

ABN 12 069 130 463

Baptcare Limited and controlled entities

Consolidated Annual Report - 30 June 2020

Baptcare Limited and controlled entities

For the year ended 30 June 2020

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DIRECTORS:

Ms R M Bradley
Mr T Farren
Mr R S Dawson
Ms M Dobbie (resigned 1 June 2020)
Mr M R Hick
Mr B Howard
Ms J Rose
Mr A Haidar
Mr C H Blair (joined 26 February 2020)
Mr M Trajcevski (joined 26 February 2020)

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 2020

The Directors present their report, together with the financial statements, on the company for the year ended 30 June 2020.

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 excluding imputed RAD revenue for the year was \$261m, growing by 14.1%. A net surplus of \$0.7m was generated. A strong cash position of \$19.2m 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 Covid-19, Baptcare remains in a sound financial position, with strong cash flows, quality buildings, and a sustainable business model.

Highlights for the Service and Operations Division were:

In Home Care

Further system redesign was introduced by the government in the form of pricing transparency of home care products and services. Home care package numbers continued to grow and saw us surpass 2,000 customers. From listening to the voice of our customers, we continually refresh our offerings and during the year, changed our service model by creating a Direct Care team with a greater focus on customer outcomes.

The last quarter of the year was severely impacted by the COVID outbreak, however through this we continued to provide ongoing service to our customers, act in an agile and customer focused manner while ensuring the safety of our customers, staff and the community.

Residential Aged Care

The focus during the year has continued to be on our customers, our people, service growth and operational efficiency.

An emphasis has been on deepening our customer listening and evolving the design of our services reflecting transparency, flexibility and best practice. Our residential aged care services have undertaken development programs to respond to the new Aged Care Quality Standards and the new Charter of Aged Care Rights. The programs have implemented new ways of supporting our customers to make their own choices and take part in their community.

We continue to invest in training our people. The aim of our training has supported the implementation of the new quality standards implemented in July 2019 and on occupational violence training to raise awareness and reduce incidents.

The three residential aged care services at Warragul, Drouin and Morwell which were acquired in February 2019 have been integrated into our residential portfolio as has our Norlane residential aged care service which opened in March 2019. Our Norlane service accommodates 90 people and targets social and financially disadvantaged. This service is part of Baptcare's mission to provide aged care services to the most disadvantaged people in our society.

Our portfolio growth continued with the opening of Baptcare Wattle Grove Community in Lalor in October 2019; a service that will accommodate 120 people. Baptcare now operates 16 services and provides care to over 1,650 people across Victoria and Tasmania. Planning has continued for future new services in Keilor Downs and Armstrong Creek.

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.

Covid-19 became all-consuming from March 2020 with pandemic plans developed in the event of an outbreak at one of our services. Connection between residents and their families were maintained in many innovative ways. We thank our staff for their vigilance and tireless efforts during this period.

Baptcare Limited and controlled entities
Directors' Report
For the year ended 30 June 2020

Retirement Living

263 residents live in our 231 apartments and villas across Victoria and Tasmania.

Congratulations to our Retirement Living Managers who completed their Property Council Diploma of Retirement Village Management during the year.

Covid-19 has caused many challenges over the last four months throughout all aspects of people's lives, The Retirement Living Managers at each of the sites became very innovative in trying to find ways to connect residents to help alleviate the feeling of isolation. There were weekly surprise deliveries of goodies including ice cream, hot cross buns and muffins, also fish and chips delivered to all resident's homes, mobile cocktail parties, 2pm mailbox meet up to chat with neighbours and outdoor exercise classes to name a few.

The Orchards will welcome residents into 33 new apartments in late 2020; a project that will also see a new community centre open at the same time. Strathalan will also open 36 new apartments and a community centre in early 2021. Marketing and sales continue for 22 new apartments at Baptcare Peninsula View Community in Frankston South ahead of the commencement of construction, with the development due to open in 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 year, FACS has implemented a range of evidence informed and evidence-based programs across both Victoria and Tasmania, including +Shift, +Waves, SafeCare and Mothers in Mind, and continued its relationship with Monash University to evaluate MyCare, Baptcare's mental health program. New mental health programs (MyCare Connections, Horizons and Mental Health TasConnect) commenced in Tasmania and new Therapeutic Family Violence programs have commenced in both states. In Victoria, +Shift funding has been extended until the end of 2020 with the University of Melbourne continuing an evaluation of the program.

The FACS programs continue to achieve and/or exceed targets and provide high quality returns in evidence-based measurements of Baptcare's social impact and client outcome effectiveness via the Baptcare Quality of Life Outcomes Framework. Evidence shows the greatest outcome change due to Baptcare is related to social inclusion, emotional wellbeing and consumer rights.

Baptcare's leaders in both Victoria and Tasmania have been strong contributors to the reform processes currently underway in both states and are actively contributing to key government and departmental working groups designing aspects of an improved service system.

Last year Baptcare continued to fund the delivery of services and community support through the HomeStart program in Bendigo, an innovative program that continues to grow and achieve wonderful outcomes for families each year.

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 right supports, at the right time and for the right length of time.

Baptcare Limited and controlled entities
Directors' Report
For the year ended 30 June 2020

Quality

Aged Care

Baptcare has continued the transition to the new Aged Care Quality Standards which came into effect on 1 July 2019, embedding new procedures and processes. All our community and residential aged care services undergo auditing by the Aged Care Safety and Quality Commission (ACQSC). Currently all our service programs are fully compliant except for one residential aged care service which has one "Not Met" outcome. An improvement plan has been completed and we are awaiting a follow up audit by ACQSC which has been delayed due the Covid-19 Pandemic.

The focus of the Clinical Practice Effectiveness Committee this year has been on the development of an organisation-wide consumer engagement framework and strengthening systems and processes to ensure the early and effective management of incidents and complaints.

FACS & Disability

FACS and Disability Services underwent a mid-term accreditation review assessment in June 2020 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 focusses on processes and frameworks to enhance the care and services for customers from diverse cultural and spiritual backgrounds as well as a Customer Engagement Framework.

Covid-19 Pandemic

The health and safety of our customers has been paramount during the Covid-19 pandemic. Outbreak management plans were created with a strong emphasis on infection control practices and staff training. Regular communication with customers, their families, staff and other stakeholders has occurred throughout this period. Our customers and their families have overwhelmingly supported the measures we have put in place to protect our people.

In response to the Covid-19 pandemic, Baptcare has developed processes, documents and tools based on the Department of Health guidelines to increase infection control surveillance and preparation to rapidly respond to a potential outbreak. Staff education and training in all aspects of infection control and outbreak management has been implemented with ongoing refresher training.

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 M R Hick	Mr T Farren	Mr R S Dawson	Ms R M Bradley
Member	Mr B Howard	Mr M R Hick	Ms R M Bradley	Mr T Farren
Member	Mr M Trajcevski	Mr M Trajcevski		Ms J Rose
Member	Mr C H Blair			
Former Member		Ms M Dobbie	Ms M Dobbie	

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:

- Ms R M Bradley (22/22)
- Mr T Farren (20/22)
- Mr R S Dawson (16/16)
- Ms M Dobbie (18/20)
- Mr M R Hick (24/26)
- Mr B Howard (19/20)
- Ms J Rose (14/16)
- Mr A Haidar (8/10)
- Mr C H Blair (5/5)
- Mr M Trajcevski (6/7)

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 2020 there were 8 members of the Company (2019:8).

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 section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

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



R M Bradley
Chairperson

Camberwell, 30 September 2020



M R Hick
Director

Camberwell, 30 September 2020

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

30 September 2020

Dear Board Members

Baptcare Ltd

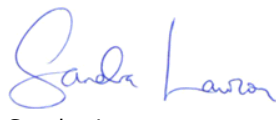
In accordance with Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the Directors of Baptcare Ltd.

As lead audit partner for the audit of the financial statements of Baptcare Ltd for the financial year ended 30 June 2020, 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 2020

	Note	2020 \$'000	2019 \$'000
Revenue	3	277,824	228,757
Expenses			
Client costs		(19,971)	(18,922)
Domestic costs		(5,482)	(4,700)
Employee benefits expense		(161,626)	(133,412)
Food services		(14,110)	(11,889)
Depreciation expense	4	(19,638)	(16,132)
Property maintenance		(5,577)	(5,014)
Services and utilities		(5,942)	(6,481)
Other expenses		(27,271)	(24,139)
Finance costs	4	(17,507)	(163)
Surplus for the year		700	7,905
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>700</u>	<u>7,905</u>

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
As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	5	19,212	5,261
Trade and other receivables	6	2,284	5,130
Other financial assets	7	15,902	37,080
Other Assets	8	3,272	2,294
Total current assets		<u>40,670</u>	<u>49,765</u>
Non-current assets			
Investment properties	9	125,312	123,144
Property, plant and equipment	10	478,276	425,115
Intangibles	11	67,373	67,437
Right-of-use assets	12	11,792	-
Total non-current assets		<u>682,753</u>	<u>615,696</u>
Total assets		<u>723,423</u>	<u>665,461</u>
Liabilities			
Current liabilities			
Trade and other payables	13	435,256	394,071
Provisions	14	16,209	13,168
Other Liabilities	15	7,735	5,413
Borrowings	17	1,245	1,245
Lease liabilities	16	2,245	-
Total current liabilities		<u>462,690</u>	<u>413,897</u>
Non-current liabilities			
Provisions	14	4,891	5,094
Borrowings	17	10,726	11,866
Lease liabilities	16	9,812	-
Total non-current liabilities		<u>25,429</u>	<u>16,960</u>
Total liabilities		<u>488,119</u>	<u>430,857</u>
Net assets		<u>235,304</u>	<u>234,604</u>
Equity			
Retained profits		<u>235,304</u>	<u>234,604</u>
Total equity		<u>235,304</u>	<u>234,604</u>

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 2020

	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2018	226,699	226,699
Surplus for the year	7,905	7,905
Other comprehensive income for the year	-	-
Total comprehensive income for the year	7,905	7,905
Balance at 30 June 2019	<u>234,604</u>	<u>234,604</u>
	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2019	234,604	234,604
Surplus for the year	700	700
Other comprehensive income for the year	-	-
Total comprehensive income for the year	700	700
Balance at 30 June 2020	<u>235,304</u>	<u>235,304</u>

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 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from residents, clients and customers		60,676	39,980
Receipts from governments		212,259	182,040
Proceeds from legacies and donations		477	496
Interest received		1,229	769
Payments to suppliers and employees		(245,239)	(206,413)
Finance costs paid		(602)	(163)
Net cash from operating activities		<u>28,800</u>	<u>16,709</u>
Cash flows from investing activities			
Proceeds from redemption of short term deposits		23,496	4,993
Acquisition of hybrid investments		(2,714)	(4,219)
Payment for property, plant and equipment and investment property	10	(70,321)	(51,020)
Payment for purchase of business		-	(33,997)
Proceeds from sale of property, plant and equipment		251	-
Net cash used in investing activities		<u>(49,288)</u>	<u>(84,243)</u>
Cash flows from financing activities			
Proceeds from refundable accommodations deposits		131,376	115,809
Proceeds from ILU licence fees		7,739	11,522
Refunds of refundable accommodation deposits		(89,621)	(55,965)
Refund of ILU licence fees		(13,115)	(7,771)
Payment of lease liabilities		(1,940)	-
Net cash from financing activities		<u>34,439</u>	<u>63,595</u>
Net increase/(decrease) in cash and cash equivalents		13,951	(3,939)
Cash and cash equivalents at the beginning of the financial year		<u>5,261</u>	<u>9,200</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>19,212</u></u>	<u><u>5,261</u></u>

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 2020, there were 8 members of the company (2019: 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

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

AASB 16 Leases

Impact of initial application of AASB 16 Leases

In the current year, the Group has applied AASB 16 that is effective for its annual periods that begin on or after 1 July 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 2. The impact of the adoption of AASB 16 on the Group's financial statements are described below.

The date of initial application of AASB 16 for the Group is 1 July 2019.

The Group has applied AASB 16 using the cumulative catch up approach (modified retrospective), without restatement of the comparative information.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 will continue to be applied to those contracts entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117,

(b) Impact on Lessee Accounting for former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Note 2. Significant accounting policies (continued)

AASB 16 Leases (cont'd)

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

For short-term leases (lease term of 12 months or less) and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'services and utilities expense' in profit or loss.

For Not-for-Profit ("NFP") entities with leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives (commonly known as concessionary leases or peppercorn leases), AASB 1058 and AASB 16 requires NFP entities to measure right-of-use assets at initial recognition at fair value (based on AASB 13), the lease liability per AASB 16 and the difference to be accounted as income upfront. AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities provides a temporary option for NFP lessees to elect to measure a class (or classes) of right-of-use assets arising under 'concessionary leases' at initial recognition, at either fair value or cost. If an entity chooses the cost option, additional disclosures are required for each material 'concessionary / peppercorn lease' on the nature and terms and the entity's dependence on such leases.

The Group has conducted an analysis of the lease arrangements and notes that one lease is at significantly below-market terms and conditions (concessionary leases).

For the concessionary lease, the Group has decided to make use of the temporary option under AASB 2018-8 to measure the right-of-use assets at cost on initial recognition. As the amount of the concessionary lease payments are immaterial, the Group does not have a significant impact on its financial statements arising from the adoption of the cost option for concessionary leases.

(c) Financial impact of the initial application of AASB 16

The following table shows the operating lease commitments disclosed applying AASB 117 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on retained earnings at 1 July 2019

	\$'000
Operating lease commitments at 30 June 2019	8,495
Short term leases and leases of low value assets	(968)
Effect of discounting the amounts above	(403)
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	6,036
Lease liabilities recognised at 1 July 2019	<u>13,160</u>

The Group has recognised \$13,160,000 of right of use assets and \$13,160,000 of lease liabilities upon transition to AASB 16. There is no retained earnings impact on transition.

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

In the current year, the Group has applied AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers which are effective for its annual period that begins on or after 1 July 2019.

AASB 15 supersedes AASB 118 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This five-step model is as follows:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. The new income recognition requirements shift the focus from a reciprocal/non-reciprocal basis to a basis of assessment that considers the enforceability of a contract and the specificity of performance obligations.

The core principle of the new income recognition requirements in AASB 1058 is when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives, the excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately.

The application of both standards have not had a material impact on the recognition of revenue as previously reported under AASB 118 and AASB 1004.

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.

During the current year, the Company considered the definition of control as per AASB 10: *Consolidated Financial Statements* and the guidance provided as the matter applies to not-for-profit entities.

As a result, the Company has for the first time consolidated Baptcare Affordable Housing Ltd after determining control exists. The financial statements presented in the current year, including comparative information, including the assets, liabilities and results of the Company and its controlled entity.

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.

Note 2. Significant accounting policies (continued)

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 is the sole member of Baptcare Affordable Housing 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.

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.

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.

Note 2. Significant accounting policies (continued)

Revenue recognition

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.

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.

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.

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.

Cash and cash equivalents

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

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.

Note 2. Significant accounting policies (continued)

Financial Instruments

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.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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 0.0% and 2.0% in the short term and 2.0% and 4.0% in the long term
- The average tenure period of residents being 8.0-12.5 years

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:

Buildings	2.50% - 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)

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 licences have been recognised at deemed cost, have been assessed as having indefinite useful lives, and are not amortised.

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 that the asset may be impaired.

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.

Note 2. Significant accounting policies (continued)

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.

Leases

The Group has applied AASB 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under AASB 117.

Policies applicable from 1 July 2019

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. 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 Group did not make any such adjustments during the periods presented.

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.

Note 2. Significant accounting policies (continued)

Leases

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.

Policies applicable prior to 1 July 2019

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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.

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 2020.

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2020

Note 3. Revenue

	2020 \$'000	2019 \$'000
Gross revenue from residents, clients and customers	48,315	38,678
Government subsidies and contributions for service	202,748	177,437
Accommodation charges, bond retentions, and deferred management fees	3,499	4,063
Sale of goods	57	60
Interest	696	769
Donations, bequests and legacies	477	496
Fair value adjustment to investment properties	2,168	2,647
Tenant revenue	903	841
Other revenue	2,161	3,766
Revenue excluding imputed RAD revenue	<u>261,024</u>	<u>228,757</u>
Imputed revenue on RAD and bond balances under AASB 16 (note 2)	<u>16,800</u>	<u>-</u>
Revenue	<u><u>277,824</u></u>	<u><u>228,757</u></u>

Note 4. Operating Profit

Operating profit before income tax expense has been determined after:

a) Charging as expense:

	2020 \$'000	2019 \$'000
Profit includes the following specific expenses:		
Depreciation of non-current assets:		
- Buildings	8,719	7,034
- Leasehold improvements	548	711
- Plant and equipment	7,841	8,044
- Motor vehicles	323	343
- Lease assets	<u>2,207</u>	<u>-</u>
Total depreciation	<u><u>19,638</u></u>	<u><u>16,132</u></u>
Finance Costs		
- Interest expense	226	163
- Interest expense on leases under AASB 16	375	-
- Imputed interest cost on RAD and bond balances	16,800	-
- Other finance costs	<u>106</u>	<u>-</u>
	<u><u>17,507</u></u>	<u><u>163</u></u>

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2020

Note 5. Current assets - cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash on hand	31	33
Cash at bank	17,881	5,228
Cash on deposit	1,300	-
	<u>19,212</u>	<u>5,261</u>

Note 6. Current assets - Trade and other receivables

	2020 \$'000	2019 \$'000
Trade receivables	1,658	2,942
Allowance for credit losses	(81)	(81)
	<u>1,577</u>	<u>2,861</u>
Refundable accommodation deposit and licence fee debtors	187	535
Accrued Income - Other	439	1,651
	<u>626</u>	<u>2,186</u>
Other receivables	81	83
	<u>2,284</u>	<u>5,130</u>

Note 7. Current assets - Other financial assets

	Amortised cost (\$000)	Fair Value through P&L (\$000)	Total
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>
2019			
Term deposits	27,685	-	27,685
Hybrid investments	-	9,395	9,395
	<u>27,685</u>	<u>9,395</u>	<u>37,080</u>

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

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2020

Note 8. Current assets - Other Assets

	2020 \$'000	2019 \$'000
Prepayments	3,069	1,614
Other current assets	203	680
	<u>3,272</u>	<u>2,294</u>

Note 9. Non-current assets - Investment properties

INDEPENDENT LIVING UNITS

	2020 \$'000	2019 \$'000
Carrying amounts at the beginning of the year	123,144	120,300
Additions	-	197
Adjustment to fair value	2,168	2,647
	<u>125,312</u>	<u>123,144</u>

Note 10. Non-current assets - Property, plant and equipment

	2020 \$'000	2019 \$'000
Land and buildings - at cost	399,457	365,925
Less: Accumulated depreciation	(46,741)	(38,021)
	<u>352,716</u>	<u>327,904</u>
Leasehold improvements - at cost	4,862	4,817
Less: Accumulated depreciation	(1,810)	(1,284)
	<u>3,052</u>	<u>3,533</u>
Plant and equipment - at cost	80,495	64,973
Less: Accumulated depreciation	(36,522)	(28,785)
	<u>43,973</u>	<u>36,188</u>
Motor vehicles - at cost	3,520	3,584
Less: Accumulated depreciation	(2,075)	(2,240)
	<u>1,445</u>	<u>1,344</u>
Carrying amount of building work in progress	<u>77,090</u>	<u>56,146</u>
	<u>478,276</u>	<u>425,115</u>

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2020

Note 10. Non-current assets - Property, plant and equipment (continued)

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 2019	327,904	3,533	56,146	36,188	1,344	425,115
Additions	1,777	57	67,379	1,666	571	71,450
Disposals	-	(40)	(646)	(25)	(147)	(858)
Transfers in/(out)	31,754	50	(45,789)	13,985	-	-
Depreciation expense	(8,719)	(548)	-	(7,841)	(323)	(17,431)
Balance at 30 June 2020	<u>352,716</u>	<u>3,052</u>	<u>77,090</u>	<u>43,973</u>	<u>1,445</u>	<u>478,276</u>

Note 11. Non-current assets - Intangibles

	2020 \$'000	2019 \$'000
BED LICENCES		
Carrying amount at the beginning of the year	<u>11,100</u>	<u>11,100</u>
	2020 \$'000	2019 \$'000
GOODWILL		
Carrying amount at the beginning of the year	56,338	7,662
Movement in the year	<u>(65)</u>	<u>48,676</u>
Carrying amount at the end of the year	<u>56,273</u>	<u>56,338</u>
	2020 \$'000	2019 \$'000
Goodwill	<u>56,273</u>	<u>56,337</u>
Bed Licences	<u>11,100</u>	<u>11,100</u>
Total intangible assets	<u>67,373</u>	<u>67,437</u>

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

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 2020 (2019: 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
30 June 2020

Note 12. Non-current assets -Right-of-use assets

	Properties \$'000	Plant & equipment \$'000	Total \$'000
Cost			
At 30 June 2019	-	-	-
Initial adoption 1 July 2019	11,002	2,158	13,160
Additions	45	794	839
At 30 June 2020	11,047	2,952	13,999
Accumulated depreciation			
At 30 June 2019	-	-	-
Depreciation expense	1,486	721	2,207
At 30 June 2020	1,486	721	2,207
Carrying amount			
At 30 June 2019	-	-	-
At 30 June 2020	9,561	2,231	11,792

	2020 \$'000	2019 \$'000
Amounts recognised in the profit and loss		
Depreciation expense on right-of-use assets	2,207	-
Interest expense on lease liabilities	375	-
Expense relating to short-term and low value leases	783	-

The total cash outflow for leases amount to \$1,940,000.

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

Note 13. Current liabilities - Trade and other payables

	2020 \$'000	2019 \$'000
Trade payables	32,908	26,873
Independent living unit licence fees/loan contributions	69,562	75,162
Refundable accommodation deposits	329,944	290,052
Accrued Expenditure	2,842	1,984
	<u>435,256</u>	<u>394,071</u>

Disclosure of refundable accommodation deposits and independent living unit licence fees ("resident liabilities"), for the Group amounting to \$399,506,000 (2019: \$365,214,000) 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 2020

Note 14. Provisions

	2020 \$'000	2019 \$'000
<i>Current</i>		
Employee entitlements	<u>16,209</u>	<u>13,168</u>
<i>Non-current</i>		
Employee entitlements	4,806	4,826
Other provisions	85	268
	<u>4,891</u>	<u>5,094</u>

Note 15. Other Liabilities

	2020 \$'000	2019 \$'000
Deferred income	3,273	2,922
Revenue in advance	<u>4,462</u>	<u>2,491</u>
	<u>7,735</u>	<u>5,413</u>

Note 16. Lease liabilities

	2020 \$'000	2019 \$'000
<i>Current</i>		
Lease liabilities	<u>2,245</u>	<u>-</u>
<i>Non-current</i>		
Lease liabilities	<u>9,812</u>	<u>-</u>

Note 17. Borrowings

	2020 \$'000	2019 \$'000
<i>Current</i>		
Capital development fund loans	<u>1,245</u>	<u>1,245</u>
<i>Non-current</i>		
Capital development fund loans	<u>10,726</u>	<u>11,866</u>

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2020

Note 18. Commitments for expenditure

	2020 \$'000	2019 \$'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	24,660	55,567
		2019 \$'000
OPERATING LEASES		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable no later than one year		1,313
Payable later than one year but no later than five years		2,354
Payable in more than five years		-
Total operating lease commitments		3,667

Leases related to property & equipment and rental, and are payable in advance.

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:

	2020 \$	2019 \$
Total transactions with key management personnel	2,550	2,634

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:

Ms R M Bradley
Mr R S Dawson
Mr A Haidar
Mr M R Hick
Mr B Howard
Ms J Rose
Mr T Farren
Ms M Dobbie
Mr M Trajcevski
Mr CH Blair

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 2020

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

Statement of profit or loss and other comprehensive income

	2020	2019
	\$'000	\$'000
Revenue	277,300	228,148
Expenses		
Client costs	(19,971)	(18,922)
Domestic costs	(5,482)	(4,700)
Employee benefits expense	(161,619)	(133,412)
Food services	(14,110)	(11,889)
Depreciation expense	(19,542)	(16,091)
Property maintenance	(5,492)	(4,917)
Services and utilities	(5,733)	(6,291)
Other expenses	(27,945)	(24,080)
Finance costs	(17,503)	(163)
(Deficit)/Surplus for the year	<u>(97)</u>	<u>7,683</u>
Total comprehensive (loss)/income	<u>(97)</u>	<u>7,683</u>

Baptcare Limited and controlled entities
Notes to the financial statements
30 June 2020

Note 22. Parent entity note (continued)

	2020	Restated
	\$'000	2019
		\$'000
Statement of financial position		
Cash and cash equivalents	17,829	3,903
Trade and other receivables	2,242	5,106
Other financial assets	15,902	37,080
Other Assets	3,272	2,294
Current assets	39,245	48,383
Other receivables	4,603	3,217
Investment properties	125,312	123,144
Property, plant and equipment	469,191	418,176
Intangibles	67,373	67,438
Right of use assets	11,792	-
Non-current assets	678,271	611,975
Total assets	717,516	660,358
Trade and other payables	436,492	395,309
Provisions	16,209	13,168
Other Liabilities	7,734	5,412
Lease liabilities	2,245	-
Current liabilities	462,680	413,889
Provisions	4,891	5,096
Other Liabilities	10,723	11,866
Lease liabilities	9,812	-
Non-current liabilities	25,426	16,962
Total liabilities	488,106	430,851
Net Assets	229,410	229,507
Retained earnings	229,410	229,507
Total equity	229,410	229,507

Statement of changes in equity	\$'000
Balance at 1 July 2018 (restated)	221,824
Surplus for the year 30 June 2018	7,683
Balance at 30 June 2019 (restated)	229,507
Deficit for the year 30 June 2019	(97)
Balance at 30 June 2020	229,410

Note 22. Parent entity note (continued)

Prior period restatement

Subsequent to authorisation and issue of the financial statements of the Company for the year ended 30 June 2019 the Directors have amended the accounting treatment for the following items:

- (i) Baptcare Ltd has financial liabilities that have interest arrangements of below market rates which have previously been accounted for at face value. As per AASB 9 *Financial Instruments*, these loans are required to be accounted for at amortised cost using the effective interest rate method, which incorporates a market rate of interest. This has the impact of reducing the loan payable, which is disclosed within the other liability balance on the balance sheet by \$600k and increasing retained earnings at 1 July 2018.
- (ii) Deferred management fees are required to be accounted for based on expected tenure of residents as opposed to contractual arrangements. The difference between the two is accounted for as deferred income with revenue being recognised over the longer period of tenure. As a result, deferred revenue has increased by \$2,923k as of 1 July 2018 and retained earnings have decreased.
- (iii) The trade and other payables adjustment of \$1,674k predominantly relates to home care fees due that have been determined to not be recoverable, resulting in a corresponding decline in retained earnings.
- (iv) Following review of the fixed asset register, several assets were found to be recorded in property, plant and equipment that were also accounted for in the fair value of investment property. As a result, the value of property, plant and equipment has been reduced by \$5,851k and retained earnings also reduced at 1 July 2018.
- (v) Baptcare Ltd has provided an interest free finance facility to its controlled entity, Baptcare Affordable Housing. On initial recognition, the loan receivable is required to be recognised at fair value and subsequently measured at amortised cost under AASB 9 *Financial Instruments*. The \$2,632k difference between the amortised cost value and face value results in a reduction of the amount receivable and a decrease in retained earnings. The decline in retained earnings arises from an impairment to the investment in controlled entity.
- (vi) Investment property is carried at fair value as defined by AASB 3 Fair Value Measurement. Following further consideration of the methodology applied to determine fair value of the retirement living assets, the investment property asset was reduced by \$750,000 and retained earnings by \$750,000. The methodology applied is detailed in note 2.

The impact of the adjustment on the statement of financial position as at 30 June 2019 and statement of changes in equity for the year then ended is outlined below. There is no impact of these changes on the statement of cash flows and the statement of profit or loss and other comprehensive income.

	2019 Previously stated \$'000	Other Adjustments \$'000	2019 Restated \$'000
Statement of financial position			
Other receivables	5,849	(2,632) (v)	3,217
Property, plant and equipment	424,027	(5,851) (iv)	418,176
Investment properties	123,894	(750) (vi)	123,144
Total assets	669,591	(9,233)	660,358
Trade and other payables	393,635	1,674 (iii)	395,309
Other liabilities- current	2,489	2,923 (ii)	5,412
Other liabilities- non-current	12,466	(600) (i)	11,866
Total liabilities	426,855	3,996	430,851
Net Assets	242,736	(13,229)	230,257
Retained earnings	242,736	(13,229)	230,257
Statement of changes in equity			
Retained earnings	242,736	(13,229)	230,257

Note 23. Events after the reporting period

On 30 January 2020, the spread of novel coronavirus ("COVID-19") was declared a Public Health Emergency of International Concern by the World Health Organisation ("WHO"). Subsequently, on 11 March 2020, WHO characterised COVID-19 as a global pandemic.

The Group will continue to monitor the impact of COVID-19 but at the date of this report it is too early to determine the full impact this virus may have on the Group.

Victoria, subsequent to year end, continues to be significantly impacted with recent Stage 4 lockdown restrictions experienced. Whilst provision of services is continuing, ongoing restrictions may impact occupancy and capital projects as residents are personally impacted financially.

No other matter or circumstance has arisen since 30 June 2020 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 2020, the total amount that members of the Group are liable to contribute if the Group wound up is \$80 (2019: \$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 total facility has not been drawn down as at 30 June 2020. 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 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 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 2020 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 directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



R M Bradley
Chairperson
Camberwell, 30 September 2020



M R Hick
Director
Camberwell, 30 September 2020

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 2020, 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 2020 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 2020, 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, 30 September 2020