

ABN 12 069 130 463

Baptcare Limited and controlled entities

Consolidated Annual Report - 30 June 2021

Baptcare Limited and controlled entities

For the year ended 30 June 2021

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DIRECTORS:

Ms Robina Bradley
Mr Tim Farren
Ms Rebecca Iseli (Appointed 26 March 2021)
Mr Ross Dawson (Resigned 26 March 2021)
Mr Matthew Hick (Resigned 22 October 2020)
Mr Brandon Howard
Ms Julianne Rose
Mr Assyl Haidar
Mr C Hamish Blair
Mr Mark Trajcevski

COMPANY SECRETARY:

Ms C H Barber

REGISTERED OFFICE:

1st Floor
1193 Toorak Road
CAMBERWELL VIC 3124

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AUDITORS

Deloitte Touche Tohmatsu

**Baptcare Limited and controlled entities
Directors' Report
For the year ended 30 June 2021**

The Directors present their report, together with the financial statements, on the company and its controlled entity for the year ended 30 June 2021.

1. REVIEW OF OPERATIONS

Company

Baptcare is a welfare agency of the Baptist Union of Victoria. Our objectives are:

- Plan and promote Christian social services within Victoria and Tasmania and to co-ordinate various social service activities of the Union and churches of the Union;
- To provide welfare, health and community services to people who are disadvantaged by reason of their physical, emotional, economic or social circumstances;
- To provide relief to individuals, families and children who are in necessitous circumstances because of poverty, destitution, suffering or helplessness;
- To undertake or carry out any other charitable purpose including co-operating with the churches of the Baptist Union of Victoria and Tasmania.

Baptcare's vision is "Communities where every person is cherished". Our mission is "Partnering for fullness of life with people of all ages, cultures, beliefs and circumstances".

Baptcare delivers on its vision and mission through our WE CARE values of Wellbeing, Ethics, Co-creation, Accountability, Respect and Effectiveness.

The fulfilment of the strategic objectives is expressed in the delivery of the following principal services and programs:

- The operation of aged care facilities for aged and disabled people.
- The operation of retirement villages providing independent and assisted living units for aged people.
- The provision of day care centres and home care services to the aged in the community.
- The provision of nursing and allied health services.
- The provision of family community programs, including foster care, counselling, preventative education, disability support and mental health services
- The provision of Local Area Coordination, Information, Linkages and Capacity Building and Early Childhood Early Intervention services under the National Disability Insurance Scheme
- The provision of affordable housing solutions and asylum seeker accommodation and support services.

Baptcare measures and monitors performance in a variety of ways including:

- The preparation of annual budgets for each program and service that are reviewed and approved by the Finance & Major Projects Committee and the Board;
- Monthly review and analysis undertaken by the CEO, General Managers, Program Managers, Finance team, Finance & Major Projects Committee and the Board of actual performance against approved budget for each program and service;
- The monitoring of key KPI's including EBITDA, occupancy ratios, performance against Government targets as well as benchmarking against the industry;
- Service delivery risk, quality and clinical performance, including regulatory/legislative compliance, clinical education and incidence reporting are monitored by the Quality & Clinical Governance Committee.

Operating revenue for the year was \$290m, growing by 10.9%. A net deficit of \$11.1m was incurred. A strong cash position of \$37.1m was also achieved.

Baptcare is a not-for-profit faith-based charitable organisation. In order to sustain its charitable activities, achieve the Board's 5-year investment and development strategy, and to continue to provide for the future replacement of operating assets, it is critical that Baptcare makes strong cash surpluses overall. Despite the impacts of COVID19, Baptcare remains in a sound financial position, with strong cash flows, quality buildings, and a sustainable business model.

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Directors' Report
For the year ended 30 June 2021**

Highlights for the Service and Operations Division were:

The year was a tale of two halves, with July to December being in crisis mode dealing with the COVID19 pandemic, and January to June spent recovering from it. The pandemic required a *whole of business* response and this took precedence over other business priorities. The safety, care and support of all our people – consumers, staff and volunteers – was our primary focus. This continued through the recovery phase as the threat of further outbreaks and lockdowns was ever present.

For our aged care divisions, the second half of the year also saw the release of the Royal Commission into Aged Care Safety and Quality Final Report and the Federal Government's response to it in the form of the *5 Pillars over 5 Years Roadmap*. Reform is unrelenting not just in aged care but also in our Family and Community Service, Disability Service and Housing and Homelessness Service streams. This has had an impact on our people with increased turnover and the need for a new workforce strategy.

We sincerely thank our staff and volunteers across Baptcare for their tireless efforts over the past year.

In Home Care

In response to the Royal Commission the Federal Government has put a focus on the Home Care Sector with a commitment to release 80,000 packages over the next 2 years. Our current home care package numbers continue to grow surpassing 2,500 customers and our PCW workforce and delivery team now provide over 5,000 hours of care a week. We have secured further CHSP funding and service in excess of 1,500 customers with both Nursing and Personal Care.

We undertook a bulk recruitment project that delivered in excess of 100 PCW's into our business in just 12 weeks. A large part of this success was as a result of the newly created and designed social media campaign branded "Love What You Do".

Through the peak of the COVID19 pandemic, we engaged with every customer and undertook an assessment. Customer feedback was used vary services to allow them to remain safe and supported.

Residential Aged Care

The overriding focus this year was on the protection of residents and staff from COVID19 and engaging in best practice infection prevention and control. Finding new ways to support residents to maintain engagement with their families in response to changing visitor restrictions was a priority during the year.

We have continued to listen to residents and evolve the design of our services reflecting transparency, flexibility and best practice. The programs have continued to implement new ways of supporting residents to make their own choices and take part in their community.

We continue to invest in training our people with a focus on infection prevention and control and on occupational violence training to raise awareness and reduce incidents.

Baptcare now operates 16 services and provides care to over 1,650 people across Victoria and Tasmania.

Operational efficiency has targeted cost leadership by continuing the implementation of the Baptcare Standard Operating Model across our services. The model is a resident focused, scalable staffing structure that matches the required clinical care skill mix and efficient allocation of care staff to meet resident requirements.

**Baptcare Limited and controlled entities
Directors' Report
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Retirement Living

A major focus during the year was to support residents in our retirement villages during the COVID19 lockdowns. Many residents were impacted from social isolation and staff made a concerted effort to connect residents within government protocols. Residents appreciated the extra assistance and care that staff offered during a very difficult and uncertain time.

Building continued at our two redevelopment sites during the year period although delays did occur during periods of lockdown impacting completion dates. Both projects were completed by year-end with new residents enthusiastically moving in to begin enjoying their new homes and community.

The Orchards apartment complex totals 33 apartments and a Community Centre including a resident's lounge, provedore, swimming pool, gym, hairdresser, doctor's surgery, massage and podiatry services. These have been welcomed by new and existing residents alike.

Strathalan's apartment complex totals 37 apartments and a Community Centre with many of the same features as at The Orchards. New friendships have developed as existing and new residents have been able to get to know each other whilst utilizing the state-of-the-art communal areas of the complex.

Construction of a new retirement living village commenced at Peninsula View in Frankston South in May 2021. Eleven of the 24 apartments have been pre-sold and completion of the first stage of the development is scheduled for December 2022.

Family and Community Services

Family and Community Services (FACS) supports at risk children, young people and their families, provides foster and kinship care, services to those impacted by trauma (e.g. family violence) and people living with mental health issues across Victoria and Tasmania. Over the last 12 months FACS has been significantly impacted upon by COVID19 and has pivoted to COVID safe and virtual service delivery practices. This rapid change in service delivery has led to a range of innovative practice (e.g. virtual HomeStart). Many of these service and business innovations have become business as usual given the positive client outcomes and impact.

Despite COVID19, FACS has managed to implement a range of evidence informed and evidence-based programs across both Victoria and Tasmania, including +Shift, +Waves, SafeCare and Mothers in Mind, Caring Dads and continued its relationship with Monash University to evaluate Mindset, Baptcare's mental health program. In Victoria, +Shift funding has been extended until mid-2021 with the University of Melbourne continuing an evaluation of the program.

Baptcare's leaders in both Victoria and Tasmania have been strong contributors to the management of COVID19 across the sector and have maintained their involvement in reform processes currently underway in both states. FACS leadership is actively contributing to key government and departmental working groups designing aspects of an improved service system.

Disability Services

Our focus for Disability Services is supporting the National Disability Insurance Agency (NDIA) to deliver the National Disability Insurance Scheme (NDIS) through the Partner in the Community (PITC) program. Our teams operate in Tasmania and South Australia where we work alongside people with disability, their carers and their community to support choice and control, and inclusion.

The last 12 months has been a successful year of supporting people with disability to build their capacity to live independent, good and ordinary lives. To achieve this our teams, use a person-led approach where we listen and follow the people we serve to identify and provide just enough of the

Baptcare Limited and controlled entities
Directors' Report
For the year ended 30 June 2021

right supports, at the right time and for the right length of time. We have also engaged in original research in the Support for Decision Making domain and in presenting this work at national and pacific regional forums.

Service Quality

Aged Care

Baptcare has continued to implement new procedures and processes to guide staff on the Aged Care Quality Standards, including new legislation and requirements such as the Serious Incident Response Scheme (SIRS).

All residential and home care service programs remain fully compliant to the Aged Care Quality Standards except for Abbey Gardens residential aged care service which currently has 2 Not Met requirements under one Standard. A Plan for Continuous Improvement in place to remedy the issues.

Transition of internal audits and collation of results from paper based to electronic devices commenced for both In Home Care and Residential Care during the year resulting in a streamlined process to assist staff.

FACS & Disability

FACS and Disability Services underwent an accreditation review assessment and successfully maintained accreditation against three quality standards:

- QIC Health and Community Service Standards across all programs in South Australia, Tasmania and Victoria
- Human Services Standards, Victoria
- National Standards for Mental Health Services, Tasmania

Diversity & Inclusion

Diversity and inclusion are an important focus of all standards of care across Aged Care, FACS and Disability. Baptcare has processes and frameworks in place to enhance the care and services for customers. The Diversity and Inclusion strategy centres around 5 pillars, being Age, Ability, Culture, LGBTIQ+ and Religion and Belief

2. DIRECTORS', COMMITTEE MEMBERSHIP AND MEETINGS

During the financial year, the Company had the following committees:

Role	Finance and Major Projects	Audit and Risk	Quality & Clinical Governance	Nominations, Performance & Remuneration
Chair	Mr B Howard	Mr T Farren	Ms J Rose	Ms R M Bradley
Member	Mr C Hamish Blair	Ms J Rose	Ms R M Bradley	Mr T Farren
Member	Mr M Trajcevski	Mr M Trajcevski	Dr R K Iseli	Mr C Hamish Blair
Member				Mr A Haidar
Former Member	Mr M R Hick	Mr M R Hick	Mr R S Dawson	

2. DIRECTORS', COMMITTEE MEMBERSHIP AND MEETINGS (CONT'D)

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

Directors	Appointment date	Resignation date	Eligible meetings	Attended meetings
Robina Bradley	-	-	20	19
Tim Farren	-	-	14	14
Ross Dawson	-	26 March 2021	11	11
Matthew Hick	-	22 October 2020	8	8
Brandon Howard	-	-	19	19
Julianne Rose	-	-	21	21
Assyl Haidar	-	-	14	14
C Hamish Blair	-	-	25	25
Mark Trajcewski	-	-	22	19
Rebecca Iseli	26 March 2021	-	4	4

3. MEMBER FUNDS

Baptcare is a company limited by guarantee and domiciled in Australia. Under its constitution, the Company is unable to distribute its funds to its members by way of dividend or link arrangement. The liability of each member in the event of winding up the Company is limited to ten dollars. As at 30 June 2021 there were 8 members of the Company (2020:8).

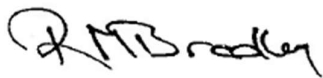
4. Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding-off". Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

5. AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012* is set out immediately after this Directors' report.

Signed in accordance with a resolution of the Board of Directors.



R M Bradley
Chairperson

1 October 2021



B Howard
Director

1 October 2021

The Board of Directors
Baptcare Ltd
1st Floor, 1193 Toorak Road
Camberwell VIC 3124

1 October 2021

Dear Board Members

Baptcare Ltd

In accordance with Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the Directors of Baptcare Ltd.

As lead audit partner for the audit of the financial statements of Baptcare Ltd for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) 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) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Sandra Lawson
Partner
Chartered Accountant

Baptcare Limited and controlled entities
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021	Restated 2020
		\$'000	\$'000
Revenue	3	306,204	277,824
Expenses			
Client costs		(22,030)	(19,971)
Domestic costs		(8,201)	(5,482)
Employee benefits expense		(185,302)	(161,626)
Food services		(15,111)	(14,110)
Depreciation and impairment expense	4	(30,477)	(19,058)
Property maintenance		(6,447)	(5,577)
Services and utilities		(6,047)	(5,942)
Other expenses		(26,572)	(27,805)
Finance costs	4	(17,156)	(17,507)
(Deficit) / Surplus for the year		(11,139)	746
Other comprehensive income for the year		-	-
Total comprehensive (Deficit) / income for the year		<u>(11,139)</u>	<u>746</u>

**The period ended 30 June 2020 has been restated as a result of a change in accounting policy detailed in Note 2*

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Baptcare Limited and controlled entities
Consolidated Statement of financial position
For the year ended 30 June 2021

	Note	2021	Restated 2020
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	5	37,146	19,212
Trade and other receivables	6	12,133	2,284
Other financial assets	7	17,273	15,902
Assets held for sale		7,816	-
Other Assets	8	2,337	3,272
Total current assets		<u>76,705</u>	<u>40,670</u>
Non-current assets			
Investment properties	9	219,517	125,312
Property, plant and equipment	10	383,901	476,632
Intangibles	11	67,373	67,373
Right-of-use assets	12	9,797	11,792
Total non-current assets		<u>680,588</u>	<u>681,109</u>
Total assets		<u>757,293</u>	<u>721,779</u>
Liabilities			
Current liabilities			
Trade and other payables	13	481,847	435,256
Provisions	14	17,999	16,209
Other Liabilities	15	7,916	7,735
Borrowings	17	1,171	1,245
Lease liabilities	16	2,054	2,245
Total current liabilities		<u>510,987</u>	<u>462,690</u>
Non-current liabilities			
Provisions	14	5,926	4,891
Borrowings	17	9,643	10,726
Lease liabilities	16	8,216	9,812
Total non-current liabilities		<u>23,785</u>	<u>25,429</u>
Total liabilities		<u>534,772</u>	<u>488,119</u>
Net assets		<u>222,521</u>	<u>233,660</u>
Equity			
Accumulated surpluses		<u>222,521</u>	<u>233,660</u>
Total equity		<u>222,521</u>	<u>233,660</u>

**The period ended 30 June 2020 has been restated as a result of a change in accounting policy detailed in Note 2*

The above statement of financial position should be read in conjunction with the accompanying notes.

Baptcare Limited and controlled entities
Consolidated Statement of changes in equity
For the year ended 30 June 2021

	Accumulated surpluses \$'000	Total equity \$'000
Balance at 1 July 2019	234,604	234,604
Change in accounting policy*	(1,690)	(1,690)
Restated balance at the beginning of the year	<u>232,914</u>	<u>232,914</u>
Surplus for the year (restated)	746	746
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>746</u>	<u>746</u>
Balance at 30 June 2020 (restated)	<u><u>233,660</u></u>	<u><u>233,660</u></u>
	Accumulated surpluses \$'000	Total equity \$'000
Balance at 1 July 2020	233,660	233,660
Deficit for the year	(11,139)	(11,139)
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>(11,139)</u>	<u>(11,139)</u>
Balance at 30 June 2021	<u><u>222,521</u></u>	<u><u>222,521</u></u>

**The period ended 30 June 2020 has been restated as a result of a change in accounting policy detailed in Note 2*

The above statement of changes in equity should be read in conjunction with the accompanying notes

Baptcare Limited and controlled entities
Consolidated Statement of cash flows
For the year ended 30 June 2021

	Note	2021	Restated 2020
		\$'000	\$'000
Cash flows from operating activities			
Receipts from residents, clients and customers		45,546	60,676
Receipts from governments		230,142	212,259
Proceeds from legacies and donations		788	477
Interest received		108	1,229
Payments to suppliers and employees		(265,209)	(245,773)
Finance costs paid		(443)	(602)
Net cash from operating activities		10,932	28,266
Cash flows from investing activities			
(Acquisition of) / proceeds from redemption of short term deposits		(1,001)	23,496
Acquisition of hybrid investments		(370)	(2,714)
Payment for property, plant and equipment and investment property		(33,475)	(69,787)
Proceeds from sale of property, plant and equipment		169	251
Net cash used in investing activities		(34,677)	(48,754)
Cash flows from financing activities			
Proceeds from refundable accommodations deposits		100,863	131,376
Proceeds from ILU licence fees		50,003	7,739
Proceeds from borrowings		5,900	-
Refunds of refundable accommodation deposits		(101,387)	(89,621)
Refund of ILU licence fees		(4,487)	(13,115)
Repayments of borrowings		(7,117)	-
Payment of lease liabilities		(2,096)	(1,940)
Net cash from financing activities		41,679	34,439
Net increase in cash and cash equivalents		17,934	13,951
Cash and cash equivalents at the beginning of the financial year		19,212	5,261
Cash and cash equivalents at the end of the financial year	5	<u>37,146</u>	<u>19,212</u>

**The period ended 30 June 2020 has been restated as a result of a change in accounting policy detailed in Note 2*

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Nature of the Group

Baptcare Ltd (the Company) is a Company limited by guarantee, incorporated and domiciled in Australia. Under its constitution, the Company is unable to distribute its funds to its members by way of dividend or like arrangement.

The liability of each member in the event of winding up the Company is limited to ten dollars. As at 30 June 2021, there were 8 members of the company (2020: 8).

The Company controls Baptcare Affordable Housing Ltd, a company limited by guarantee, incorporated and domiciled in Australia. Together the companies form "the Group". The financial statements have been presented as consolidated financial statements incorporating the assets, liabilities and results of the Company and its controlled entity.

Note 2. Significant accounting policies

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

This Standard amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, and makes consequential amendments to several other pronouncements and publications. The company has adopted these amendments for the first time in the current year. The amendments make the definition of material in AASB 101 easier to understand and are not intended to alter the underlying concept of materiality in Australian Accounting Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in AASB 108 has been replaced by a reference to the definition of material in AASB 101. In addition, the Standard also amends other Australian Accounting Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency. There was no material impact to the financial statements as a result of the adoption of this standard.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Change in accounting policy

Implementation of IFRIC agenda decision and new accounting policy

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented further below.

Retrospective restatement

The Group revised its accounting policy in relation to SaaS arrangements during the year resulting from the implementation of agenda decisions issued by the IFRIC. Historical financial information has been restated to account for the impact of the change in accounting policy, as follows:

Note 2. Significant accounting policies (continued)

Retrospective restatement (continued)

30 June 2020 (\$'000)	Previously reported	Adjustment Increase/(Decrease)	Restated
Statement of financial position			
Property, plant and equipment	478,276	(1,644)	476,632
Total assets	723,423	(1,644)	721,779
Net assets	235,304	(1,644)	233,660
Retained profits	235,304	(1,644)	233,660
Total equity	235,304	(1,644)	233,660
Statement of profit or loss and other comprehensive income			
Other expenses	27,271	534	27,805
Depreciation expense	19,638	(580)	19,058
Surplus for the year	700	46	746
Statement of cashflows			
Payments to suppliers and employees	245,239	534	245,773
Net cash generated by operating activities	28,800	(534)	28,266
Payment for property, plant and equipment and investment property	70,321	(534)	69,787
Net cash used in investing activities	49,288	(534)	48,754
Statement of changes in equity			
Balance at 1 July 2019 (as previously stated)	234,604	-	234,604
Effect of change in accounting policy	-	(1,690)	(1,690)
Balance at 1 July 2019 (restated)	234,604	(1,690)	232,914
Surplus for the year (restated)	700	46	746
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	700	46	746
Balance at 30 June 2020	235,304	(1,644)	233,660

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ending 30 June 2021.

At the date of these financial statements, the impact of the standards and interpretations not yet effective listed above on the Group has not been determined. The Directors are still assessing the likely impact of the adoption.

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 1060 – General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 entities	1 July 2021
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date.	1 July 2023
AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities	1 July 2021
AASB 2020-3 Amendments to Australian accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 July 2022
AASB 2020-7 Amendments to Australian accounting Standards – COVID-19-Related rental concessions Tier 2 Disclosures	1 July 2021
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 July 2023

Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements, the requirements of the Australian Charities and Not-for-profits Commission Act 2012, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board (the AASB).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report has been prepared using the principles of consolidation.

Note 2. Significant accounting policies (continued)

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as they apply to not-for-profit entities

Critical accounting estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements and assumptions based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and internally. Actual results may differ from these estimates.

The accounting policies detailed below provide details of these estimates, judgements and assumptions.

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Baptcare Limited is the sole member of Baptcare Affordable Housing Limited and through its rights and powers as defined by the constitution has the ability to exert power and receive returns through achievement of its stated missions.

Consolidation of a controlled entity begins when the Company obtains control over the controlled entity and ceases when the Company loses control of the controlled entity.

Accounting policies of all controlled entities are aligned with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Revenue recognition

Government grants and subsidies

When the Group receives government grants that are in the scope of AASB 1058 (being a transaction where the consideration paid to acquire an asset is significantly less than fair value principally to enable the Group to further its objectives), it performs an assessment to determine if the contract is 'enforceable' and contains 'sufficiently specific' performance obligations.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied. In all other cases (where the contract is not 'enforceable' or the performance obligations are not 'sufficiently specific'), the transaction is accounted for under AASB 1058 where the Group:

- Recognises the asset in accordance with the requirements of other relevant applicable Australian Accounting Standards
- Considers whether any other financial statement elements should be recognised ('related amounts') in accordance with the relevant applicable Australian Accounting
- Recognises income immediately in profit or loss for the excess of the initial carrying amount of the asset over any related amounts recognised.

Note 2. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Revenue from sale of goods

Revenue from the sale of goods is recognised when control of the goods has transferred to the customer, being the point in time at which the customer accepts delivery of the goods.

Resident and client services revenue

Revenue arising from services to residents and clients are recognised as performance obligations are met. Revenue of this nature includes resident fees and contributions in residential aged care, client contributions for home care services, rental income from residential tenants and deferred management fees. In this regard, revenue is recognised as services are provided and recognised over the time of the service provision.

Deferred management fees

Deferred management fees are brought to account as receivables at the time the fees become non-refundable to the licensee. Revenue arising from deferred management fees are brought to account over the expected tenure of resident which reflects the performance obligation of the Group. Deferred income may arise where the expected tenure of the resident exceeds the contractual arrangements of the Group's deferred management fee entitlements. Some management fees are linked to the resale value of the unit at reporting date. Changes to DMF fees arising from market movements are brought to account in period to which it relates.

Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Imputed Revenue on RAD and Bond Balances under AASB 16 Leases:

For residents who have chosen a RAD or Bond arrangement to receive residential aged care services, the Group has determined that following the adoption of AASB 16, these are lease arrangements with the Group acting as the lessor. The Group has recognised as revenue an imputed non-cash charge for accommodation representing the resident's right to occupy a room under the arrangement. The accounting treatment required a non-cash increase in revenue for accommodation and a non-cash increase in finance costs on the outstanding RAD and Bond balance, with no net impact on the result for the period. The revenue stream has been calculated using the MPIR rate as defined by the Department at the time the service is being received.

All revenue is stated net of the amount of goods and services tax.

(c) Refundable accommodation deposits, accommodation bonds and accommodation payments

Refundable accommodation deposits, accommodation bonds and accommodation payments are recognised as a liability at the time each resident agreement is entered into and balance paid. AASB 101 'Presentation of Financial Statements' requires the liabilities to be classified as current as the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liabilities, in some instances, are reduced in accordance with the various resident agreements. These reductions are recorded as income in the statement of profit or loss and other comprehensive income.

Note 2. Significant accounting policies (continued)

(d) Independent living unit (ILU) loan liabilities

The provisions of the Retirement Villages Act 1986 (Victoria) and the Retirement Villages Act 2004 (Tasmania) apply to the Group's dealings in independent living unit licences. ILU licence fees are recognised as a liability at the time the licence agreement is executed and loan contribution paid. The agreements with residents provide for the Group to retain management fees with fees settled on a deferred basis at the time of exit. The Group's arrangements with residents vary across the portfolio and exit payments of initial loan contributions may be either calculated on the ingoing contribution or the market value of the unit at the time of exit. In addition, some of the licence agreements provide for the Group to receive a share of any capital gain on re-sale of the licences to a subsequent entrant. Where changes arise out of movements in fair value of units, these amounts are recognised as an expense progressively based upon the market value of the ILU as at reporting date. Independent living unit licence fees are treated as a financial liability with a demand feature and have been discounted from the first date the licence fees could be required to be paid.

(e) Income tax and Goods and Services Tax (GST)

The Company is exempt from income tax under Section 50 - 5 of the Income Tax Assessment Act, 1997.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Cash flows in the Statement of Cash Flows are inclusive of GST.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks.

(g) Financial Instruments

Recognition and Initial Measurement

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification and subsequent measurement

(i) Financial assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is deemed based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Note 2. Significant accounting policies (continued)

(g) Financial Instruments (continued)

Trade receivables are recorded at amounts due for services rendered less any provision for expected credit losses. Accrued income is recorded as income earned which had not been credited to the Group at reporting date. Refundable accommodation deposits and ILU licence fee debtors are recorded in accordance with policies outlined in Note 2.

(iii) Financial liabilities include borrowings and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(h) Fair value

Fair value is determined based on current prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

(i) Assets held for sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Company must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(j) Investment property

Investment property represents retirement villages within the operations of the Group. Investment property is initially recorded at cost and subsequently at fair value, reflecting market conditions at reporting date. Gains or losses arising from fair value movements in investment property are recognised in the profit or loss.

The Group's policy is to have independent valuations prepared at least every two years, with internal assessment made at least annually to ensure fair values are appropriately accounted for.

Fair value is the aggregate price that represents the amounts that would be received to sell the retirement village as a whole, in an orderly transaction between market participants at measurement date, in the principal market for the asset or liability, or the most advantageous market in its absence.

Note 2. Significant accounting policies (continued)

(j) Investment property (continued)

In determining the fair value, consideration has been made of the market value of units (i.e. gross realisation of units), the present value of future deferred management fees, where appropriate the capital gain share of fair value movements, capital allowances, refurbishment costs, vacancy in units and impacts on value for units deriving alternate revenue streams, such as rent. Fair value of retirement villages has been determined by using a discounted cash flow valuation methodology. These valuations are based on projected cash flows using current resident contracts and resident contracts expected to be executed in future unit turns. Retirement villages are classified as Level 3 in the fair value hierarchy.

Key assumptions used in the fair value assessments are:

- Discount rates of between 13.5% and 15.0%
- Property price growth rates of between 2.0% and 2.5% in the short term and 2.0% and 3.5% in the long term
- The average tenure period of residents being 8.0-13.0 years.

Villages under construction are carried at fair value. Units are transferred from villages under construction to operational villages once they have been leased for the first time. Villages under construction, include consideration of the recognition of development margin and deferred management fees and consider stage of completion and development risk associated with the development.

(k) Property, plant and equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation and impairment losses. The depreciable amount of all fixed assets, including buildings but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is held ready for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Depreciation on buildings is charged using the straight line method over the estimated useful life of the asset. Depreciation on leasehold improvements is charged using the straight line method over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation on furniture and equipment including computer equipment is charged using the straight line method over the estimated useful lives of the assets. Depreciation on motor vehicles is charged using the reducing balance method over the estimated useful life of the asset.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is disclosed in the notes to the Statement of Profit or Loss and Other Comprehensive Income in the year of disposal. Capital expenditure included in buildings in the course of construction completed during the year is transferred to land and buildings.

Depreciation rates used for each class of depreciable asset are:

Class	Rate:
Buildings	2.5% - 20.0%
Leasehold improvements	2.5% - 34.3%
Plant and equipment	2.5% - 33.3%
Motor Vehicles	7.5% - 20.0%

Note 2. Significant accounting policies (continued)

(k) Property, plant and equipment (continued)

Within plant and equipment were intangibles relating to software arrangements, specifically software as a service (SaaS) arrangements.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

The Directors made the following key judgements that have had the most significant effect on the amounts recognised in financial statements with respect to Software-as-a-Service (SaaS) arrangements.

Capitalisation of configuration and customisation costs in SaaS arrangements

Part of the customisation and configuration activities undertaken in implementing SaaS arrangements may entail the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications. Judgement was applied in determining whether the additional code meets the definition of and recognition criteria for an intangible asset in AASB 138 Intangible Assets. During the year, the Group recognised \$5,943k (2020: \$1,341k) as capitalised intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

Determination whether configuration and customisation services are distinct from the SaaS access

Costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, the Directors applied judgement to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term.

(l) Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Impairment of intangible assets is assessed annually. Intangible assets with finite lives are amortised over the useful life. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised. In accordance with AASB 138 Intangible Assets, bed licenses have been recognised at deemed cost, have been assessed as having indefinite useful lives, and are not amortised.

The Group's bed licences were initially recognised at cost which represented fair value on date of acquisition or deemed cost if received through government allocation for nil consideration.

Note 2. Significant accounting policies (continued)

(l) Intangible assets (cont'd)

In response to the Royal Commission into Aged Care Quality and Safety, the Federal Government has announced from now until 1 July 2024, it will implement changes to the current aged care system that assigns places directly to senior Australians. This means that the Aged Care Approvals Round (ACAR) will be discontinued following the 2020 round and 'bed licences' will no longer exist. In the event that this occurs, the Group will derecognise the associated assets in an appropriate manner in line with Australian Accounting Standards. Given the preliminary and unsubstantive nature of the announcement as at reporting date, no adjustment has been made to these balances during the year.

Until further announcement and passing of such legislation the Group will continue to, on an annual basis perform an impairment test whereby the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to carrying value to determine whether there is any impairment. On this basis, no impairment loss has been recognised in 2021 (2020: \$Nil). Fair value has been determined for operational licences and current inactive licences have been assessed with reference to value in use calculations.

(m) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are 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.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

(n) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, including related on costs. Benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have formed part of the cost of that asset. All other borrowing costs are expensed in the period in which they occur in line with AASB 123 Borrowing Costs.

(p) Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Note 2. Significant accounting policies (continued)

(p) Leases (continued)

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described above.

(q) Rounding

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2021

Note 3. Revenue

	2021	2020
	\$'000	\$'000
Gross revenue from residents, clients and customers	48,102	48,315
Government subsidies and contributions for service	228,467	202,748
Accommodation charges, bond retentions, and deferred management fees	3,844	3,499
Capital grants	524	-
Interest	108	696
Donations, bequests and legacies	788	477
Fair value adjustment to investment properties	3,267	2,168
Tenant revenue	899	903
Other revenue	3,552	2,218
Revenue excluding imputed RAD revenue	289,551	261,024
Imputed revenue on RAD and bond balances under AASB 16 (note 2)	16,653	16,800
Revenue	<u>306,204</u>	<u>277,824</u>

Note 4. Operating Surplus (Deficit)

Operating surplus (deficit) has been determined after:

a) Charging as expense:

Profit includes the following specific expenses:

	2021	Restated
	\$'000	2020
		\$'000
Depreciation of non-current assets:		
- Buildings	8,997	8,719
- Leasehold improvements	2,129	548
- Plant and equipment	8,010	7,261
- Motor vehicles	736	323
- Lease assets	2,304	2,207
Total depreciation	22,176	19,058
Impairment expense – property	8,301	-
	<u>30,477</u>	<u>19,058</u>
Finance Costs		
- Interest expense	95	226
- Interest expense on leases under AASB 16	348	375
- Imputed interest cost on RAD and bond balances	16,653	16,800
- Other finance costs	60	106
	<u>17,156</u>	<u>17,507</u>

Baptcare Limited and controlled entities
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Note 5. Current assets - cash and cash equivalents

	2021 \$'000	2020 \$'000
Cash on hand	31	31
Cash at bank	37,115	17,881
Cash on deposit	-	1,300
	<u>37,146</u>	<u>19,212</u>

Note 6. Current assets - Trade and other receivables

	2021 \$'000	2020 \$'000
Trade receivables	3,795	1,658
Allowance for credit losses	(572)	(81)
	<u>3,223</u>	<u>1,577</u>
Refundable accommodation deposit and licence fee debtors	5,398	187
Accrued Income	3,240	439
	<u>8,638</u>	<u>626</u>
Other receivables	272	81
	<u>12,133</u>	<u>2,284</u>

Note 7. Current assets - Other financial assets

	Amortised cost (\$'000)	Fair Value through P&L (\$'000)	Total
2021			
Term deposits	5,189	-	5,189
Hybrid Investments	-	12,084	12,084
	<u>5,189</u>	<u>12,084</u>	<u>17,273</u>
2020			
Term deposits	4,188	-	4,188
Hybrid investments	-	11,714	11,714
	<u>4,188</u>	<u>11,714</u>	<u>15,902</u>

See note 2(g) for a description of the accounting policies for each category of the financial assets.

Baptcare Limited and controlled entities
Notes to the financial statements
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Note 8. Current assets - Other Assets

	2021	2020
	\$'000	\$'000
Prepayments	2,135	3,069
Other current assets	<u>202</u>	<u>203</u>
	<u><u>2,337</u></u>	<u><u>3,272</u></u>

Note 9. Non-current assets - Investment properties

	2021	2020
	\$'000	\$'000
Investment properties – retirement living assets		
Operational villages	184,347	125,312
Villages under construction	<u>35,170</u>	<u>-</u>
	<u><u>219,517</u></u>	<u><u>125,312</u></u>
<i>Reconciliation of movements in the year:</i>		
At the beginning of the year	125,312	123,144
Additions and reclassifications	90,938	-
Changes in fair value of investment property	<u>3,267</u>	<u>2,168</u>
	<u><u>219,517</u></u>	<u><u>125,312</u></u>

Baptcare Limited and controlled entities
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Note 10. Non-current assets - property, plant and equipment

	2021 \$'000	Restated 2020 \$'000
Land and buildings - at cost	386,687	399,457
Less: Accumulated depreciation	(56,642)	(46,741)
	<u>330,045</u>	<u>352,716</u>
Leasehold improvements - at cost	4,744	4,862
Less: Accumulated depreciation	(2,112)	(1,810)
	<u>2,632</u>	<u>3,052</u>
Plant and equipment - at cost	67,132	78,851
Less: Accumulated depreciation	(22,364)	(36,522)
	<u>44,768</u>	<u>42,329</u>
Motor vehicles - at cost	3,261	3,520
Less: Accumulated depreciation	(2,558)	(2,075)
	<u>703</u>	<u>1,445</u>
Carrying amount of building work in progress	<u>5,753</u>	<u>77,090</u>
	<u><u>383,901</u></u>	<u><u>476,632</u></u>

Reconciliations of the carrying amounts of each class of asset at the beginning and end of the current financial year are set out below:

	Land & Buildings \$'000	Leasehold Improvements \$'000	Work in Progress \$'000	Plant & Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Balance at 1 July 2020 (restated)	352,716	3,052	77,090	42,329	1,445	476,632
Additions	5,059	81	28,635	579	59	34,413
Disposals	-	-	-	-	(66)	(66)
Impairment expense	-	-	(8,301)	-	-	(8,301)
Reclassifications	(17,132)	-	(91,671)	9,898	-	(98,905)
Depreciation expense	(10,598)	(501)	-	(8,038)	(735)	(19,872)
Balance at 30 June 2021	<u><u>330,045</u></u>	<u><u>2,632</u></u>	<u><u>5,753</u></u>	<u><u>44,768</u></u>	<u><u>703</u></u>	<u><u>383,901</u></u>

Baptcare Limited and controlled entities
Notes to the financial statements
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Note 11. Non-current assets - Intangibles

	2021	2020
	\$'000	\$'000
BED LICENCES		
Carrying amount at the beginning of the year	<u>11,100</u>	<u>11,100</u>
	2021	2020
	\$'000	\$'000
GOODWILL		
Carrying amount at the beginning of the year	56,273	56,338
Movement in the year	<u>-</u>	<u>(65)</u>
Carrying amount at the end of the year	<u><u>56,273</u></u>	<u><u>56,273</u></u>
	2021	2020
	\$'000	\$'000
Goodwill	<u>56,273</u>	<u>56,273</u>
Bed Licences	<u>11,100</u>	<u>11,100</u>
Total intangible assets	<u><u>67,373</u></u>	<u><u>67,373</u></u>

Note 11. Non-current assets – Intangibles (continued)

See note 2(l) for a description of the accounting policies in relation to bed licenses.

On an annual basis the recoverable amount of intangible assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to carrying value to determine whether there is any impairment. On this basis, no impairment loss has been recognised in 2021 (2020: nil).

Impairment testing

For the purpose of annual impairment testing of bed licenses and goodwill, cash generating units are determined. The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering a detailed one-year forecast, followed by an extrapolation of expected cash flows for the units for a five year forecast period using the growth rates determined by management. The present value of the expected cash flows of each facility is determined by applying a suitable discount rate.

Growth rates

The growth rates reflect the long-term average growth rates for the industries of these segments (all publicly available) and considers any recent regulatory and policy changes.

Discount rates

The discount rates reflect appropriate adjustments relating to market assessments of the time value of money and the risks specific to the asset.

Terminal value

The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield.

Cash flow assumptions

In preparing the cash flow forecasts management have used certain key assumptions which include:

- Occupancy rates that are consistent with recent occupancy levels
- Wages based on current rosters and assume pay increases in accordance with current enterprise bargaining agreements
- Increases in expenses in line with CPI with the exception of certain identified expenses that are expected to increase over CPI
- Capital expenditure in line with expected capital maintenance on facilities based upon their individual life cycles.

Apart from the considerations described in determining the value-in-use of the cash-generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Baptcare Limited and controlled entities
Notes to the financial statements
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Note 12. Non-current assets -Right-of-use assets

	Properties \$'000	Plant & equipment \$'000	Total \$'000
Cost			
At 30 June 2020	11,047	2,952	13,999
Additions	-	323	323
Disposals	(36)	-	(36)
At 30 June 2021	11,011	3,275	14,286
Accumulated depreciation			
At 30 June 2020	1,486	721	2,207
Depreciation expense	1,464	840	2,304
Disposals	(22)	-	(22)
At 30 June 2021	2,928	1,561	4,489
Carrying amount			
At 30 June 2020	9,561	2,231	11,792
At 30 June 2021	8,083	1,714	9,797

	2021 \$'000	2020 \$'000
Amounts recognised in the profit and loss		
Depreciation expense on right-of-use assets	2,304	2,207
Interest expense on lease liabilities	348	375
Expense relating to short-term and low value leases	599	783

The total cash outflow for leases amount to \$2,096,000.

The Group has not entered into any significant leases post year end.

Note 13. Current liabilities - Trade and other payables

	2021 \$'000	2020 \$'000
Trade payables	32,077	32,908
Independent living unit licence fees/loan contributions	116,816	69,562
Refundable accommodation deposits	329,065	329,944
Accrued Expenditure	3,889	2,842
	<u>481,847</u>	<u>435,256</u>

Disclosure of refundable accommodation deposits and independent living unit licence fees ("resident liabilities"), for the Group amounting to \$445,881,000 (2020: \$399,506,000) as current liabilities on the basis they are repayable to residents when they leave the facility or unit, which can be at any time, (refer to Note 2). The Directors do not expect the resident liabilities balance to reduce significantly on an annual basis as the liabilities relating to residents who depart the facility/unit are generally replaced by refundable accommodation deposits/licence fees received from new residents. The resident liabilities are therefore considered to form part of the long term funding of the facility.

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2021

Note 14. Provisions

	2021	2020
	\$'000	\$'000
<i>Current</i>		
Employee entitlements	<u>17,999</u>	<u>16,209</u>
<i>Non-current</i>		
Employee entitlements	5,926	4,806
Other provisions	-	85
	<u>5,926</u>	<u>4,891</u>

Note 15. Other Liabilities

	2021	2020
	\$'000	\$'000
Deferred income	3,005	3,273
Revenue in advance	<u>4,911</u>	<u>4,462</u>
	<u>7,916</u>	<u>7,735</u>

Note 16. Lease liabilities

	2021	2020
	\$'000	\$'000
<i>Current</i>		
Lease liabilities	<u>2,054</u>	<u>2,245</u>
<i>Non-current</i>		
Lease liabilities	<u>8,216</u>	<u>9,812</u>

Note 17. Borrowings

	2021	2020
	\$'000	\$'000
<i>Current</i>		
Capital development fund loans	<u>1,171</u>	<u>1,245</u>
<i>Non-current</i>		
Capital development fund loans	<u>9,643</u>	<u>10,726</u>

Note 18. Commitments for expenditure

	2021	2020
	\$'000	\$'000
CAPITAL EXPENDITURE		
Estimated capital expenditure contracted for at reporting date but not provided for in the financial statements		
Payable no later than one year	22,091	24,660
Payable between one to two years	10,398	-
	1,026	-
Total commitments	<u>33,515</u>	<u>24,660</u>

Note 19. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2021	2020
	\$	\$
Total transactions with key management personnel	<u>2,586</u>	<u>2,550</u>

Note 20. Related party disclosures

Baptcare Ltd's related parties include its Key Management Personnel and related entities as described below.

The names of the persons to have held office as Directors of the Company at any time during the year are:

Directors	Appointment date	Resignation date
Robina Bradley	-	-
Tim Farren	-	-
Ross Dawson	-	26 March 2021
Matthew Hick	-	22 October 2020
Brandon Howard	-	-
Julianne Rose	-	-
Assyl Haidar	-	-
C Hamish Blair	-	-
Mark Trajcevski	-	-
Rebecca Iseli	26 March 2021	-

The Company is an Agency of the Baptist Union of Victoria and is ultimately controlled by the Assembly of the Baptist Union of Victoria.

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2021

Note 21. Group details

Baptcare Ltd is incorporated in Victoria, Australia.

The registered office of the Company is:
Baptcare Ltd, 1193 Toorak Road, Camberwell, VIC 3124

The principal activities during the year were:

The operation of aged care facilities for aged and disabled persons.

The provisions of independent living units and assisted living units for aged persons.

The provision of day care and day therapy centres and Community Aged Care Packages to the aged in the community.

The provision of domiciliary nursing services.

The operation of family community programs, including foster care, counselling, preventative education, and disability support services.

Note 22. Parent entity note

The parent note is presented to comply with the reporting requirements of the Aged Care Act 1997.

Statement of profit or loss and other comprehensive income

	2021	Restated
	\$'000	2020
		\$'000
Revenue	305,029	277,300
Expenses		
Client costs	(22,030)	(19,971)
Domestic costs	(8,201)	(5,482)
Employee benefits expense	(185,302)	(161,619)
Food services	(15,111)	(14,110)
Depreciation and impairment expense	(30,365)	(18,962)
Property maintenance	(6,378)	(5,492)
Services and utilities	(5,840)	(5,733)
Other expenses	(26,395)	(28,479)
Finance costs	(17,013)	(17,503)
Deficit for the year	(11,606)	(51)
Total comprehensive loss	(11,606)	(51)

Statement of financial position

	\$'000	\$'000
Current assets		
Cash and cash equivalents	35,970	17,829
Trade and other receivables	12,000	2,242
Other financial assets	17,273	15,902
Assets held for sale	8,670	-
Other Assets	2,334	3,272
	<u>76,247</u>	<u>39,245</u>

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2021

Note 22. Parent entity note (continued)	2021	Restated 2020
	\$'000	\$'000
Statement of financial position (continued)		
Non-current assets		
Other receivables	4,774	4,603
Investment properties	219,517	125,312
Property, plant and equipment	373,099	467,547
Intangibles	67,373	67,373
Right of use assets	9,797	11,792
	<u>674,560</u>	<u>676,627</u>
Total assets	<u>750,807</u>	<u>715,872</u>
Current liabilities		
Trade and other payables	481,771	435,247
Provisions	17,999	16,209
Other Liabilities	7,867	7,734
Borrowings	1,171	1,245
Lease liabilities	2,054	2,245
	<u>510,862</u>	<u>462,680</u>
Non-current liabilities		
Provisions	5,926	4,891
Borrowings	9,643	10,723
Lease liabilities	8,216	9,812
	<u>23,785</u>	<u>25,426</u>
Total liabilities	<u>534,647</u>	<u>488,106</u>
Net Assets	<u>216,160</u>	<u>227,766</u>
Retained earnings	216,160	227,766
Total equity	<u>216,160</u>	<u>227,766</u>

Change in accounting policy

In line with the assessment of the Group, the parent entity revised its accounting policy in relation to SaaS arrangements during the year resulting from the implementation of agenda decisions issued by the IFRIC. Historical financial information has been restated to account for the impact of the change in accounting policy. The amount restated is as per that included with respect to the Group as outlined in Note 2 with the impacts on the parent numbers as follows:

30 June 2020 (\$'000)	Previously reported	Adjustment Increase/ (Decrease)	Restated
Statement of financial position			
Property, plant and equipment	469,191	(1,644)	467,547
Total assets	717,516	(1,644)	715,872
Net assets	229,410	(1,644)	227,766
Retained profits	229,410	(1,644)	227,766
Total equity	229,410	(1,644)	227,766

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2021

Note 22. Parent entity note (continued)

	Previously reported	Adjustment Increase/ (Decrease)	Restated
30 June 2020 (\$'000)			
Statement of profit or loss and other comprehensive income			
Other expenses	27,945	534	28,479
Depreciation expense	19,542	(580)	18,962
Deficit for the year	(97)	46	(51)
Statement of changes in equity			
Balance at 1 July 2019 (as previously stated)	229,507	-	229,507
Effect of change in accounting policy	-	(1,690)	
Balance at 1 July 2019 (restated)	229,507	(1,690)	227,817
Deficit for the year (restated)	(97)	46	(51)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	(97)	46	(51)
Balance at 30 June 2020	229,410	(1,644)	227,766

Note 23. Events after the reporting period

The Company will continue to monitor the impact of COVID19. Victoria, subsequent to year end, continues to be significantly impacted with recent lockdown restrictions. Whilst provision of services are continuing, ongoing restrictions may impact occupancy, capital projects and other income streams as customers are personally impacted financially.

In July 2021, Baptcare Affordable Housing Limited, the controlled entity, entered into a funding deed with the Director of Housing as part of the Social Housing Growth Fund – Rapid Grants Round for two social housing developments in Keilor Downs and in Lalor.

As acknowledged in Note 2(l) of the financial statements, in the May 2021 Federal Budget, the Australian Government announced its intention to remove bed licences by 1 July 2024 with the current system remaining in place until 30 June 2024. As the scope and content of the reforms remained unknown at 30 June 2021, there has been no change to the accounting treatment of bed licences for the year ended 30 June 2021.

On 29 September 2021 the Department of Health released a discussion paper Improving Choice in Residential Aged Care – ACAR Discontinuation on the key issues about improving choice in residential aged care. The Australian Securities and Investments Commission (ASIC) simultaneously released a FAQ that covers potential accounting implications of the discontinuation of bed licences.

The Board will consider these 2 publications, together with future developments and clarification of potential legislation changes, in their determination of the accounting treatment of bed licences for the year ending 30 June 2022. As a result, the accounting for bed licences as an indefinite life asset may change and result in accelerated amortisation of the carrying values to write these down to nil by 30 June 2024. The amortisation is a non-cash item and would have no impact on the operations or cash flows of the business.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 24. Member's guarantee

Baptcare Ltd is incorporated under the Corporations Act 2001 and is a Group limited by guarantee. If the Group is wound up, the constitution states that each member is required to contribute a maximum \$10 each towards meeting any outstanding obligations of the entity. At 30 June 2021, the total amount that members of the Group are liable to contribute if the Group wound up is \$80 (2020: \$80).

Note 25. Financing facilities

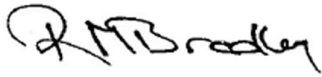
During the year Baptcare continued to operate a core debt and capital development financing facility of \$120 million with an external provider to predominately fund future developments. The capital development facility was drawn from during the year in relation to the Strathalan Independent Living Apartment construction to the total of \$5.9 million and was fully repaid prior to 30 June 2021. The debt facility is secured by way of a charge over certain assets of the Group.

Baptcare Limited and controlled entities
Directors' declaration
30 June 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the *Australian Charities and Not-for-profits Commission Act 2012*, the Australian Accounting Standards - Reduced Disclosure Requirements, and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



R M Bradley
Chairperson

1 October 2021



B Howard
Director

1 October 2021

Independent Auditor's Report to the Members of Baptcare Ltd

Opinion

We have audited the financial report of Baptcare Ltd (the "Company") and its subsidiary (together, the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the directors report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors 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 ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 to cease to continue as a going concern.
- Evaluate 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



Sandra Lawson
Partner
Chartered Accountants
Melbourne, 1 October 2021