

ABN 90 000 049 525



Financial Report



**Baptist
Community
Services**
- NSW & ACT

YEAR ENDED 30 JUNE 2013

Current Directors Graham Henderson
Judith Carpenter
John Church
Craig Collins
Robert Dunn
Catherine Ellis
Corinne Glasby
Gregory Sheridan
Ian Wilson OAM
Ruth Wilson

Chief Executive Officer Ross Low

Company Secretaries Stuart Young
Ross Low

Registered Office Baptist Community Services - NSW & ACT
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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 Baptist Community Services - NSW & ACT (the Company) for the financial year ended 30 June 2013 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 Grad Dip Div FRCS FRCOG</i> <i>FRANZCOG 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 Vice President of the Baptist Churches of NSW & ACT Member of Carlingford Baptist Church
Judith Carpenter <i>BA TCert MIMCA</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 Director of B.C.S. Foundation Pty. Limited Consultant to Church & Grace Director of Milton Corporation Limited Member of Gordon Baptist Church
Craig Collins <i>BBus (Land Economics)</i> Chief Executive Officer, Hospitality Sector Company	Board member from 23 November 2012 Trustee of BCS Foundation from 18 December 2012 Director of B.C.S. Foundation Pty. Limited from 18 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

Gregory Sheridan <i>Licenced Builder</i> Interiors Manager (Fitout)	Board member from 30 July 2012 Member of the Remuneration & Performance Committee from 26 November 2012 Member of Dural Baptist Church
Ian Wilson OAM <i>BHealthScience(Mgt) Dip</i> <i>Health Admin</i> Retired Aged Care/ Community Services Senior Executive	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 17 December 2012 Member of Heathcote Engadine Baptist Church
Deborah Boston Voluntary Worker	Board member from November 2007 to 10 October 2012 Member of the Remuneration & Performance Committee from April 2011 to 10 October 2012 Trustee of BCS Foundation from December 2011 to 10 October 2012 Director of B.C.S. Foundation Pty. Limited from December 2011 to 10 October 2012 Member of Mortdale Oatley Baptist Church
Gary Lear <i>MBA</i> Management Consultant	Board member from June 2007 to 2 May 2013 Member of the Governance & Nominations Committee from February 2009 to 2 May 2013 Member of Dural Baptist Church
Alan Rice AM <i>BA MEd PhD FACE FACEL JP</i> Emeritus Professor	Board member from November 2000 to 23 November 2012 Former Dean of the Australian Centre for Education Studies, Macquarie University Former President, Immediate Past President and current Chair of the Assembly Council of the Baptist Churches of NSW & ACT Director of Morling College and Chair of the Morling College Academic Board Director of Bedford College National Director, Life Education Australia Director of Norwest Christian College Member of Baulkham Hills Baptist Church
Paul Watkins <i>BSc(Arch) BArch(Hons)</i> Retired Managing Director, Property Development & Construction Company	Board member from July 2001 to 23 November 2012 Member of Castle Hill Baptist Church

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	5	5			2	2
Judith Carpenter	10	11			3	3		
John Church	9	11	4	5			2	2
Craig Collins	6	7						
Robert Dunn	10	11	4	5	3	3		
Catherine Ellis	9	11	4	5				
Corinne Glasby	9	11	5	5				
Greg Sheridan	9	10			1	1		
Ian Wilson	10	11					2	2
Ruth Wilson	3	5						
Deborah Boston*	-	3			-	1		
Gary Lear*	7	9					1	1
Alan Rice *	4	4						
Paul Watkins*	4	4						

*Resigned during the financial year.

3 Board of Directors

The members of Baptist Community Services – 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 10 Directors who serve in a voluntary, unpaid 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;
- Approve the annual work plan of the Internal Audit Unit and review their reports and progress against that plan;
- 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 internal and 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.

Directors' report continued

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; and
- Review and advise the Board on succession planning for the CEO and the senior management team.

Governance & Nominations Committee

The Governance & Nominations Committee currently consists of 3 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.

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 170 members (2012: 178 members) including 27 Honorary Life Members (2012: 26 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 2013 is \$16,301 (2012: \$17,101).

5 Principal activities

Baptist Community Services - 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 call centre.

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:

These are:

- 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 AgeCare 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 and 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 LifeCare Services.

Directors' report continued

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 Perception of Value 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, www.bcs.org.au/AboutBCS/Publications.aspx

7 Operating and financial review

Result of operations

The operating deficit of the Company for the year ended 30 June 2013 was \$3,891,000 (2012: Deficit \$895,000).

The result for the year takes into account a number of one-off costs arising from restructuring that the Company is undertaking in response to the significant change occurring in the aged care industry. A total of \$6.1 million is being incurred due to the closure of the Maranoa Centre – Lismore, the demolition of the Caloola Hostel, staff redundancies and the closure of offices.

Review of operations

During the year:

- An average of 1,900 residents were cared for in our aged care facilities, 38% of whom were supported residents;
- The Gracewood Community retirement village at Kellyville, consisting of 73 one, two and three bedroom apartments, was officially opened on 10 March 2013. In conjunction with this the Hills District Care Centre relocated to the same location at Kellyville;
- A variety of Home Care services were provided to 8,000 clients in their homes;
- Construction commenced in May 2012 on the 160 bed residential aged care facility at Griffith in the ACT, with an anticipated completion date in the first half of 2014;
- The following residential aged care facilities were subject to re-accreditation during the year and were all successful: Hayfield Court, Yallambi Centre, Maranoa Centre – Lismore, Warena Centre, Maranoa Centre – Alstonville, Orana;
- The following Home Care centres were subject to quality reporting and were all successful: Hills District, North Shore, South West Sydney, Canberra, Northern Suburbs, Carlingford, Central Coast, South-East Sydney;
- The Auburn Baptist Church Preschool and Northmead Baptist Child Care Centre were transferred to Integricare in January 2013;
- LifeCare Employment Ventures (formerly BCS Hunter Contracts) was transferred to a new provider, Endeavour Industries, on 3 December 2012;
- The No Interest Loans Scheme was expanded in November 2012 to assist women escaping domestic violence in the Macarthur and wider area;

- The StepUp program, an extension of the No Interest Loans Scheme, was introduced to the ACT from March 2013;
- The Food 4 Life Shop in Petersham, previously the Crystal Street Community Centre, was closed on 30 June 2013; and
- Significant Information Technology systems development projects were undertaken.

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

Subsequent to the reporting date the following events occurred:

The Company, which is the trustee of the Kitty Doyle Home Units Trust, has applied to the NSW Supreme Court, and in May 2013 obtained approval of an Amended Scheme for the administration of the Trust. The Amended Scheme allows for the property and assets of the Trust to be combined with the property comprised in the Company's community housing assets. A charitable trust will still exist, but the administration of the Trust and accounting is combined with that of the Company with effect from 1st July, 2013.

On 30 August 2013, the Company entered into a contract for the sale of the land at Mt Annan for \$10.1 million.

Other than the matters 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 2013.

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 Health & Ageing;
- Department of Veterans' Affairs; and
- Department of Families, Housing, Community Services & Indigenous Affairs.

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.

Directors' report continued

11 Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 11 and forms part of the Directors' report for the financial year ended 30 June 2013.

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:

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

Graham Henderson
Director - Chairperson

Dated at Sydney this 30th day of September 2013.



Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the Directors of Baptist Community Services - 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 2013, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Chris Hollis
Partner

Sydney

30 September 2013

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 profit or loss and other comprehensive income

	Note	2013 \$'000	2012 \$'000
Recurrent government subsidies and contributions		165,113	161,316
Gross income from residents and clients		47,679	47,372
Accommodation bond and ingoing contribution income		6,328	5,746
Donations and legacies - churches and personal	5	1,097	1,187
Other income	6	15,804	15,619
Revenue and other income		236,021	231,240
Personnel expenses	7	(177,502)	(170,908)
Property expenses		(18,822)	(18,050)
Depreciation and amortisation expenses	14, 15	(15,576)	(13,772)
Impairment of property, plant and equipment and assets held for sale, net of reversals	13, 14	(3,442)	(6,909)
Housekeeping expenses		(11,590)	(11,179)
Catering expenses		(9,746)	(10,027)
Communication expenses		(2,336)	(1,876)
Motor vehicle expenses		(1,514)	(1,545)
Net loss on sale of property, plant and equipment and intangible assets		(13)	(658)
Other expenses		(8,173)	(8,183)
Expenses		(248,714)	(243,107)
Deficit before net finance income		(12,693)	(11,867)
Finance income		9,021	11,131
Finance costs		(219)	(159)
Net finance income	8	8,802	10,972
Deficit for the year		(3,891)	(895)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of available-for-sale financial assets		992	(396)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	8	(468)	-
Net transfer from funds		-	(295)
Total comprehensive income for the year		(3,367)	(1,586)

The notes on pages 17 to 37 are an integral part of these financial statements.

Statement of financial position

AS AT 30 JUNE 2013

	<i>Note</i>	2013 \$'000	2012 \$'000
Assets			
Cash and cash equivalents	9	10,007	7,130
Receivables	10	30,054	34,676
Inventories	11	175	184
Investments	12	89,539	104,600
Assets held for sale	13	7,354	-
Total current assets		137,129	146,590
Investments	12	51,193	50,146
Property, plant and equipment	14	276,923	245,998
Intangible assets	15	5,978	5,472
Total non-current assets		334,094	301,616
Total assets		471,223	448,206
Liabilities			
Payables	16	272,068	248,908
Loans and borrowings	17	889	846
Employee benefits	18	23,276	21,587
Provisions	19	4,510	1,475
Deferred income	20	279	279
Total current liabilities		301,022	273,095
Loans and borrowings	17	2,461	3,261
Employee benefits	18	3,330	3,794
Deferred income	20	13,423	13,702
Total non-current liabilities		19,214	20,757
Total liabilities		320,236	293,852
Net assets		150,987	154,354
Accumulated funds			
Reserves	21	774	451
Retained surplus		150,213	153,903
Total accumulated funds		150,987	154,354

The notes on pages 17 to 37 are an integral part of these financial statements.

Statement of changes in funds

	Capital works fund - Retirement Villages \$'000	Fair value reserve \$'000	Retained surplus \$'000	Total funds \$'000
Balance at 1 July 2011	775	322	154,843	155,940
Deficit for the year	-	-	(895)	(895)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets	-	(396)	-	(396)
Distribution to residents of retirement village	(295)	-	-	(295)
Total comprehensive income for the year	(295)	(396)	(895)	(1,586)
Transfer to retained surplus	45	-	(45)	-
Balance at 30 June 2012	525	(74)	153,903	154,354
Balance at 1 July 2012	525	(74)	153,903	154,354
Deficit for the year	-	-	(3,891)	(3,891)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
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 from retained surplus	(201)	-	201	-
Balance at 30 June 2013	324	450	150,213	150,987

The notes on pages 17 to 37 are an integral part of these financial statements.

Statement of cash flows

	<i>Note</i>	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Cash receipts from residents, clients, government subsidies and other income		236,013	222,879
Cash paid to suppliers, residents and employees		(233,231)	(222,321)
Cash generated from operations		2,782	558
Dividends received		837	914
Interest received		8,623	11,214
Net cash from operating activities		12,242	12,686
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(59,806)	(44,701)
Proceeds from disposal of property, plant and equipment		3,252	5,707
Net proceeds from bank bills and deposits		15,010	15,173
Proceeds from sale of investments		-	200
Acquisition of available-for-sale financial assets		(4)	-
Net cash used in investing activities		(41,548)	(23,621)
Cash flows from financing activities			
Net cash inflow from residential aged care accommodation bonds		18,800	10,037
Net cash inflow from retirement village ingoing contributions		14,359	1,438
Net cash outflow from loans at call		-	(32)
Distribution to residents of retirement village		-	(295)
Payment of finance lease liabilities		(976)	(352)
Net cash from financing activities		32,183	10,796
Net increase/(decrease) in cash and cash equivalents		2,877	(139)
Cash and cash equivalents at beginning of year		7,130	7,269
Cash and cash equivalents at end of year	9	10,007	7,130

The notes on pages 17 to 37 are an integral part of these financial statements.

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Notes to the financial statements

1 Reporting entity

Baptist Community Services - 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 28A Cambridge Street, Epping NSW 2121 Australia. The financial statements are as at and for the year ended 30 June 2013.

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

2 Basis of preparation

(a) Statement of compliance

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements were approved by the Board of Directors on 30 September 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale and bed licences 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.

In particular, 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 described in note 14 - Property, plant and equipment and in note 15 - Intangible assets.

(e) Changes in accounting policies

Presentation of transactions recognised in the other comprehensive income

From 1 July 2012 the Company applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income. The change in accounting policy only relates to disclosures and has had no impact on the Company's surplus or deficit. The changes have been applied retrospectively and require the Company

Notes to the financial statements (continued)

2 Basis of preparation (continued)

(e) Changes in accounting policies (continued)

to separately present those items of other comprehensive income that may be reclassified to surplus or deficit in the future from those that will never be reclassified to surplus or deficit. These changes are included in the statement of profit or loss and other comprehensive income.

Comparative information has been re-presented so that it also conforms to the new disclosure requirements. Since the change in accounting policy only impacts presentation aspects there was no impact on comprehensive income.

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

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.

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 profit or loss and other 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 expired.

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 (excluding accruals). 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 and other payables

Trade and other payables 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 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.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

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.

Finance lease liability

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.

(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 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 99 years

(d) Intangible assets

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

Bed licences are granted by the Department of Health and Ageing 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.

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)(iii)).

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.

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.

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 that 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:

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

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(e) 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 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.

(f) 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, production or conversion costs 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.

(g) Impairment

(i) Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in other expenses in the statement of profit or loss and other comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through other expenses in the statement of profit or loss and other comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve, to finance costs in the statement of profit or loss and other comprehensive income. The cumulative loss that is removed from other comprehensive income and recognised in finance costs in the statement of profit or loss and other 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 profit or loss and other comprehensive income, then the impairment loss is reversed,

with the amount of the reversal recognised in the statement of profit or loss and other 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 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.

(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 surplus or deficit. 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 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.

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(i) Employee benefits (continued)

(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 benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(iv) *Termination benefits*

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(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.

(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 profit or loss and other 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 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.

(n) Lease payments

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

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

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

Notes to the financial statements (continued)

3 Significant accounting policies (continued)

(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 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.

(p) Income tax

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

(q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

4 Operating segments

The Company takes into account 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.

Operating segment information is also provided to meet the reporting requirements for the Alternate Audit Approach for Commonwealth-funded Home and Community Aged Care Programs.

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.
- LifeCare Services – Support through counselling services, no-interest loan schemes, affordable food, homelessness services, community housing, 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.

4 Operating segments (continued)

Information about reportable segments

	Residential Aged Care		Retirement Villages		Home Care		LifeCare Services		Other Segments		Consolidated	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
External revenue	137,692	134,004	4,088	3,433	79,392	76,096	8,737	9,177	6,112	8,530	236,021	231,240
Segment revenue	137,692	134,004	4,088	3,433	79,392	76,096	8,737	9,177	6,112	8,530	236,021	231,240
Segment result	(3,362)	518	178	(179)	1,858	1,214	(3,431)	(3,336)	866	888	(3,891)	(895)
Segment result	(3,362)	518	178	(179)	1,858	1,214	(3,431)	(3,336)	866	888	(3,891)	(895)
Segment assets	241,169	226,373	42,125	29,615	12,641	12,107	10,329	11,207	164,959	168,904	471,223	448,206
Total assets	241,169	226,373	42,125	29,615	12,641	12,107	10,329	11,207	13,972	14,550	320,236	293,852
Segment liabilities	241,169	226,373	42,125	29,615	12,641	12,107	10,329	11,207	13,972	14,550	320,236	293,852
Total liabilities	241,169	226,373	42,125	29,615	12,641	12,107	10,329	11,207	13,972	14,550	320,236	293,852
Acquisition of property, plant and equipment and intangible assets	33,829	8,627	38,619	3,126	2,767	3,632	678	12,213	(14,825)	19,648	61,068	47,246
Depreciation and amortisation expense	(8,419)	(7,654)	(1,729)	(1,183)	(1,351)	(1,399)	(794)	(743)	(3,283)	(2,793)	(15,576)	(13,772)
Impairment of properties	(2,768)	(1,269)	(284)	(455)	(206)	(31)	149	(287)	(333)	(4,867)	(3,442)	(6,909)
Other significant non-cash (expense)/income	(550)	(1,395)	(13)	(78)	(406)	(951)	158	(157)	(1,375)	(676)	(2,186)	(3,257)

Geographical segments

Baptist Community Services - 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:

	2013 \$'000	2012 \$'000
Residential Aged Care		
Recurrent government subsidies and contributions	87,077	85,069
Resident charges	38,298	36,832
Accommodation bond income	4,548	4,597
Donations	57	96
Other income	7,712	7,410
Segment revenue	137,692	134,004
Care employee expenses	71,797	67,792
Other employee expenses	18,940	17,648
Management fees	12,529	12,304
Depreciation and amortisation expenses	8,419	7,654
Property expenses	14,476	13,339
Housekeeping expenses	4,064	3,783
Catering expenses	10,620	10,437
Other expenses	4,604	4,791
Segment expenses	145,449	137,748
Deficit before net finance income	(7,757)	(3,744)
Finance income	4,516	4,383
Finance costs	(121)	(121)
Segment result	(3,362)	518
Segment current assets	68,680	95,156
Segment non-current assets	172,489	131,217
Segment assets	241,169	226,373
Segment current liabilities	232,202	217,167
Segment non-current liabilities	8,967	9,206
Segment liabilities	241,169	226,373
Segment net assets	-	-
Segment assets and liabilities above include:		
Property, plant and equipment	150,869	130,272
Accommodation bond liabilities	217,135	205,115
Segment interest-bearing borrowings	-	-

The Company is using the Alternate Audit Approach for certain Home Care Programs included within the Home Care segment and administered through the Department of Health and Ageing's Aged Care Program. Therefore the following additional information comprises the Commonwealth-funded home and community aged care services included in the Alternate Audit Approach:

	2013 \$'000	2012 \$'000
Home Care services		
Recurrent government subsidies and contributions	57,451	37,867
Resident charges	5,455	3,630
Other income	26	3
Segment revenue	62,932	41,500
Personnel expenses	44,165	28,906
Depreciation and amortisation expenses	1,155	637
Other expenses	15,569	10,059
Segment expenses	60,889	39,602
Surplus before finance income	2,043	1,898
Finance income	248	192
Segment result	2,291	2,090
Segment current assets	3,908	1,700
Segment non-current assets	3,976	2,397
Segment assets	7,884	4,097
Segment current liabilities	6,991	3,507
Segment non-current liabilities	893	590
Segment liabilities	7,884	4,097
Segment net assets	-	-
5 Donations and legacies - churches and personal		
Received from BCS Foundation	660	630
Other donations	437	557
	1,097	1,187
6 Other income		
Revenue from sale of goods	4,801	5,461
Government concessional subsidies	7,226	6,760
Other revenue	3,777	3,398
	15,804	15,619

Notes to the financial statements (continued)

	2013 \$'000	2012 \$'000
7 Personnel expenses		
Wages and salaries	139,993	136,173
Other associated personnel expenses	15,035	13,610
Increase in liability for annual leave	833	1,128
Increase in liability for long-service leave	1	1,674
Workers compensation	6,639	6,200
Contributions to defined contribution plans	12,824	12,123
Termination benefits	2,177	-
	<u>177,502</u>	<u>170,908</u>
8 Finance income and finance costs		
Interest income on held-to-maturity investments	7,075	9,279
Interest income on bank deposits	641	938
Dividend income on available-for-sale financial assets	837	914
Net gain on disposal of available-for-sale financial assets transferred from equity	468	-
Finance income	<u>9,021</u>	<u>11,131</u>
Unwinding of discount on finance lease	(219)	(159)
Finance costs	(219)	(159)
Net finance income	<u>8,802</u>	<u>10,972</u>
9 Cash and cash equivalents		
Cash at bank and on hand	299	369
Bank deposits at call	9,708	6,761
Cash and cash equivalents in the statement of cash flows	<u>10,007</u>	<u>7,130</u>
10 Receivables		
Receivables - residents and clients	20,054	23,381
Other receivables and prepayments	10,000	11,295
	<u>30,054</u>	<u>34,676</u>
The movement in the allowance for impairment in respect of receivables during the year was as follows:		
Balance at 1 July	190	374
Impairment loss recognised	135	53
Amounts written off	(96)	(237)
Balance at 30 June	<u>229</u>	<u>190</u>
11 Inventories		
Work in progress	165	169
Finished goods	10	15
	<u>175</u>	<u>184</u>

	2013 \$'000	2012 \$'000
12 Investments		
Current		
Interest bearing deposits held-to-maturity	89,539	104,600
	89,539	104,600
Non-current		
Interest bearing deposits held-to-maturity	37,079	37,028
Available-for-sale equity securities	14,114	13,118
	51,193	50,146
13 Assets held for sale		
The following land has been presented as held for sale.		
Mt Annan land		
Cost	9,554	
Prior year impairment losses	(2,200)	
	7,354	

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 the assets were reduced by \$3,188,000 (2012: \$1,690,000), in which \$1,804,000 (2012: \$nil) was in relation to the restructuring of the Company arising from the strategic review. In addition, the carrying amount of land, leasehold buildings, plant, furniture and equipment and capital works in progress were reduced by \$538,000 (2012: \$5,219,000). In the prior year, this figure includes a write-down of \$2,200,000 for land at Mount Annan, based on a fair value assessment of the land by an independent valuer.

The notional fair value of the leased land amounting to \$5,599,000 (2012: \$5,665,000) 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.

Notes to the financial statements (continued)

14 Property, plant and equipment (continued)

	Freehold land \$'000	Buildings \$'000	Plant, furniture and equipment \$'000	Computer equipment \$'000	Motor vehicles \$'000	Leased assets \$'000	Capital works in progress \$'000	Total \$'000
Cost or deemed cost								
Balance at 1 July 2012	49,154	184,455	47,930	8,716	12,123	23,593	32,644	358,615
Additions	-	2,508	2,679	1,014	3,471	334	49,522	59,528
Disposals	-	(65)	(798)	(1,864)	(3,960)	(581)	-	(7,268)
Transfer from capital works in progress	6,341	33,627	8,535	-	-	495	(48,998)	-
Reclassification to assets held for sale	(9,554)	-	-	-	-	-	-	(9,554)
Balance at 30 June 2013	45,941	220,525	58,346	7,866	11,634	23,841	33,168	401,321
Depreciation and impairment losses								
Balance at 1 July 2012	2,200	63,438	25,223	5,820	2,822	10,357	2,757	112,617
Depreciation for the year	-	6,301	4,320	1,002	2,005	914	-	14,542
Disposals	-	(51)	(778)	(1,855)	(1,042)	(277)	-	(4,003)
Impairment loss	-	3,188	21	-	-	228	289	3,726
Reversal of impairment loss	-	(84)	(18)	-	-	(2)	(180)	(284)
Reclassification to assets held for sale	(2,200)	-	-	-	-	-	-	(2,200)
Balance at 30 June 2013	-	72,792	28,768	4,967	3,785	11,220	2,866	124,398
Carrying amounts								
At 1 July 2012	46,954	121,017	22,707	2,896	9,301	13,236	29,887	245,998
At 30 June 2013	45,941	147,733	29,578	2,899	7,849	12,621	30,302	276,923

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 2012	7,703	477	2,547	-	10,727
Acquisitions	163	-	-	1,377	1,540
Disposals	(13)	-	-	-	(13)
Balance at 30 June 2013	7,853	477	2,547	1,377	12,254
Amortisation					
Balance at 1 July 2012	5,001	-	254	-	5,255
Amortisation for the year	907	-	127	-	1,034
Disposals	(13)	-	-	-	(13)
Balance at 30 June 2013	5,895	-	381	-	6,276
Carrying amounts					
At 1 July 2012	2,702	477	2,293	-	5,472
At 30 June 2013	1,958	477	2,166	1,377	5,978

16 Payables

	2013 \$'000	2012 \$'000
Trade payables and accrued expenses	13,311	14,761
Refundable residential aged care accommodation bonds	217,135	205,115
Refundable retirement village ingoing contributions	41,622	29,032
	272,068	248,908

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.

Notes to the financial statements (continued)

	2013 \$'000	2012 \$'000
17 Loans and borrowings		
Current		
Charitable loan funds	20	20
Finance lease liability	869	826
	889	846
Non-current		
Finance lease liability	2,461	3,261
	2,461	3,261
Finance lease liabilities		
Future minimum lease payments:		
Less than one year	869	826
Between one and five years	738	1,473
More than five years	1,723	1,788
	3,330	4,087
18 Employee benefits		
Current		
Salary, wages and superannuation accrued	5,155	4,764
Liability for annual leave	12,211	11,378
Liability for long-service leave	5,910	5,445
	23,276	21,587
Non-current		
Liability for long-service leave	3,330	3,794
	3,330	3,794

19 Provisions

	Restructuring redundancies \$'000	Onerous operating lease contracts \$'000	Make good \$'000	Total \$'000
Balance at 1 July 2012	-	-	1,475	1,475
Provisions made during the year	2,177	1,015	308	3,500
Provisions used during the year	(118)	(43)	-	(161)
Provisions reversed during the year	-	-	(304)	(304)
Balance at 30 June 2013	2,059	972	1,479	4,510

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 Provisions (continued)

Redundancies and onerous operating lease contracts

During the year, in response to the significant change occurring in the aged care industry, the Company undertook a restructure. As a result, the Company has recognised provisions of \$3,192,000 for expected restructuring costs. This includes redundancies amounting to \$2,177,000 and onerous operating lease contracts of \$1,015,000.

The redundancies (\$2,177,000) has been recognised as 'termination benefits' under personnel expenses and the onerous operating lease contracts (\$1,015,000) has been recognised as property expenses in the statement of comprehensive income.

20 Deferred income

	2013 \$'000	2012 \$'000
Current		
Government grants	213	213
Government contributions	66	66
	279	279
Non-current		
Government grants	7,890	8,103
Government contributions	5,533	5,599
	13,423	13,702

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.

Notes to the financial statements (continued)

22 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2013 \$'000	2012 \$'000
Less than one year	2,081	1,993
Between one and five years	1,442	2,083
More than five years	3	3
	<u>3,526</u>	<u>4,079</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 2013, \$3,337,863 was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (2012: \$2,975,414). \$83,430 was recognised as income in respect of sub-leases (2012: \$62,592).

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 (2012: \$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.

23 Capital and other commitments

	2013 \$'000	2012 \$'000
Capital expenditure commitments	<u>28,655</u>	<u>61,501</u>

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

Transactions with key management personnel

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.

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 7) was \$2,171,052 for the year ended 30 June 2013 (2012: \$2,293,996).

Transactions with other related parties

B.C.S. Foundation Pty. Limited is a controlled entity. 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 \$659,817 (2012: \$629,740) during the year ended 30 June 2013 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. 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 Group entities

	Country of incorporation	Ownership interest	
		2013	2012
Parent entity			
Baptist Community Services - 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

Subsequent to 30 June 2013, the Company entered into a contract for the sale of the land at Mt Annan for \$10.1 million. Refer to note 13 - Assets held for sale.

With effect from 1 July 2013, the Company consolidated the assets and liabilities of the Kitty Doyle Home Units Trust. This charitable trust was previously administered by the Company as sole trustee.

Other than the matters 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 2013.

Baptist Community Services - NSW & ACT Directors' declaration

In the opinion of the Directors of Baptist Community Services - NSW & ACT (the Company):

- (a) the financial statements and notes, set out on pages 12 to 37, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards - Reduced Disclosure Regime and the Corporations Regulations 2001;
- (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 blue ink, appearing to read 'Graham Henderson', is written over a horizontal dotted line.

Graham Henderson
Director - Chairperson

Dated at Sydney this 30th day of September 2013.



Independent audit report to the members of Baptist Community Services - NSW & ACT

We have audited the accompanying financial report of Baptist Community Services - NSW & ACT (the Company), which comprises the statement of financial position as at 30 June 2013, and the statement of profit or loss and other 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.

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 and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 entity'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 entity'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 presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Requirements, 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 Corporations Act 2001.

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Independent audit report to the members of Baptist Community Services - NSW & ACT (continued)

Auditor's opinion

In our opinion the financial report of Baptist Community Services - NSW & ACT is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

KPMG

KPMG

Chris Hollis
Partner

Sydney

30 September 2013



**Baptist
Community
Services**

- NSW & ACT

Baptist Community Services - NSW & ACT

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