BAPTISTCARE INCORPORATED

ABN 17 138 445 819

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2017

INDEX

PAGE NO

BOARD DECLARATION

In the opinion of the Board of Management of Baptistcare Incorporated (the Entity):

(a) the Entity is not publicly accountable;

(b) the consolidated financial statements and notes that are set out on pages 6 to 30 are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012, including:

(i) giving a true and fair view of the Entity's and the Group'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

(c) there are reasonable grounds to believe that the Entity will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the Board of Management in accordance with a resolution of the Board.

Garry McGrechan

G McGrechan
Chairman

Simon Ford

S Ford
Board Member

Date: 26/10/2017
Perth, Western Australia

Independent Auditor's Report

To the members of Baptistcare Incorporated

Opinion

We have audited the ***Financial Report***, of Baptistcare Incorporated (the Entity).

In our opinion the accompanying ***Financial Report*** of the Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* and the *Associations Incorporations Act* 2015 including:

i. Giving a true and fair view of the Group and Entity's financial position as at 30 June 2017, and of their financial performance and their 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. Consolidated statements of financial position as at 30 June 2017.

ii. Consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the year then ended.

iii. Notes including a summary of significant accounting policies.

iv. Board of Management's declaration.

The ***Group*** consists of Baptistcare Incorporated and the entities it controlled at the year-end or from time to time during the financial year.

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 Group and Entity 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.

KPMG

Responsibilities of the Board of Management for the Financial Report

The Board of Management is 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. Preparing the Financial Report in accordance with the *Associations Incorporations Act 2015*.

iii. 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.

iv. Assessing the Group and Entity'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 Group and Entity 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 Board of Management.

KPMG

v. Concluding on the appropriateness of the Board of Management's 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 Group and Entity'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 Group and Entity 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

KPMG

Grant Robinson

Grant Robinson

Partner

Perth

26 October 2017

KPMG

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

To: the Board of Management of Baptistcare Incorporated

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

KPMG

Grant Robinson

Grant Robinson
Partner

Perth
26 October 2017

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Consolidated		Baptistcare Inc	
	Note	2017 $000's	2016 $000's	2017 $000's	2016 $000's
Revenue from ordinary activities	3.1	102,568	105,757	102,453	105,297
Other income	3.2	3,203	-	3,203	-
Change in Fair Value	3.3	(4,665)	2,797	(4,665)	2,797
Employee benefits expense		(77,125)	(78,786)	(76,655)	(77,989)
Depreciation expense	6	(2,680)	(5,617)	(2,667)	(5,468)
Costs in providing services		(18,577)	(18,768)	(18,945)	(17,893)
Other expenses from ordinary activities		(1,212)	(2,112)	(1,212)	(2,112)
Surplus for the year		1,512	3,271	1,512	4,632
Total Comprehensive Income for the year		1,512	3,271	1,512	4,632

To be read in conjunction with the accompanying notes on pages 10 to 30
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Consolidated 2017 $000's	Consolidated 2016 $000's	Baptistcare Inc 2017 $000's	Baptistcare Inc 2016 $000's
Assets					
Cash and cash equivalents	11(a)	16,831	13,488	16,203	12,544
Interest bearing deposits	11(b)	14,777	27,691	14,777	27,691
Trade and other receivables	4	3,522	4,060	4,472	5,974
Inventories	7	91	86	-	-
Assets held for sale	14	7,408	-	7,408	-
Investment properties	5	111,835	114,017	111,835	114,017
Property, plant and equipment	6	66,755	57,172	66,667	57,030
Total Assets		221,219	216,514	221,362	217,256
Liabilities					
Trade and other payables	8	11,239	10,954	11,268	11,621
Provisions	9	8,699	9,554	8,526	9,342
Liabilities held for sale	14	8,960	-	8,960	-
Non-interest bearing liabilities	10	133,665	138,862	133,665	138,862
Total Liabilities		162,563	159,370	162,419	159,825
Net Assets		58,656	57,144	58,943	57,431
Equity					
Capital reserve		12,487	12,487	12,487	12,487
Accumulated Funds		46,169	44,657	46,456	44,944
Total Funds		58,656	57,144	58,943	57,431

To be read in conjunction with the accompanying notes on pages 10 to 30

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Accummulated Funds		Capital Reserve		Total	
	Consolidated	Baptistcare Inc	Consolidated	Baptistcare Inc	Consolidated	Baptistcare Inc
	$000's	$000's	$000's	$000's	$000's	$000's
Balance at 1 July 2015	41,386	40,312	12,487	12,487	53,873	52,799
Surplus for the year	3,271	4,632	-	-	3,271	4,632
Balance at 30 June 2016	44,657	44,944	12,487	12,487	57,144	57,431
Surplus for the year	1,512	1,512	-	-	1,512	1,512
Balance at 30 June 2017	46,169	46,456	12,487	12,487	58,656	58,943

To be read in conjunction with the accompanying notes on pages 10 to 30

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 $000's	Consolidated 2016 $000's	Baptistcare Inc 2017 $000's	Baptistcare Inc 2016 $000's
Cash Flows from Operating Activities					
Receipts from residents & customers		24,007	27,736	24,855	25,254
Operating subsidies/grant receipts		78,500	75,333	78,500	75,333
Donations received		203	292	203	291
Interest received		1,156	1,227	1,156	1,220
Payments to suppliers and employees		(98,145)	(97,984)	(98,644)	(95,355)
Net cash generated by operating activities	11(c)	5,722	6,604	6,071	6,744
Cash Flows from Investing Activities					
Proceeds from sale of property, plant and equipment		5,795	2,480	5,609	2,192
Payments for property, plant and equipment & investment properties		(24,917)	(7,516)	(24,763)	(7,336)
Maturity of interest bearing deposits		12,914	(24,811)	12,914	(24,811)
Net cash used in investing activities		(6,208)	(29,847)	(6,241)	(29,955)
Cash Flows from Financing Activities					
Resident Deposits		(53)	(99)	(53)	(99)
Net Accommodation Bonds / RADs Received		6,386	9,882	6,387	9,882
Net Accommodation Loans Refunded		(2,411)	1,401	(2,411)	1,401
Rental Deposits		(94)	-	(94)	-
Net cash generated by financing activities		3,828	11,184	3,829	11,184
Net increase/(decrease) cash and cash equivalents		3,342	(12,059)	3,659	(12,027)
Cash and cash equivalents held at the beginning of the financial year		13,488	25,547	12,544	24,571
Cash and cash equivalents held at the end of the financial year	11(a)	16,831	13,488	16,203	12,544

To be read in conjunction with the accompanying notes on pages 10 to 30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Summary of Accounting Policies

Statement of Compliance

Baptistcare Incorporated (the Entity) is domiciled in Australia.

The Entity's registered office is located at 95 Belgravia Street, BELMONT WA 6104.

These consolidated financial statements comprise the Entity and its controlled entity (collectively the Group), and are as at and for the year ended 30 June 2017.

In the opinion of the Board, the Group is not publicly accountable. The consolidated financial statements are Tier 2 general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board.

Baptistcare Incorporated is an association incorporated in Western Australia under the Associations Incorporation Act (WA) 2015 and the Australian Charities & Not-for-profits Commission Act 2012. The Group is a not-for-profit entity and is primarily involved in the aged care industry and is registered as a Public Benevolent Institution (PBI) and as a consequence is exempt from income tax.

Baptistcare Incorporated's financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements, the requirements of the Associations Incorporations Act (WA) 2015 and Australian Charities & Not-for-profits Commission Act 2012.

The Annual Report was authorised for issue by the Board on 27 October 2017.

Details of the entity's accounting policies, including changes during the year, are included in Note 1 (a) – (v).

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for investment property, tenant loans, deferred management fees and other financial instruments which are carried at fair value. All amounts are presented in Australian dollars, which is the functional currency of Baptistcare.

The entity has adopted the liquidity balance sheet presentation as it is more relevant.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Australian Accounting Standards – Reduced Disclosure Requirements, management is required to make judgments, estimates and assumptions that affect the application of the accounting policies and the carrying values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

NOTE 1: Summary of Accounting Policies (continued)

Judgements
Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 1 (o) – Agency relationship
- Note 6 – Property, plant and equipment

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2017 are included in the following notes:

- Note 9 Provisions
- Note 5 Investment Property
- Note 3.1 Tenants' Entry Contributions
- Note 3.1 Deferred Management Fees

Accounting policies are selected and applied consistently to all periods presented in these financial statements in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(a) Basis of Consolidation

The consolidated financial statements comprise of Baptistcare Incorporated as (the parent entity) and the controlled entity Gnocci Holdings Pty Ltd as trustee for the Gnocci Charitable Trust (trading as Aurum Catering Management Services).

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within the equity. Otherwise, subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

(ii) Controlled entities

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the controlled entities are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated.

NOTE 1: Summary of Accounting Policies (continued)

(b) Property, Plant and Equipment

Land is stated at cost. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is provided on property, plant and equipment excluding land and work-in-progress. Depreciation is calculated on a straight line basis over the expected useful life to its estimated residual value, commencing from the time the assets are held ready for use.

The following rates are used in the calculation of depreciation:

Buildings and leasehold improvements 2.5%-4.0%
Plant and equipment 5.0%-40%
Furniture and fittings 5.0%-12.5%
Motor Vehicles 20%
Computer Equipment 40%

Investment Property

Investment properties comprise investment interests in land and building (including plant and equipment) held to produce rental income and capital appreciation but not for sale in the ordinary course of business.

Investment property is initially measured at cost, including transaction cost. The carrying amount includes the cost of replacing part of an investment property when that cost is incurred if it is probable that future economic benefits embodied within the item will flow to the Group and cost can be measured reliably. All other costs are recognized in the statement of comprehensive income as an expense as incurred. Subsequent to initial recognition, investment properties are measured at fair value with any change therein recognised in profit or loss.

Investment property includes the entity's independent living units. When the use of property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes it's deemed cost for subsequent accounting purposes.

The fair value of investment property, except for retirement living assets under construction, represents an annual external, independent valuation of investment property, valued by an independent valuation specialist, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair values are based on market values at reporting date, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

The fair value of retirement living assets under construction has been determined by the directors based on the costs of construction incurred as at the reporting date.

NOTE 1: Summary of Accounting Policies (continued)

(c) Employee Benefits

A liability is provided for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when services have been performed, it is probable that settlement will be required and they are capable of being reliably measured. Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

Contributions to defined contribution superannuation plans are expensed when employees have rendered services entitling them to the contribution.

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

i. Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Revenue

i. Fees

Income from services rendered on a fee for service basis is recorded as revenue on completion of the service provided.

ii. Subsidies

The Entity's residential care, home care mental health and disabilities activities are supported by subsidies received from federal and state governments. Subsidies received on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Such subsidies are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled.

iii. Donations and Interest Revenue

Donations are recognised on receipt. Interest revenue is accrued on a monthly basis using the effective interest rate method.

iv. Deferred Management Fee

Deferred Management Fees (DMF) are revenue earned during the resident's occupation of retirement village dwellings and such revenue is recognised as income over the resident's expected tenure. The expected tenure is calculated with reference to Australian Bureau of Statistics current data relating to life expectancy and historical trends of rollovers within the entity.

Specifically, total DMF revenue from each resident is amortised over the expected period of tenure of the resident and based on:

NOTE 1: Summary of Accounting Policies (continued)

iv. Deferred Management Fee (continued)

• "Exit" based contracts - calculated as the expected DMF receivable based on the current market value of the independent living unit amortised over the expected average period of tenure of the resident.

• "Entry" based contracts - calculated as the anticipated final DMF receivable based on the entry market value amortised over the expected average period of tenure of the resident.

DMF revenue to which the entity is contractually entitled at reporting date is presented in the balance sheet as a deduction from resident loans.

(f) Cash and Cash Equivalents

Cash comprises cash on hand, cash in banks and investments in money market instruments. These are short-term, liquid investments with original maturities of 90 days or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest bearing deposits with a maturity exceeding 90 days are separately disclosed as Interest Bearing Deposits.

(g) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flow estimated to settle the present obligation its carrying amount is the present value of those cash flows.

(h) Accommodation Bonds and Refundable Accommodation Deposits

Accommodation bonds and refundable accommodation deposits are recorded at an amount equal to the proceeds received. All residents who are assessed as being responsible for their own accommodation payments now have the choice of paying their accommodation either through a Daily Accommodation Payment (DAP) or a Refundable Accommodation Deposit (RAD) or a combination of both.

Residents admitted before July 2014, who are assessed as being responsible for their own accommodation payments and who require a low level of care, pay accommodation bonds. A retention amount will be deducted from the accommodation bond over a period of 5 years. When a resident leaves, the accommodation bond balance will be refunded. The bond balance will be less the retention amount earned by the entity. Accommodation bond balances and refundable accommodation deposits, less contracted fees and charges, are repayable on demand.

NOTE 1: Summary of Accounting Policies (continued)

(i) Tenant Loans

Tenant loans represent the refundable lump sum lease payment received from retirement village residents. On termination of a lease agreement the balance of the lump sum lease payment, less the deferred management fee owing and any contracted fees and charges, will be paid to the departing resident. The balance of the lump sum payment represents the new lump sum lease payment payable by the new resident, in some instances, and the value of the initial lump sum payment in other instances depending on the retirement village and particular terms of the agreement, less any fees and other monies owed to the entity.

For loans where the resident does not share in any post acquisition uplift in the property values they are not revalued annually and are carried at the inception value less deferred management fees applicable to date, with the liability being trued up at repayment date.

For those loans where the resident does share in any post acquisition uplift in the property value they are classified as financial liabilities at fair value through profit and loss with resulting fair value adjustments recognized in profit or loss. The fair value of the resident obligation is the initial loan amount plus the resident's share of any capital gains or losses in accordance with contracts. The fair values are based on market values at reporting date, as determined by an independent valuer, for the retirement village units. The entity has a legal right to offset the loan and deferred management fee amount and intend to settle on a net basis, as set out in the agreement.

(j) Capital Reserve

The Capital Reserve represents monies received for capital related projects. The funds are recognised as income on receipt and transferred from the accumulated reserves as the use of the monies is restricted for specific purposes.

(k) Financial Instruments

The Group classifies non-derivative financial assets as loans and receivables. The Group classifies non-derivative financial liabilities into the other financial liabilities category.

i. Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

NOTE 1: Summary of Accounting Policies (continued)

(k) Financial Instruments (continued)

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

ii. Non-derivative financial assets – measurement

Loans and Receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

iii. Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised 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.

(l) Impairment

i. Non-derivative financial assets

Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.
Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security; or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

ii. Loans and receivables

The Group considers evidence of impairment for these assets measured at both an individual asset and a collective level. All individually significant assets are individually assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.
In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's 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 profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

NOTE 1: Summary of Accounting Policies (continued)

(l) Impairment (continued)

iii. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For 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 cash generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(m) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

At inception, or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss 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.

(n) Agency relationship

The Group manages the Kalkarni Residential Aged Care Facility on behalf of the Shire of Brookton. As part of the agreement the entity collects fees from residents on behalf of the Shire and receives a management fee for the services provided. The entity has determined that this arrangement constitutes an agency relationship and therefore only the management fee of $150,624 (2016: $144,828) is recognised as income.

NOTE 1: Summary of Accounting Policies (continued)

(n) Agency relationship (continued)

The fees collected on behalf of the Shire of $3.326M (2016: $3.385M) are recorded on a net basis in Other Expenses.
Bonds held on behalf of the Shire amount to $3,272,119 (2016: $1,452,492), the cash amounts held relating to these bonds are held as restricted cash, refer to note 11 (b).

The Group manages the Dryandra Residential Aged and Community Care Facility on behalf of the Dryandra Residential Aged and Community Care Incorporated. As part of the agreement the entity receives a management fee for the services provided. The entity has determined that this arrangement constitutes an agency relationship and therefore only the management fee of $133,044 (2016: $140,604) is recognised as income. The fees collected on behalf of the Shire of $3.385M (2016: $2.577M) are recorded on a net basis in Other Expenses.

(o) Taxation

The Group is registered as a Public Benevolent Institution (PBI) and as a consequence is exempt from income tax.

(p) Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Any difference between the proceeds net of transaction costs and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Other borrowing costs are expensed.

(q) Licenses

Bed Licences held by the entity granted by the Federal Government for Aged Care are carried at nil value.

(r) Inventories

Inventories are stated at lower of cost and net realisable value on a first in first out basis.

NOTE 1: Summary of Accounting Policies (continued)

(s) Standards issued but not yet adopted

The Group has not adopted any of the following Australian Accounting Standards in the current reporting period. Below is a list of issued Accounting Standards that may impact the Group in the future. Where applicable, the Group intends to apply these Australian Accounting Standards from their noted application date.

- AASB 9 Financial Instruments

This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2015-1 Amendments to Australian Accounting Standards. The Group has not yet determined the application or the potential impact of the Standard.

- AASB 15 Revenue from Contracts with Customers

This Standard establishes the principles that the Group shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Standard would be required to be applied for annual reporting periods beginning on or after 1 January 2019. The Group has not yet determined the application or the potential impact of the Standard.

- AASB 16 Leases

This Standard removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. The Standard would be required to be applied for annual reporting periods beginning on or after 1 January 2019. The Group has not yet determined the application or the potential impact of the Standard

- AASB 1058 Income of Not-for-Profit Entities

This standard establishes principles for not for profit entities that apply specifically to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not for profit entity to further its objectives and to volunteer services received. This standard applies to annual reporting periods beginning on or after 1 January 2019. The Group has not yet determined the application or the potential impact of the Standard.

(t) Rounding of Amounts

Amounts in the consolidated financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

(u) Assets held for sale

Non-current assets comprising assets and liabilities are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are measured at the lower of their carrying amount and fair value less cost to sell. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

NOTE 2: Financial Risk Management

Overview
The Group has exposure to credit risk, liquidity risk and interest rate risk from the use of financial instruments.

This note provides information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial statement.

The Board has overall responsibility for the establishment and oversight of the risk management framework. Policies have been established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and controls.

Credit Risk
Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables and interest bearing deposits.

Receivables
Receivables consist principally of resident fees. The Group has policies in place to monitor and control arrears.

Liquidity Risk
Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board which manages liquidity risk by monitoring forecast cash flows to ensure that adequate liquid funds are maintained. It also has a declared Board approved policy on minimum bond liquidity strategy to meet government prudential requirements.

Interest Risk
The Group is exposed to interest rate fluctuations on its cash at bank, cash deposits and bank loans. The Group actively monitors interest rates for cash at bank and on deposit to maximise interest income. The Group accepts the risk in relation to fixed interest securities as they are held to generate income in surplus funds. The Group monitors interest rates in relation to interest bearing loans and has a hedging policy to be used if required.

Strategy Risk
The Board is responsible for the overall management and strategic direction of the Group and for delivering accountable corporate performance in accordance with the entity's goals and objectives.

NOTE 3.1: Revenue

	Consolidated 2017 $000's	Consolidated 2016 $000's	Baptistcare Inc 2017 $000's	Baptistcare Inc 2016 $000's
Fees	16,361	16,273	16,361	16,273
Subsidies	76,312	75,601	76,312	75,601
Tenants' Entry Contributions	3,585	3,428	3,585	3,428
Deferred Management Fee	1,798	1,523	1,798	1,523
Donations	203	572	203	572
Interest	1,156	1,164	1,156	1,220
Major Capital Reserve revenue	296	1,783	296	1,783
Other income	2,858	5,413	2,742	4,897
	102,568	105,757	102,453	105,297

NOTE 3.2: Other Income

	Consolidated 2017 $000's	Consolidated 2016 $000's	Baptistcare Inc 2017 $000's	Baptistcare Inc 2016 $000's
Profit on sale of land & buildings	3,120	-	3,120	-
Capital refurbishment fee	83	-	83	-
	3,203	-	3,203	-

NOTE 3.3: Change in Fair Value

	Consolidated 2017 $000's	Consolidated 2016 $000's	Baptistcare Inc 2017 $000's	Baptistcare Inc 2016 $000's
Change in fair value of investment property	(5,000)	2,089	(5,000)	2,089
Change in fair value of tenant loans	335	708	335	708
	(4,665)	2,797	(4,665)	2,797

NOTE 4: Trade and Other Receivables

	Consolidated 2017 $000's	Consolidated 2016 $000's	Baptistcare Inc 2017 $000's	Baptistcare Inc 2016 $000's
Prepaid Expenses	266	212	264	210
Resident & Other Receivables	224	1,502	198	1,502
Accrued Income	1,991	1,996	1,991	1,997
Owing by Gnocci Holdings	-	-	978	1,915
Goods and services tax recoverable	1,041	350	1,041	350
	3,522	4,060	4,472	5,974

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $142,197 (2016: $144,490) has been recognised in the current year. These amounts have been included in other expenses. A provision for doubtful debts has been made of $142,723 (2016: $144,490).

	Consolidated		Baptistcare Inc	
	2017	2016	2017	2016
	$000's	$000's	$000's	$000's
NOTE 5: Investment Property				
Balance at 1 July 2016	114,017	111,357	114,017	111,357
Change in fair value	(5,000)	2,089	(5,000)	2,089
Reclassification to Property, Plant & Equipment	-	(820)	-	(820)
Additions	696	1,391	696	1,391
Assets under development	4,786	-	4,786	-
Reclassification to assets held for sale	(2,665)	-	(2,665)	-
Balance at 30 June 2017	111,835	114,017	111,835	114,017

Investment property represents all of the Entity's retirement villages/independent living units. The fair value of the retirement villages is the value as assessed by an independent valuer using the discounted cash flow methodology. The valuation is based on the present value of the expected future cash flows associated with resident contracts. The fair value of the retirement living assets was determined having regard to the sales within the villages over the years and taking into consideration location, size, and communal aspects to determine the expected market value per unit type. Changes in the fair value of investment properties are recognised in the profit & loss. The future cash flows are determined by an independent valuer using a discounted cash flow methodology.

The key assumptions used in the valuation are:

Inputs used to measure fair value	Range of unobservable values
Discount rate	13.0% - 16.5%
Average 25 year growth rate	2.19%
Average length of stay of existing and future residents	10 years
Current market value of unit	$145k - $640k
Refurbishment cost to Baptistcare	$5k - $35k
Capital expenditure	2.50%

NOTE 5: Investment property (continued)

The discounted cash flow methodology uses unobservable inputs as shown in the table above. These are further explained below:

ITEM	DESCRIPTION
Discounted Cash Flow Valuation approach	The DCF valuation approach involves modelling the potential cash flow from resident departure fees in the existing Independent Living Units (ILU) in the village as well as the potential costs to the owner in managing the village to derive the fee income.
Discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost, that is, the rate of return the capital can earn if put to other uses having similar risk.
Average 25 year growth rate	This is the rate that it is expected the unit will increase in value over 25 years. Growth rates from the external valuation reports are based on the overview of historic house and / or unit prices for the particular locality.
Average length of stay of existing and future residents	The average length of stay adopted is based on the age of the existing residents upon entry, life expectancy tables and quality of the subject villages.
Refurbishment costs	Costs associated with the maintenance and upgrade of individual units. We have allowed for $5,000 - $35,000 per unit upon rollover as an owner / operator cost to cover for any such small items that may not be adequately covered.
Capital expenditure	For ongoing maintenance of the villages we have allowed for a capital contribution per unit at each rollover.

NOTE 6: Property, Plant and Equipment

Baptistcare Incorporated

	Land $000's	Buildings & Leasehold Improvements $000's	Capital WIP $000's	Plant & Equipment $000's	Furniture & Fittings $000's	Motor Vehicles $000's	Computer Equipment $000's	Total $000's
2017								
At Cost								
Balance as at 30 June 2016	3,843	77,969	2,718	6,426	8,618	2,972	4,506	107,053
Additions	-	779	17,397	711	2,140	1,050	166	22,243
Reclassification to Investment Property	-	-	(2,687)	-	-	-	-	(2,687)
Disposals/Write-off	(447)	(789)	-	(51)	(55)	(2,181)	-	(3,523)
Reclassification to assets held for sale	(540)	(5,448)	-	(663)	(515)	(129)	(55)	(7,350)
Balance as at 30 June 2017	2,856	72,511	17,428	6,423	10,188	1,712	4,616	115,735
Accumulated Depreciation and impairment losses								
Balance as at 30 June 2016	-	36,352	-	3,355	5,347	1,119	3,851	50,024
Disposals/Write-off	-	(493)	-	(29)	-	(492)	-	(1,014)
Depreciation expense	-	393	-	733	827	317	396	2,667
Reclassification to assets held for sale	-	(1,842)	-	(325)	(297)	(95)	(49)	(2,608)
Balance as at 30 June 2017	-	34,411	-	3,734	5,878	849	4,198	49,069
Net Book value								
Balance as at 30 June 2016	3,843	41,617	2,718	3,071	3,271	1,853	655	57,030
Balance as at 30 June 2017	2,856	38,099	17,428	2,689	4,310	864	418	66,667

Consolidated

	Land $000's	Buildings & Leasehold Improvements $000's	Capital WIP $000's	Plant & Equipment $000's	Furniture & Fittings $000's	Motor Vehicles $000's	Computer Equipment $000's	Total $000's
2017								
At Cost								
Balance as at 30 June 2016	3,843	77,970	2,718	6,426	8,618	3,134	4,506	107,213
Additions	-	779	17,397	711	2,140	1,203	166	22,396
Reclassification to Investment Property	-	-	(2,687)	-	-	-	-	(2,687)
Disposals/Write-off	(447)	(789)	-	(51)	(55)	(2,387)	-	(3,729)
Reclassification to assets held for sale	(540)	(5,448)	-	(663)	(515)	(129)	(55)	(7,350)
Balance as at 30 June 2017	2,856	72,512	17,428	6,423	10,188	1,821	4,616	115,843
Accumulated Depreciation and impairment losses								
Balance as at 30 June 2016	-	36,352	-	3,355	5,347	1,138	3,854	50,046
Disposals/Write-off	-	(493)	-	(29)	-	(504)	-	(1,027)
Depreciation expense	-	393	-	733	827	330	396	2,680
Reclassification to assets held for sale	-	(1,842)	-	(325)	(297)	(95)	(49)	(2,608)
Balance as at 30 June 2017	-	34,411	-	3,734	5,878	869	4,201	49,093
Net Book value								
Balance as at 30 June 2016	3,843	41,618	2,718	3,071	3,271	1,995	652	57,172
Balance as at 30 June 2017	2,856	38,101	17,428	2,689	4,310	952	415	66,755

NOTE 6: Property, Plant and Equipment (continued)

Baptistcare Incorporated

	Land $000's	Buildings & Leasehold Improvements $000's	Capital WIP $000's	Plant & Equipment $000's	Furniture & Fittings $000's	Motor Vehicles $000's	Computer Equipment $000's	Total $000's
2016								
At Cost								
Balance as at 30 June 2015	2,819	76,992	2,933	4,945	7,574	3,133	4,332	102,730
Additions	-	977	139	1,480	1,044	2,131	174	5,945
Disposals/Write-off	-	-	(150)	-	-	(2,292)	-	(2,442)
Reclassification from Investment Property	1,024	-	(204)	-	-	-	-	820
Balance as at 30 June 2016	3,843	77,969	2,718	6,426	8,618	2,972	4,506	107,053
Accumulated Depreciation and impairment losses								
Balance as at 30 June 2015	-	32,936	-	2,861	4,777	906	3,369	44,848
Disposals/Write-off	-	-	-	-	-	(292)	-	(292)
Reclassification from Investment Property	-	-	-	-	-	-	-	-
Depreciation expense	-	3,417	-	494	570	505	482	5,468
Balance as at 30 June 2016	-	36,352	-	3,355	5,347	1,119	3,851	50,024
Net Book value								
Balance as at 30 June 2015	2,819	44,058	2,933	2,086	2,797	2,227	963	57,880
Balance as at 30 June 2016	3,843	41,617	2,718	3,071	3,271	1,853	655	57,030

Consolidated

	Land $000's	Buildings & Leasehold Improvements $000's	Capital WIP $000's	Plant & Equipment $000's	Furniture & Fittings $000's	Motor Vehicles $000's	Computer Equipment $000's	Total $000's
2016								
At Cost								
Balance as at 30 June 2015	2,819	77,041	3,227	4,947	7,608	3,431	4,497	103,570
Additions	-	977	139	1,480	1,044	2,313	179	6,132
Disposals	-	(49)	(444)	(1)	(34)	(2,611)	(170)	(3,309)
Reclassification from Investment Property	1,024	-	(204)	-	-	-	-	820
Balance as at 30 June 2016	3,843	77,970	2,718	6,426	8,618	3,134	4,506	107,213
Accumulated Depreciation and impairment losses								
Balance as at 30 June 2015	-	32,935	-	2,861	4,787	931	3,462	44,976
Disposals	-	(78)	-	-	(10)	(317)	(142)	(547)
Reclassification from Investment Property	-	-	-	-	-	-	-	-
Depreciation expense	-	3,495	-	494	570	524	534	5,617
Balance as at 30 June 2016	-	36,352	-	3,355	5,347	1,138	3,854	50,046
Net Book value								
Balance as at 30 June 2015	2,819	44,107	3,227	2,086	2,821	2,500	1,035	58,591
Balance as at 30 June 2016	3,843	41,618	2,718	3,071	3,271	1,995	652	57,172

In relation to Baptistcare's aged care facilities and retirement villages, except for the properties of Annie Bryson McKeown Lodge, David Buttfield Centre, Gracehaven and William Carey Court, Baptistcare has title with the ownership encumbered by a Crown Grant in Trust confining the use of properties for a certain purpose.

	Consolidated		Baptistcare Inc	
	2017	2016	2017	2016
	$000's	$000's	$000's	$000's
NOTE 7: Inventories				
Catering provisions and other stock on hand	91	86	-	-

	Consolidated		Baptistcare Inc	
	2017	2016	2017	2016
	$000's	$000's	$000's	$000's
NOTE 8: Trade and Other Payables				
Accrued Charges	2,972	3,368	2,955	3,326
Owing to Gnocci Holdings	-	-	651	1,362
Unearned Revenue	1,619	1,102	1,619	1,102
Trade Payables	6,648	6,484	6,043	5,831
	11,239	10,954	11,268	11,621

	Consolidated		Baptistcare Inc	
	2017	2016	2017	2016
	$000's	$000's	$000's	$000's
NOTE 9: Provisions				
Provision for Annual Leave	4,415	4,798	4,286	4,645
Provision for Long Service Leave	2,133	2,348	2,089	2,289
Provision for Maintenance (Housing)	120	350	120	350
Provision for Maintenance	130	130	130	130
Provision for Onerous Lease	996	1,390	996	1,390
Provision for Minor Maintenance Reserve	821	505	821	505
Provisions - Other	83	33	83	33
	8,699	9,554	8,526	9,342

	Consolidated		Baptistcare Inc	
	2017	2016	2017	2016
	$000's	$000's	$000's	$000's
NOTE 10 : Non-Interest Bearing Liabilities				
Residential aged care RAD's and bonds				
Resident Deposits	18	71	18	71
Refundable accommodation deposits and bonds	74,733	75,002	74,733	75,002
	74,751	75,073	74,751	75,073
Retirement village resident obligations				
Rental deposit	-	94	-	94
Gross refundable entry contributions	69,323	72,873	69,323	72,873
Accrued Deferred Management Fees	(10,409)	(9,178)	(10,409)	(9,178)
	58,913	63,789	58,913	63,789
Total non-interest bearing liabilities	133,665	138,862	133,665	138,862

Refundable Entry Contributions, RAD’s and bonds are unsecured advances deposited as part of an agreement with the incoming resident and are a non-interest bearing liability. Retirement village refundable entry contributions is presented net of deferred management fees contractually accrued to reporting date as the Entity has a legal right of offset.

NOTE 10: Non-Interest Bearing Liabilities (continued)

Deeming deposits are voluntary unsecured bonds deposited by residents and are non-interest bearing.
Included in the bonds and RADs balance is $3,272,119 (2016: $1,452,492) which is held on behalf of the Shire of Brookton for operations at the Kalkarni Residential Aged Care Facility. The cash balances in relation to these are classified as restricted cash, see note 11(b).

NOTE 11: Cash and Cash Equivalents and Interest bearing deposits

	Consolidated		Baptistcare Inc	
	2017	2016	2017	2016
	$000's	$000's	$000's	$000's
(a) Cash and Cash Equivalents				
Cash on Hand	1	34	1	34
Cash at Bank	4,823	8,446	4,202	7,510
Cash on Deposit	12,007	5,009	12,000	5,000
	16,831	13,488	16,203	12,544

(b) Interest Bearing Deposits
Interest bearing deposits include term deposits with a maturity over 90 days.

Interest Bearing Deposits	10,996	24,894	10,996	24,894
Restricted Cash	3,781	2,797	3,781	2,797
	14,777	27,691	14,777	27,691

Included within restricted cash is an amount of $3,272,119 (2016: $1,452,492) which is held on behalf of the Shire of Brookton for residents at the Kalkarni Residential Aged Care Facility. The remaining balance of restricted cash includes $260,876 for Riverside Major Capital Reserve, $233,538 for Riverside Minor Works Reserve and $13,651 for the Rental Property bonds.

	Consolidated		Baptistcare Inc	
	2017	2016	2017	2016
	$000's	$000's	$000's	$000's
(c) Reconciliation of Profit for the year to Net Cash Flows from Operating Activities				
Surplus for the year	1,512	3,271	1,512	4,632
Depreciation	2,680	5,617	2,667	5,468
Change in Fair Value of Loans	(335)	(708)	(335)	(708)
Change in Fair Value of Investment Property	5,000	(2,089)	5,000	(2,089)
(Profit)/Loss on sale of property, plant & equipment	(3,103)	265	(3,111)	(43)
Bond Retention and Deferred Management Fee	(560)	(569)	(560)	(573)
Changes in net assets and liabilities:				
Receivables	538	(637)	1,502	(2,665)
Inventories	(5)	20	-	-
Trade Payables	20	497	(618)	1,813
Provisions	(24)	937	14	909
Net Cash Generated by Operating Activities	5,722	6,604	6,071	6,744

NOTE 12 : Operating Leases

	Consolidated		Baptistcare Inc	
	2017	2016	2017	2016
	$000's	$000's	$000's	$000's
Operating Leases				
Not longer than 1 year	621	682	621	682
Longer than 1 year not longer than 5 years	998	1,933	998	1,933
	1,619	2,615	1,619	2,615

NOTE 13 : Borrowings

	Consolidated		Baptistcare Inc	
	2017	2016	2017	2016
	$000's	$000's	$000's	$000's
Access was available at balance date to the following lines of credit:				
Bank loan facilities	20,000	-	20,000	-
Credit card facility	250	-	250	-
Used at balance date	(26)	-	(26)	-
Un-used as at balance date	20,224	-	20,224	-

Bank loans are secured by a first registered mortgage over the titles of the following Baptistcare properties:

- 450 Bussell Highway, Broadwater, Western Australia
- 2 Bethel Way, Yakamia, Western Australia
- 67 Mermaid Avenue, Emu Point, Western Australia
- 10 Roebuck Drive, Salter Point, Western Australia

NOTE 14: Disposal group held for sale

In June 2017, management committed to a plan to sell a number of facilities. On the 29th August 2017, Baptistcare Incorporated signed an Asset Sale Agreement with Burswood Care Pty Ltd acting in its capacity as trustee for the Roshana Family Trust as buyer and Roshana Chularatne Neelagama Jalagge as Guarantor. The Asset Sale Agreement was for the divestment of:

- Annie Bryson McKeown Lodge
- Gwen Hardie Lodge
- Sunshine Park Hostel
- Sunshine Park Village
- Lot 551, 20 Champion Road, Lesmurdie, Perth

Accordingly, those facilities are presented as a disposal group held for sale.

Assets held for sale

At 30th June 2017, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

Assets and liabilities held for sale

	Consolidated		Baptistcare Inc	
	2017	2016	2017	2016
	$000's	$000's	$000's	$000's
Property, plant and equipment	4,743	-	4,743	-
Investment properties	2,665	-	2,665	-
Assets held for sale	7,408	-	7,408	-
Net Refundable Entry Contribution- RADs & Bonds	7,326	-	7,326	-
Net Refundable Entry Contribution- Loans	805	-	805	-
Provision for Annual Leave and Long Service Leave	830	-	830	-
Liabilities held for sale	8,960	-	8,960	-

NOTE 15: Related Party Disclosures

The consolidated financial statements of Baptistcare Incorporated include the following inter-entity transactions which have been eliminated on consolidation:

	2017 $000's	2016 $000's
Purchases from controlled entities	7,819	8,204
Sales to controlled entities	-	56
Amounts owing from controlled entities	978	1,915
Amounts owed to controlled entities	651	1,362

The amount receivable from controlled entities are non-interest bearing and do not have any repayment terms.

Name of Controlled Entity	Ownership Interest	
	2017	2016
	%	%
Gnocci Holdings Pty Ltd as trustee for the Gnocci Charitable Trust	100	100

Key management personnel compensation

The key management personnel compensation was $1,436,113 for the year ended 30 June 2017 (2016: $1,364,797).

The key management personnel during the year were:

Russell Bricknell, (CEO)
Wayne Belcher, (Interim CEO)
Garry McGrechan, (Interim CEO)
Lucy Morris, (CEO – Resigned)
John Frame, (CFO)
Amanda Vivian, (CSS)
Rebecca Tomkinson, (COO – Resigned)
Deb Patterson, (GM – At Home Services & Disabilities)
Graydn Spinks, (GM – Aged Care Services)
Judith Don, (Contractor)

The Members of the Board of Directors of Baptistcare Incorporated during the year were:

Mr Garry McGrechan (Chairman)	
Ms Dawn Anderson	
Pastor Wayne Belcher OAM	Resigned 23 February 2017
Ms Suzanne Bradbury	Retired 24 November 2016
Rev Ray Brown	Retired 24 November 2016
Pastor Simon Ford	
Mrs Ann Mitchell OAM	
Rev Mark Wilson	
Steve Ingram	Appointed 9 February 2017

Board Members of Baptistcare are not remunerated for their services. However, they are entitled to an honorarium of $500 per annum. The Chairman's honorarium is $1,000 per annum.

NOTE 16: Contingent Liabilities
At the date of this statement the consolidated entity had no contingent liabilities.

NOTE 17: Contractual Commitments
In December 2016 the group committed to incur capital expenditure of $40,435,000 to complete its Residential Aged Care Restoration project. This project commenced in January 2017 and will finish in October 2017.

At balance date, $16,896,173 of this contractual commitment was incurred and shown in work-in-progress. The full commitment is expected to be settled in the 2017/18 financial year.

NOTE 18: Subsequent Events
In the opinion of the directors, other than the matters noted below, at the date of this statement there are no significant subsequent events which would significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years.

In June 2017, management committed to a plan to sell a number of facilities. On the 29th August 2017, Baptistcare Incorporated signed an Asset Sale Agreement with Burswood Care Pty Ltd acting in its capacity as trustee for the Roshana Family Trust as buyer and Roshana Chularatne Neelagama Jalagge as Guarantor. The Asset Sale Agreement was for the divestment of

- Annie Bryson McKeown Lodge
- Gwen Hardie Lodge
- Sunshine Park Hostel
- Sunshine Park Village
- Lot 551, 20 Champion Road, Lesmurdie, Perth

The Purchase consideration is $21,186,551 with a completion date set for 29th January 2018.