommodation bond and ingoing contribution income

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

(iv) 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.

(l) 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.

(m) 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.

(n) Lease payments

Payments made under operating leases are recognised in the statement of 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 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.

(o) 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.

(p) Income tax

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

4 Operating segments

The Company applies the requirements of AASB 8 Operating Segments. The scope of AASB 8 Operating Segments is only applicable to entities whose debt or equity instruments are traded in a public market or that files or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. Although the Company does not fall into either of these categories, operating segment information is included in the financial report to meet the Conditional Adjustment Payment reporting requirements, set out in the Residential Care Subsidy Principles.

To meet the Conditional Adjustment Payment reporting requirements set out in the Residential Care Subsidy Principles, a segment note is required on the Company's Residential Aged Care operations.

The Company comprises the following main business segments:

- Residential Aged Care – The residential care of frail older people in high and low care 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 and youth residential programmes.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Operating segments (continued)

Information about reportable segments

	Residential Aged Care		Retirement Villages		Home Care		Community Services		Other Segments		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	151,215	137,692	4,887	4,088	81,919	79,392	6,501	8,737	399	6,112	244,921	236,021
Segment revenue	151,215	137,692	4,887	4,088	81,919	79,392	6,501	8,737	399	6,112	244,921	236,021
Segment result	4,422	(3,362)	(3,355)	178	5,550	1,858	(2,515)	(3,431)	(2,296)	866	1,806	(3,891)
Segment result											1,806	(3,891)
Segment assets	252,766	241,169	64,415	42,125	17,512	12,641	9,992	10,329	163,025	164,959	507,710	471,223
Total assets											507,710	471,223
Segment liabilities	252,766	241,169	64,415	42,125	17,512	12,641	9,992	10,329	7,599	13,972	352,284	320,236
Total liabilities											352,284	320,236
Acquisition of property, plant and equipment and intangible assets	12,580	33,829	25,048	38,619	4,532	2,767	181	678	15,216	(14,825)	57,557	61,068
Depreciation and amortisation expense	(8,891)	(8,419)	(3,002)	(1,729)	(1,931)	(1,351)	(775)	(794)	(2,820)	(3,283)	(17,419)	(15,576)
Impairment of properties	(1,134)	(2,768)	(356)	(284)	(9)	(206)	3	149	(47)	(333)	(1,543)	(3,442)
Other significant non-cash (expense)/income	2,326	(550)	76	(13)	1,188	(406)	55	158	(3,812)	(1,375)	(167)	(2,186)

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

4 Operating segments (continued)

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

	2014 \$'000	2013 \$'000
Residential Aged Care		
Recurrent government subsidies and contributions	94,750	87,077
Resident charges	40,067	38,298
Accommodation bond income	4,528	4,548
Donations	108	57
Other income	11,762	7,712
Segment revenue	151,215	137,692
Care employee expenses	76,528	71,797
Other employee expenses	22,089	18,940
Management fees	9,099	12,529
Depreciation, amortisation and impairment expenses	9,943	8,419
Property expenses	12,587	14,476
Housekeeping expenses	5,068	4,064
Catering expenses	8,569	10,620
Other expenses	6,357	4,604
Segment expenses	150,240	145,449
Segment result	975	(7,757)
Finance income	4,381	4,516
Finance costs	(934)	(121)
Surplus/(deficit) for the year	4,422	(3,362)
Segment current assets	98,198	68,680
Segment non-current assets	161,241	172,489
Segment assets	259,439	241,169
Segment current liabilities	248,079	232,202
Segment non-current liabilities	11,360	8,967
Segment liabilities	259,439	241,169
Segment net assets	-	-
Segment assets and liabilities above include:		
Property, plant and equipment	127,369	150,869
Accommodation bond liabilities	225,658	217,135

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Operating segments (continued)

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 Health and Ageing's Aged Care Program:

	2014	2013
	\$'000	\$'000
Home Care services		
Recurrent government subsidies and contributions	30,082	57,451
Resident charges	3,019	5,455
Other income	684	26
Segment revenue	33,785	62,932
Personnel expenses	23,587	44,165
Depreciation and amortisation expenses	983	1,155
Other expenses	9,664	15,569
Segment expenses	34,234	60,889
Segment result	(449)	2,043
Finance income	120	248
(Deficit)/surplus for the year	(329)	2,291
Segment current assets	5,586	3,908
Segment non-current assets	2,635	3,976
Segment assets	8,221	7,884
Segment current liabilities	7,188	6,991
Segment non-current liabilities	1,033	893
Segment liabilities	8,221	7,884
Segment net assets	-	-

5 Donations and legacies - churches and personal

Received from BCS Foundation	613	660
Other donations	387	437
	1,000	1,097

6 Other income

Revenue from sale of goods	4,414	4,801
Government concessional subsidies	7,183	7,226
Other revenue	3,900	3,777
	15,497	15,804

7 Personnel expenses

	2014 \$'000	2013 \$'000
Wages and salaries	140,237	142,170
Other associated personnel expenses	16,467	15,035
(Decrease)/increase in liability for annual leave	(26)	833
Increase in liability for long-service leave	981	1
Workers compensation	5,474	6,639
Contributions to defined contribution plans	13,479	12,824
	<u>176,612</u>	<u>177,502</u>

8 Finance income and finance costs

Interest on Investments	5,898	7,716
Dividend income on available-for-sale financial assets	945	837
Net gain on disposal of available-for-sale financial assets transferred from equity	-	468
Finance income	<u>6,843</u>	<u>9,021</u>
Unwinding of discount on finance lease	(181)	(219)
Finance costs	<u>(181)</u>	<u>(219)</u>
Net finance income	<u>6,662</u>	<u>8,802</u>

9 Cash and cash equivalents

Cash at bank and on hand	81	299
Bank deposits at call	13,768	9,708
Cash and cash equivalents	<u>13,849</u>	<u>10,007</u>

10 Receivables

Current

Receivables - residents and clients	21,750	20,054
Other receivables and prepayments	11,621	10,000
	<u>33,371</u>	<u>30,054</u>

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

Balance at beginning of the year	229	190
Impairment loss recognised	196	135
Amounts written off	-	(96)
Balance at end of the year	<u>425</u>	<u>229</u>

11 Inventories

Work in progress	179	165
Finished goods	10	10
	<u>189</u>	<u>175</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2014 \$'000	2013 \$'000
12 Investments		
Current		
Interest bearing deposits held-to-maturity	78,500	89,539
	<u>78,500</u>	<u>89,539</u>
Non-current		
Interest bearing deposits held-to-maturity	43,100	37,079
Available-for-sale equity securities	14,202	14,114
	<u>57,302</u>	<u>51,193</u>

The carrying value of available-for-sale securities is equal to its fair value at 30 June 2014 and 2013.

13 Assets held for sale

The following land had been presented as held for sale.

Mt Annan land

Cost	9,554	9,554
Accumulated impairment losses	(2,200)	(2,200)
	<u>7,354</u>	<u>7,354</u>

14 Property, plant and equipment

During the year the useful life of existing buildings was reassessed and based on this assessment the carrying amounts of these assets were reduced by \$1,259 thousand (2013: \$3,188 thousand). In addition, the carrying amount of land, leasehold buildings, plant, furniture and equipment and capital works in progress were reduced by \$284 thousand (2013: \$538 thousand).

The notional fair value of the leased land amounting to \$5,533 thousand (2013: \$5,599 thousand) has been recognised as an asset in the statement of financial position. However, 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 and accordingly, there is no significant net impact on the net result for the current and future years.

14 Property, plant and equipment (continued)

	Freehold land	Buildings	Plant, furniture and equipment	Computer equipment	Motor vehicles	Leased assets	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or deemed cost								
Balance at 30 June 2013	45,941	220,525	58,346	7,866	11,634	23,841	33,168	401,321
Additions	11,456	17,210	1,133	373	2,798	1,290	22,567	56,827
Disposals	-	(4,858)	(2,375)	(188)	(3,020)	(1,108)	(4,987)	(16,536)
Transfer from capital works in progress	98	3,987	971	-	-	-	(5,056)	-
Balance at 30 June 2014	57,495	236,864	58,075	8,051	11,412	24,023	45,692	441,612
Depreciation and impairment losses								
Balance at 30 June 2013	-	72,792	28,768	4,967	3,785	11,220	2,866	124,398
Depreciation for the year	-	7,164	4,835	1,030	1,929	1,046	-	16,004
Disposals	-	(4,764)	(1,683)	(185)	(1,338)	(1,349)	(2,866)	(12,185)
Impairment loss	-	1,259	242	-	-	42	-	1,543
Balance at 30 June 2014	-	76,451	32,162	5,812	4,376	10,959	-	129,760
Carrying amounts								
At 1 July 2013	45,941	147,733	29,578	2,899	7,849	12,621	30,302	276,923
At 30 June 2014	57,495	160,413	25,913	2,239	7,036	13,064	45,692	311,852

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Intangible assets

	Computer software \$'000	Bed licences \$'000	Service concession arrangement \$'000	Capital works in progress \$'000	Total \$'000
Cost					
Balance at 1 July 2013	7,853	477	2,547	1,377	12,254
Acquisitions	170	-	-	560	730
Disposals	(11)	-	-	-	(11)
Transfers from capital works in progress	1,937	-	-	(1,937)	-
Balance at 30 June 2014	9,949	477	2,547	-	12,973
Amortisation and impairment losses					
Balance at 1 July 2013	5,895	-	381	-	6,276
Amortisation for the year	1,288	-	127	-	1,415
Disposals	(11)	-	-	-	(11)
Balance at 30 June 2014	7,172	-	508	-	7,680
Carrying amounts					
At 1 July 2013	1,958	477	2,166	1,377	5,978
At 30 June 2014	2,777	477	2,039	-	5,293

The Company has entered into a financing arrangement for the payment of software licence fees over a period of three years, at the end of which the Company will obtain perpetual licences.

2014
\$'000

2013
\$'000

16 Payables**Current**

Trade payables and accrued expenses	16,439	13,311
Refundable residential aged care accommodation bonds	225,658	217,135
Refundable retirement village ingoing contributions	63,664	41,622
	<u>305,761</u>	<u>272,068</u>

Residential aged care 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.

2014	2013
\$'000	\$'000

17 Loans and borrowings

Current

Charitable loan funds	12	20
Finance lease liability	568	869
	<u>580</u>	<u>889</u>

Non-current

Finance lease liability	1,893	2,461
	<u>1,893</u>	<u>2,461</u>

Finance lease liabilities

Future minimum lease payments:

Less than one year	568	869
Between one and five years	244	738
More than five years	1,649	1,723
	<u>2,461</u>	<u>3,330</u>

18 Employee benefits

Current

Salary, wages and superannuation accrued	6,181	5,155
Liability for annual leave	12,185	12,211
Liability for long-service leave	6,212	5,910
	<u>24,578</u>	<u>23,276</u>

Non-current

Liability for long-service leave	4,009	3,330
	<u>4,009</u>	<u>3,330</u>

19 Provisions

	Restructuring redundancies \$'000	Onerous operating lease contracts \$'000	Make good \$'000	Total \$'000
Balance at 1 July 2013	2,059	972	1,479	4,510
Provisions made during the year	-	286	272	558
Provisions used during the year	(1,919)	(454)	(415)	(2,788)
Provisions reversed during the year	(140)	(61)	(39)	(240)
Balance at 30 June 2014	<u>-</u>	<u>743</u>	<u>1,297</u>	<u>2,040</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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2014 \$'000	2013 \$'000
20 Deferred income		
Current		
Government grants	213	213
Government contributions	66	66
	<u>279</u>	<u>279</u>
Non-current		
Government grants	7,677	7,890
Government contributions	5,467	5,533
	<u>13,144</u>	<u>13,423</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.

21 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.

Other reserve

Other reserves include the retained earnings of the Kitty Doyle Home Units Trust that was acquired during the year.

22 Operating leases

	2014 \$'000	2013 \$'000
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,388	2,081
Between one and five years	2,618	1,442
More than five years	2,577	3
	<u>6,583</u>	<u>3,526</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.

During the financial year ended 30 June 2014, \$2,948 thousand was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (2013: \$3,338 thousand). \$88 thousand was recognised as income in respect of sub-leases (2013: \$83 thousand).

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 thousand (2013: \$178 thousand) 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.

23 Capital and other commitments

	2014 \$'000	2013 \$'000
Capital expenditure commitments	14,439	28,655
Included in Capital expenditure commitments are costs for: the detailed design, leading to construction, for major projects at Kellyville and Griffith.		

24 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.

25 Related parties

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 7) was \$2,102,358 for the year ended 30 June 2014 (2013: \$2,171,052).

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 entity controlled by 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 \$613,123 (2013: \$659,817) during the year ended 30 June 2014 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. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 Group entities

	Country of incorporation	Ownership interest	
		2014	2013
Parent entity			
BaptistCare NSW & ACT	Australia		
Controlled entity			
B.C.S. Foundation Pty. Limited	Australia	100%	100%

27 Service concession arrangement

The Company entered into a service concession agreement with effect from 1 July 2010, to manage the Mid-Richmond Resident Village, a low-care 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.

28 Subsequent events

On 12 August 2014 the HopeStreet Board agreed that the current HopeStreet programs be transitioned into a partnership arrangement between the Baptist Association of Churches and the Company to ensure that this vital urban presence in the inner-city continues. Under this new partnership model a HopeStreet Operations Plan is being developed by the Company to ensure ongoing sustainability of the programs and the continuation of this important work.

Other than the matter mentioned above, 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 2014.

Directors' declaration

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

- (a) the financial statements and notes, set out on pages 13 to 38, 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 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits 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.

A handwritten signature in dark ink, appearing to read 'Graham Henderson', written over a horizontal line.

Graham Henderson
Director - Chairperson

Dated at Sydney this 29th day of September 2014.



Independent auditor's report to the members of BaptistCare NSW & ACT

We have audited the accompanying financial report of BaptistCare NSW & ACT (the Company), which comprises the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

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 Standards – Reduced Disclosure Requirements, the ACNC and the Act and Regulations. 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, a true and fair view 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 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

A handwritten signature in black ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'Chris Hollis'.

Chris Hollis
Partner

Sydney

29 September 2014

Notes

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BaptistCare

BaptistCare

Level Two, 22 Brookhollow Avenue
PO Box 7626

Baulkham Hills NSW 2153

T (02) 9023 2500

F (02) 9023 2501

E ask@baptistcare.org.au

W baptistcare.org.au

BaptistCare NSW & ACT

ABN 90 000 049 525



Phone: 1300 275 227



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*Care you
can trust.*