



*Care you
can trust.*





Contents

Directors' report	4
Statement of profit or loss and other comprehensive income	14
Statement of financial position	15
Statement of changes in funds	16
Statement of cash flows	17
Notes to the financial statements	19
Directors' declaration	44
Independent auditor's report	45

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 2017 and the auditor's report thereon.

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

1. Objectives and Strategies

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

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

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

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

The Company's strategic objectives are:

- 1 To become a major provider of social and affordable housing over the next five years by developing a portfolio of 1,000 dwellings to house families transitioning to living independently after experiencing domestic violence, and older people at risk of homelessness;
- 2 To develop the ability to deliver integrated 'wrap around' housing support services including Chaplaincy, case management, social and financial inclusion, and counselling, in all locations where social housing is provided;
- 3 To empower our customers to achieve change, through an integrated, community 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 service to customers;
- 6 To continue the focus on meeting missional needs for Residential Aged Care services, and investing in service improvement, support systems, property development, improvement and acquisition;
- 7 To ensure sufficient attraction and retention of suitably qualified and skilled staff and volunteers to meet business requirements, and create safe working environments for all staff and volunteers; and

8 To leverage information technology as a key enabler of business transformation.

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

2. Principal activities

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

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

The principal activities of these four divisions are as follows:

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

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

The operating surplus of the Company for the year ended 30 June 2017 was \$393,000 (2016: \$8,467,000).

Operational highlights for the year are as follows:

- July 2016: The Company's Head Office and Community Services sites were accredited as a White Ribbon Workplace. The Company is one of only 20 Australian organisations to be accredited in 2016 and one of only 107 organisations in total as at July 2017.
- August 2016: The Community Services Division partnered with the NSW Office of Environment and Heritage on a \$4 million initiative to deliver energy-efficient appliances to low income and vulnerable households across NSW through a combination of government subsidies and No Interest Loans (NILS).
- September 2016: The Company facilitated 'The Stories of Me' Dementia Forum. The Forum was attended by 200 delegates and focused on the themes of music, art and technology in the care of people living with dementia.

DIRECTORS' REPORT (CONTINUED)

- November 2016: Stage Two of The Gracewood was officially opened with the Hon. Ray Williams MP, Member for Castle Hill and Hills Shire Mayor, Yvonne Keane. Stage Two comprises 80 new and architecturally designed apartments that capture the vistas of the natural surroundings, and brings the total number of residents to more than 200.
- November 2016: The Company celebrated completion of the \$23 million redevelopment of the Orana Centre in Point Clare, with a community open day. The new-look BaptistCare Orana Centre offers 116 contemporary rooms and premium features including a new coffee shop, hair salon, wellness centre and state of the art kitchen for cooking fresh on-site.
- November 2016: The Company's new YouChoose website won the best consumer-friendly product and the overall winner award at the 2016 Information Technology in Aged Care (ITAC) Awards night.
- February 2017: The \$35 million Gracewood Centre was officially opened by the Hon. Alex Hawke MP, Federal Member for Mitchell in the presence of more than 50 guests.
- February 2017: In preparation for future development, the Carlingford Residential Aged Care Facility was closed and residents were relocated to The Gracewood Centre at Kellyville.
- February 2017: The Company launched an 'Empowering customers through unique solutions' sales training program for managers and care facilitators aimed at meeting the evolving needs of customers in a consumer-driven home care market.
- February 2017: The Company commenced a safety campaign called Be a STAR (Stop, Think, Act, Review). Since its commencement, the Company has experienced a 20% reduction in the number of injuries across the organisation.
- May 2017: The Company was announced as a trailblazer for financial inclusion under the new Financial Inclusion Action Plan (FIAP) program, an initiative of the Australian Government, Good Shepherd Microfinance, EY, and the Centre for Social Impact. In partnership with Good Shepherd, BaptistCare provided 1,392 loans in 2016/17 (including No Interest Loans and StepUP program) valued at over \$2 million.
- May 2017: The Company presented the Second Halo Ball to raise funds for women and children impacted by domestic and family violence. Over 480 guests attended the event at Doltone House Jones Bay Wharf, Pyrmont, raising just over \$140,000.
- May 2017: The Company facilitated the 'Palliative Care in Aged Care' Conference. The Conference was attended by 100 delegates.
- June 2017: The Company celebrated the launch of the Health Television Network's (HTN) new volunteer training course 'Spiritual Care is Everybody's Business' which was a joint initiative between the Aged Care Channel, HTN, Meaningful Ageing Australia and BaptistCare.
- June 2017: The Company launched a new reward and recognition program to recognise the achievements of staff, and give them the opportunity to appreciate and say thank you to each other.
- Over the course of the year: One hundred and thirty-five care volunteers across 14 teams were fully trained in the Company's Volunteer Pastoral Care Visitors Program, and are now active in their respective communities.

More information is contained at www.baptistcareannualreport2017.org.au.

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

- October 2016: The Company was awarded a contract to build 500 units under the NSW State Government's Social and Affordable Housing Fund (SAHF). Construction will occur over a 3 year period. The Company has established a debt facility for approximately \$155 million to assist with financing the project.
- November 2016: The Company launched the campaign "More Than Skin Deep" against domestic and family violence.
- November 2016: The Company formally acquired three retirement villages from Newcastle City Council following success in an expression of interest process in early 2016. The villages include Allambie Court and Carinya Court at New Lambton, and Kiah Court at Jesmond. These 29 units will boost affordable housing resources for seniors in Newcastle supported by our community and home services divisions.
- November 2016: The Company officially opened new community housing in Lismore, Garimaleh Place. The 20 unit new housing development brings the total number of units in Lismore to 46, and provides housing for 55 local seniors. It will also grow by 35 units in coming years, with the provision of funding from the SAHF.
- February 2017: Home Care Packages (HCP) became deregulated with package allocations to specific providers being revoked. Consumers now hold the package allocation and have the ability to choose their preferred provider. This change means that surplus funds are required to be returned to the Department of Social Services and Consumers 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.

4. Measurement of Performance

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

- Customer satisfaction surveys for each area of operations;
- Staff turnover and responses to the Staff Satisfaction Survey;
- Work, Health and Safety measurements, incidents, lost time and medical treatment incident frequency rates;
- 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.

DIRECTORS' REPORT (CONTINUED)

5. Board of Directors

The Members of BaptistCare NSW & ACT elect the Board.

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

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

Judith Carpenter

BA TCert MIMCA MAICD

Human Resources Consultant

Appointed July 2002

Chair from 21 November 2016

Member of Remuneration & Performance

Committee from May 2003 and Committee Chair from July 2010

Member of Ashfield Baptist Church

Corinne Glasby

BEc FIAA

Actuary

Appointed June 2007

Vice Chair from 21 November 2016

Member of Audit & Risk Committee from November 2007

Trustee of BCS Foundation from December 2010

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

Member of Epping Baptist Church

Stuart Abbott

B Bus

Company Director and Chief Executive Officer

Appointed February 2017

Member of the Property Strategy & Building Governance Committee from May 2017

Member of Thornleigh Community Baptist Church

Owen Chew Lee

BCA BSc FCA GAICD

Banker and Company Director

Appointed June 2017

Member of Gordon Baptist Church

John Church

FFin FCIS FAICD FTIA

Solicitor, Public Notary & Company Director

Appointed September 1984

Member of Audit & Risk Committee from May 1992

Member of Governance & Nominations Committee from November 2009

Trustee of BCS Foundation from November 1999

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

Member of Gordon Baptist Church

Craig Collins

BBus (Land Economics)

Chief Executive Officer, Hospitality Sector Company

Appointed November 2012

Member of Epping Baptist Church

Peter Murphy

BBus MCom MA (Christian Studies)
F CPA GAICD
Management Consultant

Appointed April 2016
Member of Audit & Risk Committee from April 2016 and Committee Chair from August 2016
Member of Blakehurst Baptist Church

Cameron Webb

BBus (Retail Management), MBA
AAICD
IT Executive, Retail

Appointed November 2016
Chair of Property Strategy & Building Governance Committee from May 2017
Member of Dural Baptist Church

Ian Wilson OAM

BHealthScience (Mgt) Dip Health Admin
Retired Chief Executive Officer, Aged Care/Community Services

Appointed March 2010
Chair of Governance & Nominations Committee from November 2010
Member of Kiama Baptist Church

Ruth Wilson

BSocialStudies
Retired Aged Care Policy Adviser

Appointed December 2012
Member of Governance & Nominations Committee from November 2013
Member of Care & Services Committee from May 2017
Member of Woonona Baptist Church

Robyn Worsley

Retired Registered Nurse

Appointed March 2016
Member of Remuneration & Performance Committee from April 2016
Chair of Care & Services Committee from May 2017
Member of Carlingford Baptist Church

Judith Clendinning

BCom DipEd MACC MACA
Relationship & Family Counsellor

Appointed November 2013
Member of Audit & Risk Committee from November 2014
Member of Northside Baptist Church
Retired on 12 December 2016

Graham Henderson

MB BS FRCS FRCOG FRANZCOG
GradDipDiv
MAICD
Gynaecologist

Appointed July 1995
Chairperson from December 2008
Member of Audit & Risk Committee from February 2009
Member of the Governance & Nominations Committee from November 2007
Member of Carlingford Baptist Church
Retired on 10 November 2016

DIRECTORS' REPORT (CONTINUED)

5. Board of Directors (continued)

Ian Jackson

EdD MA MEd BA DipEd MaPS MAICD
 Consultant – Special Schools
 Non-government Education
 Organisation

Appointed November 2013

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

Member of Mortdale-Oatley Baptist Church
 Retired on 1 May 2017

Greg Sheridan

Licenced Builder
 Project Manager / Building Consultant

Appointed July 2012

Member of Remuneration & Performance
 Committee from November 2012
 Member of Dural Baptist Church
 Retired on 10 November 2016

6. Directors' meetings

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

Director	Board	Audit & Risk Committee	Remuneration & Performance Committee	Governance & Nomination Committee	Care & Services Committee	Property Strategy & Building Governance Committee	SAHF Committee
Judith Carpenter	10	2	2	-	2	1	-
Stuart Abbott**	2	-	-	-	-	1	-
Owen Chew Lee**	-	-	-	-	-	-	-
John Church	8	3	-	3	-	-	3
Judith Clendinning*	4	0	-	-	-	-	-
Craig Collins	9	-	-	-	-	-	3
Corinne Glasby	7	2	-	-	-	-	4
Graham Henderson*	4	2	-	0	-	-	1
Ian Jackson*	6	-	-	-	-	-	-
Peter Murphy	8	4	-	-	-	-	4
Greg Sheridan*	4	-	1	-	-	-	4
Cameron Webb**	4	-	-	-	-	1	-
Ian Wilson	9	-	-	4	-	-	-
Ruth Wilson	10	-	-	4	-	-	-
Robyn Worsley	9	-	-	-	2	-	-
Total number of meetings	10	4	2	5	2	1	4

*Resigned during the financial year

**Appointed during the financial year

7. Company Members

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

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

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

At the date of this report there are 160 Members (2016: 160 Members) including 22 Honorary Life Members (2016: 22 Honorary Life Members). Each Member has a liability in the case of a winding-up. The extent of the liability of any Member under the guarantee is as follows:

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

The total amount that Members of the Company are liable to contribute as at 30 June 2017 is \$15,101 (2016: \$15,101).

8. Events subsequent to reporting date

There have been no events subsequent to the balance date which would have a material effect on the Company's financial statements at 30 June 2017.

9. Government funding

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

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

10. Lead auditor's independence declaration

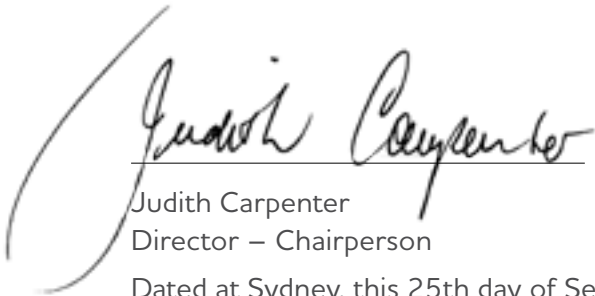
The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' report for the financial year ended 30 June 2017.

DIRECTORS' REPORT (CONTINUED)

11. Rounding off

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

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



Judith Carpenter
Director – Chairperson

Dated at Sydney, this 25th day of September 2017

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 2017, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG

A handwritten signature in dark ink, appearing to read 'S. Isaac'.

Stephen Isaac
Partner

Sydney

25 September 2017

Statement of profit or loss and other comprehensive income

In thousands of AUD

	Note	2017	2016 Restated*
Recurrent government subsidies and contributions		194,653	188,225
Gross income from residents and clients		49,555	50,640
Accommodation and ingoing contribution income		7,996	9,854
Donations and legacies – churches and personal	5	1,789	1,943
Other income	6	8,390	9,855
Revenue and other income		262,383	260,517
Personnel expenses	7	(177,815)	(180,638)
Property expenses		(21,907)	(18,340)
Depreciation and amortisation expenses	13,14	(24,764)	(23,443)
Impairment of property, plant and equipment and intangible assets	14	(1,091)	(1,668)
Housekeeping expenses		(14,327)	(12,737)
Catering expenses		(11,840)	(11,775)
Communication expenses		(1,359)	(1,610)
Motor vehicle expenses		(1,430)	(1,281)
Net gain on sale of property, plant and equipment and intangible assets		2,114	5,761
Other expenses		(15,987)	(13,488)
Expenses		(268,406)	(259,219)
(Deficit)/surplus before net finance income		(6,023)	1,298
Finance income		6,580	7,370
Finance costs		(164)	(201)
Net finance income	8	6,416	7,169
Surplus for the year		393	8,467
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedge – effective portion of changes in fair value		(197)	-
Items that will not be reclassified subsequently to profit or loss:			
Equity investments at FVOCI – net change in fair value		408	(632)
Total comprehensive income for the year		604	7,835

The notes on pages 19 to 43 are an integral part of these financial statements.

* Restated due to early adoption of AASB 9, refer to Note 3(p)

Statement of financial position

In thousands of AUD

	Note	2017	2016
Assets			
Cash and cash equivalents	9	13,737	18,452
Receivables	10	33,212	23,139
Inventories		42	185
Investments	11	127,039	126,239
Assets held for sale	12	3,810	4,062
Total current assets		<u>177,840</u>	<u>172,077</u>
Receivables	10	1,996	-
Investments	11	113,371	53,863
Property, plant and equipment	13	422,186	387,424
Intangible assets	14	5,847	7,213
Total non-current assets		<u>543,400</u>	<u>448,500</u>
Total assets		<u>721,240</u>	<u>620,577</u>
Liabilities			
Payables	15	492,874	399,741
Loans and borrowings	16	603	746
Employee benefits	17	26,848	25,566
Provisions	18	2,193	3,251
Deferred income	19	9,698	6,470
Derivative financial liability	23	197	-
Total current liabilities		<u>532,413</u>	<u>435,774</u>
Loans and borrowings	16	1,723	2,316
Employee benefits	17	2,367	2,927
Deferred income	19	17,219	12,585
Total non-current liabilities		<u>21,309</u>	<u>17,828</u>
Total liabilities		<u>553,722</u>	<u>453,602</u>
Net assets		<u>167,518</u>	<u>166,975</u>
Accumulated funds			
Reserves	20	1,670	1,520
Retained earnings		165,848	165,455
Total accumulated funds		<u>167,518</u>	<u>166,975</u>

The notes on pages 19 to 43 are an integral part of these financial statements.

Statement of changes in funds

In thousands of AUD

	Capital works fund-Retirement Villages	Fair value reserve	Hedging surplus	Retained surplus	Total funds
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 will not be reclassified subsequently to profit or loss:</i>					
Equity investments at FVOCI – net change in fair value	-	(632)	-	-	(632)
Total comprehensive income for the year		(632)	-	8,467	7,835
Capital works fund to Retirement Village	(99)	-	-	-	(99)
Balance as at 30 June 2016	592	928	-	165,455	166,975
Balance as at 1 July 2016	592	928	-	165,455	166,975
Surplus for the year	-	-	-	393	393
Other comprehensive income <i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Cash flow hedge – effective portion of changes in fair value	-	-	(197)	-	(197)
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Equity investments at FVOCI – net change in fair value	-	408	-	-	408
Total comprehensive income for the year	-	408	(197)	393	604
Capital works fund to Retirement Villages	(61)	-	-	-	(61)
Balance as at 30 June 2017	531	1,336	(197)	165,848	167,518

The notes on pages 19 to 43 are an integral part of these financial statements.

Statement of cash flows

In thousands of AUD

	2017	2016
Cash flows from operating activities		
Cash receipts from residents, clients, government subsidies and other income	257,795	255,924
Cash paid to suppliers, residents and employees	(252,309)	(245,845)
Cash generated from operations	5,486	10,079
Dividends received	455	565
Interest received	6,125	6,804
Net cash from operating activities	12,066	17,448
Cash flows from investing activities		
Payments for property, plant and equipment	(59,446)	(79,067)
Proceeds from sale of assets held for sale	3,275	10,100
Proceeds from sale of option over assets held for sale	1,473	1,200
Proceeds from disposal of property, plant and equipment	1,429	2,410
Transfer to interest bearing deposits	(62,145)	(13,999)
Proceeds from disposal of equity instruments at FVOCI	2,048	1
Proceeds from disposal of intangible assets	-	3,488
Payments for intangible assets	(2,144)	(910)
Net cash used in investing activities	(115,510)	(76,777)
Cash flows from financing activities		
Net cash inflow from residential aged care accommodation bonds	43,677	45,267
Net cash inflow from retirement village ingoing contributions	56,177	8,579
Net cash inflow from drawdown of loan facility	2,726	-
Net cash outflow from facility fees	(2,890)	-
Payment of finance lease liabilities	(961)	(997)
Net cash from financing activities	98,729	52,849
Net decrease in cash and cash equivalents	(4,715)	(6,480)
Cash and cash equivalents at beginning of year	18,452	24,932
Cash and cash equivalents at end of year	13,737	18,452

9

The notes on pages 19 to 43 are an integral part of these financial statements.

Index to notes to the financial statements

	Page
Note 1 Reporting Entity	19
Note 2 Basis of preparation	19
Note 3 Summary of significant accounting policies	20
Note 4 Operating segments	30
Note 5 Donations and legacies – churches and personal	33
Note 6 Other income	33
Note 7 Personnel expenses	34
Note 8 Finance income and finance costs	34
Note 9 Cash and cash equivalents	34
Note 10 Receivables	34
Note 11 Investments	35
Note 12 Assets held for sale	35
Note 13 Property, plant and equipment	35
Note 14 Intangible assets	37
Note 15 Payables	37
Note 16 Loans and borrowings	38
Note 17 Employee benefits	38
Note 18 Provisions	39
Note 19 Deferred income	39
Note 20 Reserves	40
Note 21 Operating leases	40
Note 22 Capital and other commitments	41
Note 23 Financial instruments – Fair values and risk management	41
Note 24 Contingencies	42
Note 25 Related parties	42
Note 26 Service concession arrangement	43
Note 27 Subsequent events	43

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 2017.

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 25 September 2017.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies

Except for the change in accounting policy outlined in note 3(p), the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments*(i) Recognition and initial measurement*

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

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

*(ii) Classification and subsequent measurement**Financial assets*

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

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

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

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

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

Financial assets: Business model assessment

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

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

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

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of

time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

Subsequent measurement and gains and losses

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

(iii) *Non-derivative financial liabilities – Measurement*

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

(iv) *Derivative financial instruments and hedge accounting*

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

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

Cash flow hedges

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)**(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 profit or loss and other comprehensive income.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

(c) Intangible assets**(i) Computer software**

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

(ii) 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.

(iii) Subsequent expenditure

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

(iv) Amortisation

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

- Computer software 3-5 years
- Service concession arrangement 20 years

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

(d) Leased assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)**(e) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

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

(f) Impairment**(i) Financial assets**

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

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

Credit impaired financial assets

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

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

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

Write off

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

(ii) Non-financial assets

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

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

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Assets held for sale

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

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

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

(h) Employee benefits

(i) Defined contributions plans

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

(ii) Other long-term employee benefits

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

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

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)**(i) Provisions**

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

(i) *Make good*

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

(ii) *Restructuring – redundancies*

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

(iii) *Onerous operating lease contracts*

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

(j) Revenue**(i) *Recurrent government subsidies and contributions***

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

(ii) *Gross income from residents and clients*

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

(iii) *Daily accommodation payments (DAP)*

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

(iv) *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 profit or loss and other 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.

(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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other comprehensive income. This is offset by contribution income from the lessor of the same amount, which is also recognised in the statement of profit or loss and other comprehensive income.

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

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

(n) Finance income and finance costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)**(o) Income tax**

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

(p) Change in accounting policy

The Company has early adopted AASB 9 *Financial Instruments* issued in July 2014 with a date of initial application of 1 July 2016. The requirements of AASB 9 represent a significant change from AASB 139 *Financial Instruments: Recognition and Measurement*.

The key changes to the Company's accounting policies resulting from its adoption of AASB 9 are summarised below.

As a result of the adoption of AASB 9, the Company adopted consequential amendments to AASB 101 *Presentation of Financial Statements* which results in equities fair valued through other comprehensive income not subsequently transferred to profit or loss on disposal. Therefore these items have been reclassified from "items that may be reclassified subsequently to profit or loss" to "items that will not be reclassified subsequently to profit or loss".

(i) Classification of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead the hybrid financial instrument as a whole is assessed for classification.

For explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under AASB 9, see note 3(a).

The adoption of AASB 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

(ii) Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments. Under AASB 9, credit losses are recognised earlier than under AASB 139 – see note 3(a).

(iii) Hedge accounting

No hedging policy existed under AASB 139 as the Company entered into their first hedge during the 2017 financial year. Therefore there has been no change to the hedge accounting policy during the year.

(iv) Transition

Changes in accounting policies resulting from the adoption of AASB 9 (2014) have been applied retrospectively, except as described below.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation of investments in equity instruments not held for trading as at FVOCI.

(v) *Classification of financial assets and financial liabilities on the date of initial application of AASB 9*

The following table shows the original measurement under AASB 139 and the new measurement categories under AASB 9 for each class of the Company's financial assets as at 1 July 2016.

<i>In thousands of AUD</i>	Note	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
Financial assets					
Cash and cash equivalents	9	Loans and receivables	Amortised cost	18,452	18,452
Receivables	10	Loans and receivables	Amortised cost	23,139	23,139
Interest bearing deposits	11	Held to maturity	Amortised cost	171,639	171,639
Equity securities	11	Available-for-sale	FVOCI - equity instrument	8,463	8,463
Total financial assets				221,693	221,693

There were no changes in the measurement of the Company's financial liabilities as a result of adopting AASB 9, these continue to be classified as other financial liabilities.

The Company's accounting policies on the classification of financial instruments under AASB 9 are set out in note 3(a). The application of these policies resulting in the reclassifications set out in the table above are explained below.

- Receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost. There was no change in the allowance for impairment recognised in opening retained earnings at 1 July 2016 on transition to AASB 9.
- Interest bearing deposits were classified as held to maturity under AASB 139 are now classified at amortised cost.
- The equity securities represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by AASB 9, the Company has designated these investments at the date of initial application as measured at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Health 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.

Information about reportable segments

	Residential Aged Care		Retirement Villages		Home Care		Community Services		Other Segments		Total	
<i>In thousands of AUD</i>	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External revenues	161,260	164,198	7,429	10,044	83,306	79,174	8,296	7,744	2,092	(643)	262,383	260,517
Segment revenue											262,383	260,517
Segment result	10,937	11,815	(5,429)	(1,665)	7,665	5,167	(4,719)	(2,364)	(8,061)	(4,487)	393	8,467
Segment result											393	8,467
Segment assets	340,542	304,902	172,677	113,491	39,810	42,570	2,343	25	165,868	159,589	721,240	620,577
Total assets											721,240	620,577
Segment liabilities	340,542	304,902	172,677	113,491	39,810	42,570	2,343	25	(1,650)	(7,386)	553,722	453,602
Total liabilities											553,722	453,602
Acquisition of property, plant and equipment and intangible assets												
Depreciation and amortisation expense	36,081	51,916	22,430	24,433	1,740	1,846	441	835	898	947	61,590	79,977
Impairment expense	(13,115)	(13,410)	(6,470)	(4,575)	(1,340)	(1,489)	(386)	(432)	(3,453)	(3,537)	(24,764)	(23,443)
	-	(1,416)	-	(252)	(1,091)	-	-	-	-	-	(1,091)	(1,668)

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

	2017	2016
Residential Aged Care		
Recurrent government subsidies and contributions	115,960	115,544
Resident charges	36,122	37,380
Accommodation bond income	5,783	5,644
Donations	19	291
Other income	3,376	5,339
Segment external revenue	161,260	164,198
Internal revenue	3,459	-
Segment revenue	164,719	164,198
Care employee expenses	76,360	79,408
Other employee expenses	21,537	22,397
Management fees	10,021	9,831
Depreciation, amortisation and impairment expenses	13,115	14,826
Property expenses	13,886	10,904
Housekeeping expenses	4,024	4,029
Catering expenses	17,479	13,996
Net gain on sale of assets	(2,120)	(3,011)
Other expenses	5,758	5,717
Segment expenses	160,060	158,097
Segment result	4,659	6,101
Finance income	7,179	6,660
Finance costs	(901)	(946)
Surplus for the year	10,937	11,815
Segment current assets	87,126	90,308
Segment non-current assets	253,416	214,594
Segment assets	340,542	304,902
Segment current liabilities	332,986	297,867
Segment non-current liabilities	7,556	7,035
Segment liabilities	340,542	304,902
Segment net assets	-	-
Segment assets and liabilities above include:		
Property, plant and equipment	217,178	179,425
Accommodation bond liabilities	302,079	267,674

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's Aged Care Program:

<i>In thousands of AUD</i>	2017	2016
Home Care services		
Recurrent government subsidies and contributions	28,540	29,262
Resident charges	3,587	4,195
Other income	49	45
Segment revenue	<u>32,176</u>	<u>33,502</u>
Personnel expenses	19,999	22,231
Depreciation and amortisation expenses	257	103
Other expenses	12,061	11,796
Segment expenses	<u>32,317</u>	<u>34,130</u>
Segment result	<u>(141)</u>	<u>(628)</u>
Finance income	14	291
Deficit for the year	<u>(127)</u>	<u>(337)</u>
Segment current assets	5,856	4,864
Segment non-current assets	807	882
Segment assets	<u>6,663</u>	<u>5,746</u>
Segment current liabilities	6,663	5,746
Segment non-current liabilities	-	-
Segment liabilities	<u>6,663</u>	<u>5,746</u>
Segment net assets	<u>-</u>	<u>-</u>

5. Donations and legacies – churches and personal

<i>In thousands of AUD</i>	2017	2016
Received from BCS Foundation	817	629
Other donations	972	1,314
	<u>1,789</u>	<u>1,943</u>

6. Other income

<i>In thousands of AUD</i>	2017	2016
Revenue from sale of goods	3,641	5,157
Other revenue	4,749	4,698
	<u>8,390</u>	<u>9,855</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Personnel expenses

<i>In thousands of AUD</i>	2017	2016
Wages and salaries	146,750	145,854
Other associated personnel expenses	13,991	16,097
Workers compensation	2,879	4,602
Contributions to defined contribution plans	14,195	14,085
	<u>177,815</u>	<u>180,638</u>

8. Finance income and finance costs

<i>In thousands of AUD</i>	2017	2016
Interest on Investments	6,093	6,804
Dividend income on equity securities	455	565
Other	32	1
Finance Income	<u>6,580</u>	<u>7,370</u>
Unwinding of discount on finance lease	(164)	(201)
Finance Costs	<u>(164)</u>	<u>(201)</u>
Net finance income	<u>6,416</u>	<u>7,169</u>

9. Cash and cash equivalents

<i>In thousands of AUD</i>	2017	2016
Cash at bank and on hand	482	186
Bank deposits at call	13,255	18,266
Cash and cash equivalents	<u>13,737</u>	<u>18,452</u>

10. Receivables

<i>In thousands of AUD</i>	2017	2016
Current		
Receivables – Clients	557	550
Receivables – Residents	8,140	8,958
Other receivables and prepayments	24,515	13,631
	<u>33,212</u>	<u>23,139</u>
Non-current		
Other receivables and prepayments	1,996	-
	<u>1,996</u>	<u>-</u>

10. Receivables (continued)

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

<i>In thousands of AUD</i>	2017	2016
Balance at beginning of the year	302	322
Impairment loss recognised	(8)	38
Amounts written off	17	(58)
Balance at end of the year	<u>311</u>	<u>302</u>

11. Investments

<i>In thousands of AUD</i>	2017	2016
Current		
Interest bearing deposits	<u>127,039</u>	<u>126,239</u>
	127,039	126,239
Non-current		
Interest bearing deposits	106,500	45,400
Equity securities	<u>6,871</u>	<u>8,463</u>
	113,371	53,863

The carrying value of equity securities is equal to its fair value at 30 June 2017 and 30 June 2016.

12. Assets held for sale

<i>In thousands of AUD</i>	2017	2016
Granville catering operation	980	1,232
Land – 28 Memorial Avenue, Kellyville	<u>2,830</u>	<u>2,830</u>
	3,810	4,062

During the year, certain plant and equipment from Granville were disposed of.

13. Property, plant and equipment

During the year the useful life of existing buildings was reassessed as a result of future redevelopments of three sites (Warabrook, Caloola, Kitty Doyle) and based on this assessment, accelerated depreciation of \$2,280,000 was recorded (2016: \$1,941,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Property, plant and equipment (continued)

<i>In thousands of AUD</i>	Freehold land and improvements	Buildings	Plant, furniture and equipment	Computer equipment	Motor vehicles	Leased assets	Capital works in progress	Total
Cost or deemed cost								
Balance at 1 July 2016	55,975	319,633	58,743	9,363	11,159	23,276	55,815	533,964
Additions	3,557	1,657	3,177	332	1,738	64	48,921	59,446
Disposals	-	(7,853)	(3,159)	(485)	(1,930)	(43)	-	(13,470)
Transfer (from) / to capital works in progress	-	72,638	11,284	-	-	4	(83,926)	-
Balance at 30 June 2017	59,532	386,075	70,045	9,210	10,967	23,301	20,810	579,940
Depreciation								
Balance at 1 July 2016	-	87,549	36,211	7,466	4,181	11,133	-	146,540
Depreciation for the year	84	13,929	4,805	1,016	1,914	597	-	22,345
Disposals	-	(6,554)	(3,054)	(485)	(1,023)	(15)	-	(11,131)
Balance at 30 June 2017	84	94,924	37,962	7,997	5,072	11,715	-	157,754
Carrying amounts								
At 1 July 2016	55,975	232,083	22,532	1,897	6,979	12,143	55,815	387,424
At 30 June 2017	59,448	291,151	32,083	1,213	5,895	11,586	20,810	422,186

14. Intangible assets

<i>In thousands of AUD</i>	Computer software	Service concession arrangement	Total
Cost			
Balance at 1 July 2016	16,311	2,547	18,858
Acquisitions	2,144	-	2,144
Disposals	(1,207)	-	(1,207)
Balance at 30 June 2017	17,248	2,547	19,795
Amortisation and impairment losses			
Balance at 1 July 2016	10,881	764	11,645
Amortisation for the year	2,291	128	2,419
Disposals	(1,207)	-	(1,207)
Impairment loss	1,091	-	1,091
Balance at 30 June 2017	13,056	892	13,948
Carrying amounts			
At 1 July 2016	5,430	1,783	7,213
At 30 June 2017	4,192	1,655	5,847

During the year BaptistCare impaired software by \$1,091,000 (2016: nil) relating to a rostering implementation project that is currently on hold due to uncertainty around the software's ongoing use.

15. Payables

<i>In thousands of AUD</i>	2017	2016
Current		
Trade payables and accrued expenses	29,288	28,031
Refundable residential aged care accommodation bonds	302,079	267,674
Refundable retirement village ingoing contributions	161,507	104,036
	492,874	399,741

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Loans and borrowings

<i>In thousands of AUD</i>	2017	2016
Current		
Charitable loan funds	10	10
Finance lease liability	593	736
	<u>603</u>	<u>746</u>
Non-current		
Finance lease liability	1,723	2,316
	<u>1,723</u>	<u>2,316</u>

A \$155,000,000 loan facility was established on 1 February 2017 to provide liquidity for the financing of the NSW State Government's Social and Affordable Housing Fund (SAHF) project. This includes a construction facility and term facility which will be drawn down in set tranches as each stage of SAHF progresses. The maturity date of the facility is 1 February 2023. The facility was drawn down by \$2,726,000 as at 30 June 2017. Consistent with the accounting standards, the loan liability and loan transaction costs have been offset and are in an asset position at 30 June 2017. The net position is \$164,000 (FY16: nil) and is included in Note 10 Receivables – other receivables and prepayments.

<i>In thousands of AUD</i>	2017	2016
Finance lease liabilities		
Future minimum lease payments:		
Less than one year	593	736
Between one and five years	475	941
More than five years	1,248	1,375
	<u>2,316</u>	<u>3,052</u>

17. Employee benefits

<i>In thousands of AUD</i>	2017	2016
Current		
Salary, wages and superannuation payable	5,706	4,555
Liability for annual leave	12,868	12,906
Liability for long-service leave	8,274	8,105
	<u>26,848</u>	<u>25,566</u>
Non-current		
Liability for long-service leave	2,367	2,927
	<u>2,367</u>	<u>2,927</u>

18. Provisions

<i>In thousands of AUD</i>	Restructuring redundancies	Onerous operating lease contract	Make good	Total
Balance at 1 July 2016	1,420	412	1,419	3,251
Provisions made during the year-	766	25	791	
Provisions used during the year	(1,022)	(412)	(105)	(1,539)
Provisions reversed during the year	(306)	-	(4)	(310)
Balance at 30 June 2017	92	766	1,335	2,193

Onerous operating lease contract provision

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

Make good provision

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

19. Deferred income

<i>In thousands of AUD</i>	2017	2016
Current		
Government grants	213	213
Government contributions	66	66
Client funds – Consumer Directed Care	8,769	6,191
Independent Living Unit Deferred Management Fees (ILU DMF)	650	-
	<u>9,698</u>	<u>6,470</u>
 <i>In thousands of AUD</i>	 2017	 2016
Non-current		
Government grants	7,037	7,250
Government contributions	5,270	5,335
Independent Living Unit Deferred Management Fees (ILU DMF)	4,912	-
	<u>17,219</u>	<u>12,585</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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 equity securities until the investment is derecognised or impaired.

Hedging reserve

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

21. Operating leases**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	2017	2016
Less than one year	1,483	1,738
Between one and five years	3,289	3,956
More than five years	1,362	2,060
	<u>6,134</u>	<u>7,754</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 2017, \$3,071,000 (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. This includes a provision of \$766,000 for the accommodation of the Kitty Doyle residents during the construction of new facilities.

The Company has two long-term operating leases of land in Queanbeyan and Goulburn with the State of New South Wales. The lease terms are both for 40 years, with no option to renew and the Company pays a nominal rent to the lessor. The notional fair value of the approximate lease rentals amounting to \$178,000 (2016: \$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>	2017	2016
Capital expenditure commitments	185,214	51,600

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

23. Financial instruments – Fair values and risk management

Accounting classifications

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

<i>In thousands of AUD</i>	2017	2016
	Fair value – hedging instruments	Fair value – hedging instruments
Interest rate swaps used for hedging	(197)	-

Derivative assets and liabilities designated as cash flow hedges

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

<i>In thousands of AUD</i>	2017			2016		
	Expected cash flows			Expected cash flows		
	Carrying amount	12 months or less	More than one year	Carrying amount	12 months or less	More than one year
Interest rate swaps used for hedging	(197)	-	(197)	-	-	-

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

<i>In thousands of AUD</i>	2017			2016		
	Expected impact			Expected impact		
	Carrying amount	12 months or less	More than one year	Carrying amount	12 months or less	More than one year
Interest rate swaps used for hedging	(197)	-	(197)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Financial instruments – Fair values and risk management (continued)**Market risk***Interest rate risk*

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

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

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

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 \$2,453,766 for the year ended 30 June 2017 (2016: \$2,381,559).

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 an 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 \$816,856 (2016: \$628,930) during the year ended 30 June 2017 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.

26. 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 at Coraki. 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.

27. Subsequent events

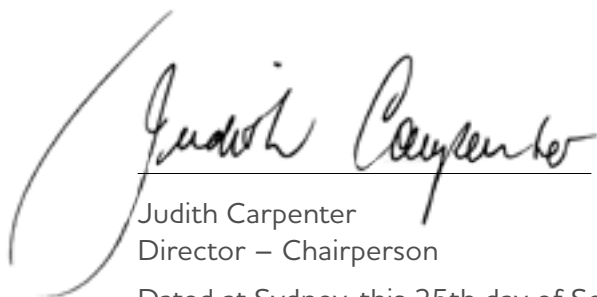
There have been no other events subsequent to balance date which would have a material effect on the Company's financial statements at 30 June 2017.

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 14 to 43 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 2017 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 black ink, reading "Judith Carpenter", is written over a horizontal line. The signature is fluid and cursive.

Judith Carpenter
Director – Chairperson

Dated at Sydney, this 25th day of September 2017

Independent auditor's report



To the members of BaptistCare NSW & ACT

Opinion

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

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

- (i) giving a true and fair view of the Company's financial position as at 30 June 2017, and of its financial performance and its cash flows for the year ended on that date; and
- (ii) complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The Financial Report comprises:

- (i) Statement of financial position as at 30 June 2017;
- (ii) Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- (iii) Notes including a summary of significant accounting policies; and
- (iv) Directors' declaration of the Company.

Basis for opinion

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

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

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

Other information

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

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



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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- (i) Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosures Requirements and the ACNC.
- (ii) Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- (iii) Assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- (i) to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- (ii) to issue an Auditor's Report that includes our opinion.

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

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

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

Our responsibilities include:

- (i) Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- (ii) Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting



from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- (iii) Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- (iv) Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (v) Concluding on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (vi) Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.



KPMG

Stephen Isaac
Partner

Sydney

26 September 2017

This page has been left blank intentionally

This page has been left blank intentionally

This page has been left blank intentionally



1300 275 227



ask@baptistcare.org.au



baptistcare.org.au



BaptistCare
Level Two, 22 Brookhollow Avenue
PO Box 7626
Baulkham Hills NSW 2153

BaptistCare NSW & ACT
ABN 90 000 049 525



[youtube.com/
BaptistCareNSWACT](https://youtube.com/BaptistCareNSWACT)



Like us [facebook.com/
BaptistCareNSWACT](https://facebook.com/BaptistCareNSWACT)



Follow [@BaptistCare](https://twitter.com/BaptistCare)



Connect with us on LinkedIn
“BaptistCare NSW & ACT”