



BaptistCare

75 Years
Caring

Financial Report 2019



*Because
we care*



BaptistCare NSW & ACT
ABN 90 000 049 525
Annual Financial Report
30 June 2019

Directors' report

The Directors present their report together with the financial statements of BaptistCare NSW & ACT (BaptistCare) for the financial year ended 30 June 2019 and the auditor's report thereon.

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

1. Objectives and Strategies

The purpose of BaptistCare is 'Transforming Lives by Expressing the Love of Christ'.

BaptistCare's vision is to see 'Every individual living well'. To achieve this vision, BaptistCare will continue to define and grow its areas of service so that more people in more places can experience loving care.

To ensure it focuses on this vision, BaptistCare 'will serve in those areas where it can have the greatest impact'. This means that as BaptistCare grows it will choose to deliver services in areas where there are fewer services being provided and it will prioritise the delivery of services in areas where its capabilities can best meet the local needs.

In the past 12 months, BaptistCare has developed a new strategic plan for the period to 2025. This Strategic Plan titled 'The Care Revolution' captures the fundamental strategic approaches and high level initiatives BaptistCare will undertake for this period. The focus is on having clarity about what matters most in order for BaptistCare to bring loving care into the lives of the individuals and communities it serves.

This strategy underlies the organisation's updated customer promise '*Because we care*' and supports BaptistCare's belief that when services are delivered with love and care, BaptistCare's customers will know that BaptistCare is providing that service, *Because we care*.

BaptistCare's Strategic Plan identifies seven focus areas that together deliver success. Each area has a single-minded idea that drives the strategy for that area for the next five years as BaptistCare aspires to see 'every individual living well'. The seven focus areas and single-minded ideas are:



Further information is available in the Strategic Plan and Annual Report, which are available for public distribution and can be accessed on the website, www.baptistcare.org.au/about-baptistcare/publications.aspx.

2. Principal activities

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

- Residential Services (Residential Aged Care Centres)
- BaptistCare at home (Supporting Seniors and their Carers to Live Independently at Home)
- Housing and Retirement Living (which includes Social and Affordable Housing)
- Community Services (which includes HopeStreet locations, Counselling and Family Services and HopeEnterprises)

BaptistCare also delivers Chaplaincy Services across its divisions. These are managed centrally through Support Services.

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

The operating surplus of BaptistCare for the year ended 30 June 2019 was \$259,000 (2018: \$14,193,000).

Operational highlights for the 2018/2019 year are as follows:

- July 2018: BaptistCare at home opened a new Respite Centre in Kellyville to support local carers caring for the elderly and people living with dementia.
- August 2018: BaptistCare celebrated the outstanding commitment of employees and volunteers at the annual You Can Awards Celebration Dinner with 24 outstanding awardees consisting of staff and volunteers who have made a lasting impact across the organisation.
- September 2018: BaptistCare HopeStreet officially unveiled its renovated and rebranded Community Centre in Windale, NSW.
- September 2018: George Forbes House, a Residential Aged Care Centre in Queanbeyan on the outskirts of the ACT, received a visit from some VIP guests, His Excellency General The Honourable David Hurley AC DSC, Governor of New South Wales and his wife, Mrs Linda Hurley who met residents and volunteers from the Red Cross Community Visitors Scheme.
- October 2018: The Royal Commission into Aged Care Quality and Safety was announced. A Project Team was appointed and the organisation commenced preparations to participate, including collating data for submissions and preparing communications and materials for employees, residents and customers.
- October 2018: Construction commenced on the third and final stage of the Gracewood Village at Kellyville consisting of 88 new apartments, bringing the total to 241 apartments in the community. Construction is progressing well and it will open in May 2020.
- November 2018: BaptistCare HopeStreet launched its More Than Skin Deep campaign and White Paper research, which identified the seven types of domestic violence.
- January 2019: BaptistCare submitted its report to the Royal Commission.

DIRECTORS' REPORT (CONTINUED)

- January 2019: BaptistCare began its 75th year of operations and commenced preparation for its 75 Years of Caring Celebrations.
- February 2019: Staff and Volunteer Dedication Services were held across the month of February at a number of BaptistCare sites. Participation and feedback was very positive as customers, staff and families came together and celebrated the unveiling of a new piece of artwork created by the team from the Macarthur Indigenous Church.
- February 2019: 12 new independent living units were opened in Maranoa Village at Alstonville on the NSW North Coast to meet the retirement needs of local seniors, adding to the existing community of 27 units.
- March 2019: BaptistCare was proud to be primary sponsor of a special report published by the Committee for Sydney, which identified key challenges that need to be tackled to ensure Sydney remains inclusive and accessible for our senior population.
- April 2019: The Care Facilitators Forum was a great day and kicked-off with some exciting announcements to the home care stream, including a new name BaptistCare at home, and a new Well-Living™ approach. The day was informative and inspiring with presenters and thought-provoking discussion on the future for BaptistCare at home.
- April 2019: The roll-out of BaptistCare's MyTeam approach commenced. MyTeam supports the quality of life of residents living in BaptistCare Residential Aged Care Centres. It encapsulates BaptistCare's person-centred care approach that promotes resident choice and preference, and has each individual resident at the centre of the model of care.
- May 2019: BaptistCare's Halo Ball 2019, the fourth annual major fundraising event was held in Sydney to support women and children who are the victims of domestic and family violence with \$141,000 raised.
- June 2019: BaptistCare rolled out its new brand promise '*Because we care*' and its refined values being Love, Respect, Reliability and Empowerment. These values are not new, rather they are a refined expression that brings clarity and simplicity to BaptistCare's work and purpose.
- The Residential Services team completed a significant amount of work in preparation for the commencement of the New Aged Care Quality Standards on 1 July 2019. Following this date, all organisations are assessed against and must be able to provide evidence of compliance with these standards.
- Ongoing collaboration and partnership with the Baptist Association has been enhanced through the Pastoral Care Volunteers program and through Train the Trainer Days. In the past year, at least 15 Baptist Churches sent pastors and leaders to undertake this training program. This improved pastoral care and mission opportunities for the local church and increased the number of pastoral care volunteers for BaptistCare.
- Throughout the financial year, BaptistCare opened 82 new Social and Affordable Housing dwellings in New Lambton (February 2019), Goulburn (March 2019), Lismore (March 2019) and Springwood (May 2019). These dwellings offer essential accommodation for seniors and single parent families from disadvantaged backgrounds or who are at risk of homelessness. Remaining stages will be completed as follows: Point Clare (55 units for seniors and families which subsequently opened in July 2019), Five Dock (previously Kitty Doyle) (79 seniors units – due for completion mid-2020), Narellan/Elderslie (122 units for seniors and families – due for completion in October 2020) and Carlingford (162 units for seniors and families – due for completion 2022). The Goulburn site was officially opened by newly-elected

Member for Goulburn Wendy Tuckerman and outgoing Member Pru Goward who also met with BaptistCare representatives and local residents.

- During the course of the year, BaptistCare at home experienced significant growth in its Home Care Package Program.
- The Property Asset Management team had another productive year, with significant refurbishments completed across most aged care centres such as Kularoo, Warabrook, Coonida Court, Dorothy Henderson Lodge, Shalom, Maranoa, Mid Richmond and Carey Gardens.
- Over 4,500 'You Can Awards' were awarded to employees throughout the year. The Learning & Development Team completed the transition to a new learning management system with over 35,000 eLearning modules completed by employees throughout the course of the year.

More information is contained at www.baptistcareannualreport2019.org.au.

There were no significant changes in the state of affairs of BaptistCare during this financial year.

4. Measurement of Performance

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

- Customer Satisfaction Surveys
- Staff Turnover
- Staff Satisfaction Survey
- Work, Health and Safety measurements
- Fundraising metrics
- Occupancy Rates
- Number of Home Care Packages
- Progress on major capital projects
- Growth in Community Services
- Returns on financial investments
- Various financial indicators, including performance against the Board-approved budget for the year

DIRECTORS' REPORT (CONTINUED)

5. Board of Directors

The Members of BaptistCare NSW & ACT elect the Board.

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

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

| Name | Qualifications & Experience | Appointed / Retired | Special Responsibilities at Balance Date |
|-------------------------|---|--------------------------------------|--|
| Judith Carpenter | BA TCert MIMCA MAICD Human Resources Consultant | July 2002 | Chair from 21 November 2016 Member of Remuneration & Performance Committee from May 2003 and Committee Chair from July 2010 Member of the Royal Commission Committee since November 2018 Member of Ashfield Baptist Church |
| Corinne Glasby | BEC FIAA Actuary | June 2007 (Retired November 2018) | Vice Chair from 21 November 2016 Member of Audit & Risk Committee from November 2007 Trustee of BCS Foundation from December 2010 Director of B.C.S. Foundation Pty Limited from December 2010 Member of Epping Baptist Church |
| Stuart Abbott | B Bus Company Director and Chief Executive Officer | February 2017 | Member of the Property Strategy & Building Governance Committee from May 2017 Member of Thornleigh Community Baptist Church |
| Owen Chew Lee | BCA BSc FCA GAICD Banker and Company Director | June 2017 | Member of the Audit & Risk Committee from June 2017 and Committee Chair from March 2019 Member of the Remuneration & Performance Committee from June 2017 Member of Gordon Baptist Church |
| John Church | FFin FCIS FAICD FTIA Company Director | September 1984 | Member of Audit & Risk Committee from May 1992 Member of Governance & Nominations Committee from November 2009 Trustee of BCS Foundation from November 1999 Director of B.C.S. Foundation Pty Limited from November 1999 Member of Gordon Baptist Church |

| | | | |
|-----------------------|--|--|---|
| Craig Collins | BBus (Land Economics) Chief Executive Officer, Hospitality Sector Company | November 2012 | Member of Property Strategy & Building Governance Committee from May 2017 Member of Epping Baptist Church |
| Ruth McLean | BSocialStudies Retired Aged Care Policy Adviser | December 2012 (Retired November 2018) | Member of Governance & Nominations Committee from November 2013 Member of Care & Services Committee from May 2017 Member of Woonona Baptist Church |
| Peter Murphy | BBus MCom MA (Christian Studies) FCPA GAICD Management Consultant | April 2016 | Member of Audit & Risk Committee from April 2016 and Committee Chair from August 2016 to February 2019 Member of Blakehurst Baptist Church |
| Cameron Webb | BBus (Retail Management), MBA GAICD IT Executive, Retail | November 2016 | Chair of Property Strategy & Building Governance Committee from May 2017 Member of the Audit & Risk Committee from March 2019 Member of the Royal Commission Committee since November 2018 Member of Dural Baptist Church |
| Ian Wilson OAM | | March 2010 | Chair of Governance & Nominations Committee from November 2010 Member of Kiama Baptist Church |
| Robyn Worsley | Retired Registered Nurse | March 2016 | Member of Remuneration & Performance Committee from April 2016 to February 2019 Chair of Care & Services Committee from May 2017 Member of the Royal Commission Committee since November 2018 Member of Carlingford Baptist Church |
| Robert Dunn | BA (Hons) GAICD, CA (ANZ) Executive Officer and Company Director | November 2018 | Vice Chair since November 2018 Member of Governance & Nominations Committee since November 2018 Member of the Audit & Risk Committee since March 2019 Member of Castle Hill Baptist Church |
| Anna Phan | BA (Hons) Executive Officer | November 2018 | Member of Remuneration & Performance Committee since November 2018. Member of the Care & Services Committee since March 2019. Member of the Erina Community Baptist Church |

DIRECTORS' REPORT (CONTINUED)

6. Directors' meetings

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

| Director | Board | Audit & Risk Committee | Remuneration & Performance Committee | Governance & Nomination Committee | Care & Services Committee | Property Strategy & Building Governance Committee | Royal Commission Committee |
|--------------------------|-------|------------------------|--------------------------------------|-----------------------------------|---------------------------|---|----------------------------|
| Judith Carpenter* | 7 | 3 | 3 | 8 | 5 | 4 | 1 |
| Stuart Abbott | 6 | | | | | 6 | |
| Owen Chew Lee | 7 | 4 | 3 | | | | |
| John Church | 5 | 4 | | 7 | | | |
| Craig Collins | 3 | | | | | 2 | |
| Robert Dunn | 4 | 1 | | 6 | | | |
| Corinne Glasby | 3 | 2 | | | | | |
| Ruth McLean | 2 | | | | 1 | | |
| Peter Murphy | 5 | 4 | | | | | |
| Anna Phan | 4 | | 2 | | 2 | | |
| Cameron Webb | 7 | 1 | | | | 6 | 1 |
| Ian Wilson | 7 | | | 9 | | | |
| Robyn Worsley | 7 | | 2 | | 5 | | 1 |
| Total number of meetings | 7 | 5 | 3 | 9 | 5 | 6 | 1 |

* During the Financial Year, Judith Carpenter attended the meetings of the Audit & Risk Committee, Governance & Nominations Committee, Care & Services Committee and Property Strategy & Building Governance Committee meetings in an ex-officio capacity.

7. Company Members

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

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

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

At the date of this report there are 147 Members (2018: 153 Members) including 21 Honorary Life Members (2018: 22 Honorary Life Members). Each Member has a liability in the case of a winding-up. The extent of the liability of any Member under the guarantee is as follows:

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

The total amount that Members of BaptistCare are liable to contribute as at 30 June 2019 is \$13,800.90 (2018: \$14,601).

8. Events subsequent to reporting date

There have been no events subsequent to the balance date which would have a material effect on BaptistCare's financial statements at 30 June 2019.

9. Government funding

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

- *Australian Government:* Department of Social Services and Department of Health.
- *New South Wales Government:* Department of Communities and Justice NSW, NSW Health (through various Local Health Districts), Transport for NSW, Corrective Services NSW, NSW Fair Trading, NSW Department of Planning, Industry and Environment and Housing NSW.
- *Australian Capital Territory Government:* ACT Government Health and ACT Government Community Services.

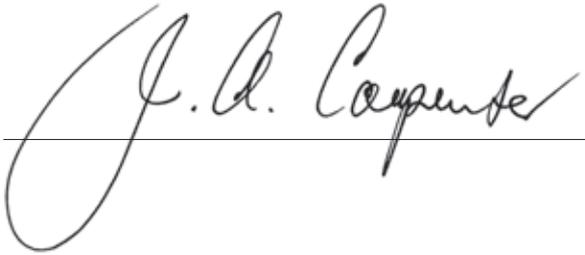
10. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' report for the financial year ended 30 June 2019.

11. Rounding off

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

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

A handwritten signature in black ink, reading "J. A. Carpenter", is written over a horizontal line. The signature is cursive and stylized.

Judith Carpenter
Director - Chairperson
Dated at Sydney, this 30th day of September 2019



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

To the Directors of BaptistCare NSW & ACT

I declare that, to the best of my knowledge and belief, in relation to the audit of BaptistCare NSW & ACT for the financial year ended 30 June 2019 there have been:

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

KPMG

KPMG

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

Stephen Isaac
Partner

Sydney

30 September 2019

Statement of profit or loss and other comprehensive income

| <i>In thousands of AUD</i> | Note | 2019 | 2018 |
|--|-------------|------------------|------------------|
| Revenue | 4 | 263,701 | 258,216 |
| Other income | 5 | 13,350 | 29,459 |
| Revenue and other income | | <u>277,051</u> | <u>287,675</u> |
| Personnel expenses | 6 | (199,527) | (184,317) |
| Property expenses | | (18,423) | (23,611) |
| Depreciation and amortisation expenses | 12,13 | (24,941) | (26,988) |
| Impairment of assets | | (439) | - |
| Housekeeping expenses | | (17,333) | (16,101) |
| Catering expenses | | (10,733) | (10,843) |
| Communication expenses | | (1,571) | (1,629) |
| Motor vehicle expenses | | (663) | (1,177) |
| Other expenses | | (14,076) | (16,831) |
| Expenses | | <u>(287,706)</u> | <u>(281,497)</u> |
| Surplus/(deficit) before net finance income | | <u>(10,655)</u> | <u>6,178</u> |
| Finance income | | 11,007 | 8,141 |
| Finance costs | | (93) | (126) |
| Net finance income | 7 | <u>10,914</u> | <u>8,015</u> |
| Surplus for the year | | <u>259</u> | <u>14,193</u> |
| Other comprehensive income | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Cash flow hedge – effective portion of changes in fair value | | (346) | (7) |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Investment portfolio at FVOCI – net change in fair value | | 5,530 | (106) |
| Total comprehensive income for the year | | <u>5,443</u> | <u>14,080</u> |

The notes on pages 18 to 37 are an integral part of these financial statements.

Statement of financial position

| <i>In thousands of AUD</i> | Note | 2019 | 2018 |
|--------------------------------------|-------------|----------------|----------------|
| Assets | | | |
| Cash and cash equivalents | 8 | 13,673 | 21,735 |
| Receivables | 9 | 30,266 | 27,885 |
| Inventories | | 45 | 29 |
| Investments | 10 | 114,000 | 146,539 |
| Assets held for sale | 11 | 446 | 900 |
| Total current assets | | <u>158,430</u> | <u>197,088</u> |
| Receivables | 9 | - | 1,996 |
| Investments | 10 | 172,325 | 137,277 |
| Property, plant and equipment | 12 | 510,563 | 425,680 |
| Intangible assets | 13 | 5,728 | 5,268 |
| Total non-current assets | | <u>688,616</u> | <u>570,221</u> |
| Total assets | | <u>847,046</u> | <u>767,309</u> |
| Liabilities | | | |
| Payables | 14 | 546,591 | 518,256 |
| Loans and borrowings | 15 | 86 | 84 |
| Employee benefits | 16 | 30,772 | 28,215 |
| Provisions | 17 | 2,398 | 4,858 |
| Deferred income | 18 | 16,734 | 13,221 |
| Derivative financial liability | | 549 | 204 |
| Total current liabilities | | <u>597,130</u> | <u>564,838</u> |
| Loans and borrowings | 15 | 42,064 | 2,496 |
| Employee benefits | 16 | 2,751 | 2,465 |
| Deferred income | 18 | 18,591 | 16,443 |
| Total non-current liabilities | | <u>63,406</u> | <u>21,404</u> |
| Total liabilities | | <u>660,536</u> | <u>586,242</u> |
| Net assets | | <u>186,510</u> | <u>181,067</u> |
| Accumulated funds | | | |
| Reserves | 19 | 6,210 | 1,026 |
| Retained earnings | | 180,300 | 180,041 |
| Total accumulated funds | | <u>186,510</u> | <u>181,067</u> |

The notes on pages 18 to 37 are an integral part of these financial statements.

Statement of changes in funds

| <i>In thousands of AUD</i> | Capital works fund- Retirement Villages | Fair value reserve | Hedging reserve | Retained earnings | Total funds |
|--|--|-----------------------------------|----------------------------|------------------------------|------------------------|
| Balance as at 1 July 2017 | 531 | 1,336 | (197) | 165,848 | 167,518 |
| Surplus for the year | - | - | - | 14,193 | 14,193 |
| Other comprehensive income | | | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | | | |
| Cash flow hedge – effective portion of changes in fair value | - | - | (7) | - | (7) |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | | |
| Investment portfolio at FVOCI – net change in fair value | - | (106) | - | - | (106) |
| Total comprehensive income for the year | - | (106) | (7) | 14,193 | 14,080 |
| Net movement in capital works fund | (69) | - | - | - | (69) |
| Transfer to Payables | (462) | - | - | - | (462) |
| Balance as at 30 June 2018 | - | 1,230 | (204) | 180,041 | 181,067 |
| Balance as at 1 July 2018 | - | 1,230 | (204) | 180,041 | 181,067 |
| Surplus for the year | - | - | - | 259 | 259 |
| Other comprehensive income | | | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | | | |
| Cash flow hedge – effective portion of changes in fair value | - | - | (346) | - | (346) |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | | |
| Investment portfolio at FVOCI – net change in fair value | - | 5,530 | - | - | 5,530 |
| Total comprehensive income for the year | - | 5,530 | (346) | 259 | 5,443 |
| Balance as at 30 June 2019 | - | 6,760 | (550) | 180,300 | 186,510 |

The notes on pages 18 to 37 are an integral part of these financial statements.

Statement of cash flows

| <i>In thousands of AUD</i> | Note | 2019 | 2018 |
|--|-------------|------------------|-----------------|
| Cash flows from operating activities | | | |
| Cash receipts from residents, clients, government subsidies and other income | | 264,263 | 264,356 |
| Cash paid to suppliers, residents and employees | | (255,202) | (248,447) |
| Cash generated from operations | | 9,061 | 15,909 |
| Dividends received | | 3,061 | 459 |
| Interest received | | 7,448 | 5,354 |
| Net cash from operating activities | | 19,570 | 21,722 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (111,397) | (30,099) |
| Payments for intangible assets | | (1,839) | (1,701) |
| Proceeds from disposal of property, plant and equipment | | 2,120 | 1,180 |
| Proceeds from sale of assets held for sale | | 5,327 | 24,154 |
| Investment in interest bearing deposits | | 104,975 | (25,322) |
| Investment in financial assets | | (101,955) | (18,190) |
| Net cash used in investing activities | | (102,769) | (49,978) |
| Cash flows from financing activities | | | |
| Net cash inflow from residential aged care accommodation bonds | | 27,332 | 30,659 |
| Net cash inflow from retirement village ingoing contributions | | 8,328 | 6,314 |
| Net cash inflow from drawdown of loan facility | | 39,568 | - |
| Payment of finance lease liabilities | | (91) | (719) |
| Net cash from financing activities | | 75,137 | 36,254 |
| Net increase/(decrease) in cash and cash equivalents | | (8,062) | 7,998 |
| Cash and cash equivalents at beginning of year | | 21,735 | 13,737 |
| Cash and cash equivalents at end of year | 8 | 13,673 | 21,735 |

The notes on pages 18 to 37 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

BaptistCare NSW & ACT (“BaptistCare”) is a public company limited by guarantee and is recognised as a Public Benevolent Institution domiciled in Australia. The address of BaptistCare’s registered office is 22 Brookhollow Avenue, Norwest, NSW 2153. The financial statements are as at and for the year ended 30 June 2019.

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

2. Basis of preparation

(a) Statement of compliance

In the opinion of the Directors, BaptistCare is not publicly accountable. The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profit Commission Act 2012*. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements were approved by the Board of Directors on 30 September 2019.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

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

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

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets: Business model assessment

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

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

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

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

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

Subsequent measurement and gains and losses

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

(iii) Non-derivative financial liabilities – Measurement

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

(iv) Derivative financial instruments and hedge accounting

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

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

Cash flow hedges

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

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

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

(b) Property, plant and equipment*(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within the statement of profit or loss and other comprehensive income.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

- Buildings 25 - 50 years
- Leasehold improvements 3 - 40 years
- Plant, furniture and equipment 3 - 10 years
- Computer equipment 3 - 5 years
- Motor Vehicles 5 - 10 years
- Leased land Lease term

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)*(ii) Subsequent expenditure*

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

(iii) Amortisation

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

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

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

(d) Leased assets

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

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

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

(e) Inventories

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

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

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

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

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

Credit impaired financial assets

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

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

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

Write off

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

(ii) Non-financial assets

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

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

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)**(g) Assets held for sale**

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

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

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

(h) Employee benefits**(i) Defined contributions plans**

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

(ii) Other long-term employee benefits

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

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

(iii) Short-term employee benefits

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

(i) Provisions

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

(i) Make good

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

(ii) Restructuring – redundancies

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

(iii) Onerous operating lease contracts

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

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

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

(ii) Gross income from residents and clients

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

(iii) Daily accommodation payments (DAP)

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

(iv) Refundable accommodation deposit (RAD)

Persons entering an aged care facility may choose to pay a refundable accommodation deposit in lieu of having to pay a daily accommodation payment. Refundable accommodation deposits are held by BaptistCare in the form of interest free loans from residents and are repayable in full on separation from the facility.

(v) Ingoing contribution income

Persons entering independent living units within NSW are required to pay a loan licence fee in the form of an interest free loan, repayable in the event of vacation of the unit. The original loan made by a resident is reduced to an agreed residual value over a specified period as set out in the Resident Agreement, and in accordance with the Retirement Villages Act NSW 1999. For each resident, the loan reduction (retention) is recognised as revenue on a straight-line basis over the expected period of occupancy. BaptistCare has no loan licence fees outside NSW.

(vi) Donations and legacies

General donations and legacies are recognised in the statement of profit or loss and other comprehensive income as revenue when received or when BaptistCare has an unconditional right to receive.

(vii) Deferred income - Consumer Directed Care (CDC)

CDC services that have not been utilised during the period are reported as deferred income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)**(k) Retirement villages income and expenditure**

BaptistCare maintains separate resident statements of income and expenditure in accordance with the Retirement Villages Act 1999 (NSW) (the Act). The resident income and expenditure is controlled by the residents' committees. BaptistCare records the net surplus on the income and expenditure statement as a liability to the individual village. BaptistCare is required to make good any deficit of a retirement village in accordance with the Act.

(l) Lease payments

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

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

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

(m) Finance income and finance costs

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

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

(n) Income tax

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

(o) New accounting standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual reports beginning on or after 1 July 2019 and earlier application is permitted; however BaptistCare has not early adopted the following new or amended standards in preparing these consolidated financial statements.

AASB 16 Leases

AASB 16 Leases removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. BaptistCare will apply the requirements of AASB 16 from 1 July 2019.

Property leases

With respect to leases where BaptistCare is a lessee, all leases will be required to be recognised on balance sheet with the exception of short term or low value leases. An asset (the right to use the leased item) and a financial liability to pay rentals will be recognised. An associated depreciation expense and finance costs will be recognised in the consolidated statement of profit or loss and other comprehensive income. This differs to the current operating lease treatment where lease payments are recognised on a straight-line basis over the lease term.

The transition impact on 1 July 2019 has been assessed to be an increase in assets and liabilities of approximately \$10 - \$11 million. BaptistCare will adopt the modified retrospective approach with the cumulative effect recognised on initial application. Comparatives will not be restated.

Resident liabilities

BaptistCare has assessed the impact of AASB 16 in respect of resident agreements, which under AASB 16 are deemed to be a lease specifically due to the security of tenure that these offer to BaptistCare's residents.

The accounting treatment for residential aged care accommodation arrangements where residents have elected to pay a DAP is not expected to change upon adopting AASB 16.

For residential aged care accommodation arrangements where the resident has elected to pay a RAD, BaptistCare receives a financing benefit in the form of an interest free loan. Adoption of AASB 16 requires recognition of interest expense (to impute an interest charge on RADs and Bonds) and, corresponding, income (to reflect the interest free loan financing benefit received) with no net impact on profit or loss.

BaptistCare has concluded that the impact of this assessment is immaterial as there is no economic incentive for the resident to stay at any specific home and the resident agreement only requires 7 days written notice to vacate. Given the non-cancellable period of the lease term is 7 days, the difference between the fair value of the refundable deposit, and the nominal amount of the RAD would be negligible.

AASB 15 Revenue from contracts with customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2019.

BaptistCare will adopt the cumulative effect method, comparatives will not be restated and the cumulative effect will be recognised on initial application. BaptistCare is in the process of assessing the potential impact on its financial statements resulting from the application of AASB 15 and is expecting the impact to be minimal.

AASB 1058 Income of not-for-profit entities

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15. The requirements of AASB 1058 more closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation. AASB 1058 will be effective for annual reporting periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

BaptistCare will adopt the cumulative effect method, comparatives will not be restated and the cumulative effect will be recognised on initial application. BaptistCare is in the process of assessing the potential impact on its financial statements resulting from the application of AASB 1058. The transition impact on 1 July 2019 has been assessed to be an increase in equity and decrease in contract liabilities of approximately \$7 million.

4. Revenue

| <i>In thousands of AUD</i> | 2019 | 2018 |
|--|----------------|----------------|
| Recurrent government subsidies and contributions | 203,076 | 196,900 |
| Gross income from residents and clients | 48,369 | 48,810 |
| Accommodation and ingoing contribution income | 12,256 | 12,506 |
| | <u>263,701</u> | <u>258,216</u> |

5. Other income

| <i>In thousands of AUD</i> | 2019 | 2018 |
|--|---------------|---------------|
| Net gain on sale of property, plant and equipment and assets held for sale | 4,569 | 20,527 |
| Donations and legacies - churches and personal | 3,015 | 2,889 |
| Rental income | 2,131 | 1,816 |
| Revenue from sale of goods | 376 | 419 |
| Fundraising | 342 | 365 |
| Other income | 2,917 | 3,443 |
| | <u>13,350</u> | <u>29,459</u> |

6. Personnel expenses

| <i>In thousands of AUD</i> | 2019 | 2018 |
|---|----------------|----------------|
| Wages and salaries | 160,797 | 149,608 |
| Other associated personnel expenses | 20,131 | 16,972 |
| Workers compensation | 3,413 | 3,307 |
| Contributions to defined contribution plans | 15,186 | 14,430 |
| | <u>199,527</u> | <u>184,317</u> |

7. Finance income and finance costs

| <i>In thousands of AUD</i> | 2019 | 2018 |
|--|---------------|--------------|
| Interest on investments | 7,695 | 7,618 |
| Dividend income on equity securities | 3,189 | 523 |
| Gains on sales of shares | 123 | - |
| Finance income | <u>11,007</u> | <u>8,141</u> |
| Unwinding of discount on finance lease | (93) | (126) |
| Finance costs | <u>(93)</u> | <u>(126)</u> |
| Net finance income | <u>10,914</u> | <u>8,015</u> |

8. Cash and cash equivalents

| <i>In thousands of AUD</i> | 2019 | 2018 |
|----------------------------|---------------|---------------|
| Cash at bank and on hand | 107 | 201 |
| Bank deposits at call | 13,566 | 21,534 |
| Cash and cash equivalents | <u>13,673</u> | <u>21,735</u> |

9. Receivables

| <i>In thousands of AUD</i> | 2019 | 2018 |
|-----------------------------------|---------------|---------------|
| Current | | |
| Receivables - Clients | 1,652 | 1,855 |
| Receivables - Residents | 1,265 | 2,076 |
| Deposits Receivable | 14,315 | 12,947 |
| Other receivables and prepayments | 13,335 | 11,719 |
| Provision for impairment losses | <u>(301)</u> | <u>(712)</u> |
| | <u>30,266</u> | <u>27,885</u> |
| Non-current | | |
| Other receivables and prepayments | - | 1,996 |
| | <u>-</u> | <u>1,996</u> |

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

| <i>In thousands of AUD</i> | 2019 | 2018 |
|----------------------------------|--------------|--------------|
| Balance at beginning of the year | 712 | 311 |
| Impairment loss recognised | 19 | 630 |
| Amounts written off | <u>(430)</u> | <u>(229)</u> |
| Balance at end of the year | <u>301</u> | <u>712</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Investments

| <i>In thousands of AUD</i> | 2019 | 2018 |
|----------------------------|----------------|----------------|
| Current | | |
| Interest bearing deposits | 114,000 | 146,539 |
| | <u>114,000</u> | <u>146,539</u> |
| Non-current | | |
| Interest bearing deposits | 40,245 | 112,322 |
| Equity securities | 132,080 | 24,955 |
| | <u>172,325</u> | <u>137,277</u> |

The carrying value of equity securities is equal to its fair value at 30 June 2019 and 30 June 2018.

11. Assets held for sale

| <i>In thousands of AUD</i> | 2019 | 2018 |
|---|-------------|-------------|
| Land - Lot 101, Free Settlers Drive, Kellyville | - | 900 |
| CareCall Business | 276 | - |
| Land and Building – 27 Alan Avenue, Seaforth NSW 2092 | 170 | - |
| | <u>446</u> | <u>900</u> |

During the year, the land at Free Settlers Drive, Kellyville was disposed of.

12. Property, plant and equipment

| <i>In thousands of AUD</i> | Freehold land & Improvements | Buildings | Plant, furniture & equipment | Computer equipment | Motor vehicles | Leased assets | Capital works in progress | Total |
|---|------------------------------------|-----------|------------------------------------|-----------------------|-------------------|------------------|---------------------------------|----------|
| Cost or deemed cost | | | | | | | | |
| Balance at 1 July 2018 | 58,696 | 404,298 | 71,562 | 9,665 | 8,128 | 23,570 | 27,995 | 603,914 |
| Additions | 1,257 | 4,300 | 2,737 | 1,686 | 2,758 | 140 | 100,517 | 113,395 |
| Transfer (from) / to capital works in progress | 4,414 | 37,511 | 4,416 | - | - | 122 | (46,463) | - |
| Disposals | - | (497) | (275) | (61) | (3,706) | (3,214) | (2,319) | (10,072) |
| Transfer to assets held for sale | (140) | (118) | (1,554) | - | - | - | - | (1,812) |
| Reclassification | (1,511) | 1,511 | - | - | - | - | - | - |
| Balance at 30 June 2019 | 62,716 | 447,005 | 76,886 | 11,290 | 7,180 | 20,618 | 79,730 | 705,425 |
| Depreciation | | | | | | | | |
| Balance at 1 July 2018 | 323 | 112,641 | 39,313 | 8,595 | 4,920 | 12,442 | - | 178,234 |
| Depreciation for the year | 104 | 15,109 | 5,815 | 633 | 1,225 | 678 | - | 23,564 |
| Disposals | - | (94) | (252) | (21) | (2,381) | (2,822) | - | (5,570) |
| Transfer to assets held for sale | - | (88) | (1,278) | - | - | - | - | (1,366) |
| Balance at 30 June 2019 | 427 | 127,568 | 43,598 | 9,207 | 3,764 | 10,298 | - | 194,862 |
| Carrying amounts | | | | | | | | |
| At 1 July 2018 | 58,373 | 291,657 | 32,249 | 1,070 | 3,208 | 11,128 | 27,995 | 425,680 |
| At 30 June 2019 | 62,289 | 319,437 | 33,288 | 2,083 | 3,416 | 10,320 | 79,730 | 510,563 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Intangible assets

| <i>In thousands of AUD</i> | Computer software | Service concession arrangement | Total |
|----------------------------|--------------------------|---------------------------------------|---------------|
| Cost | | | |
| Balance at 1 July 2018 | 14,555 | 2,547 | 17,102 |
| Additions | 1,837 | - | 1,837 |
| Balance at 30 June 2019 | <u>16,392</u> | <u>2,547</u> | <u>18,939</u> |
| Amortisation | | | |
| Balance at 1 July 2018 | 10,815 | 1,019 | 11,834 |
| Amortisation for the year | 1,249 | 128 | 1,377 |
| Balance at 30 June 2019 | <u>12,064</u> | <u>1,147</u> | <u>13,211</u> |
| Carrying amounts | | | |
| At 1 July 2018 | 3,740 | 1,528 | 5,268 |
| At 30 June 2019 | <u>4,328</u> | <u>1,400</u> | <u>5,728</u> |

14. Payables

| <i>In thousands of AUD</i> | 2019 | 2018 |
|--|----------------|----------------|
| Current | | |
| Trade payables and accrued expenses | 34,785 | 29,741 |
| Refundable residential aged care accommodation bonds | 345,772 | 325,576 |
| Refundable retirement village ingoing contributions | 165,685 | 162,477 |
| Capital works fund - Retirement Villages | 349 | 462 |
| | <u>546,591</u> | <u>518,256</u> |

Capital works fund – Retirement Village

In accordance with the Retirement Villages Act 1999 (NSW) (the Act) the operator of a retirement village may maintain a capital works fund. Section 99 (5) of the Act stipulates that the operator of the retirement village must not use the capital works fund except to meet the cost of capital maintenance, or as agreed by the residents of the retirement village, or as prescribed by the Regulations.

Refundable residential aged care accommodation bonds and retirement village ingoing contributions

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

15. Loans and borrowings

| <i>In thousands of AUD</i> | 2019 | 2018 |
|---|---------------|--------------|
| Current | | |
| Charitable loan funds | 2 | 10 |
| Finance lease liability - Mid Richmond Centre | 84 | 74 |
| | <u>86</u> | <u>84</u> |
| Non-current | | |
| Finance lease liability - Mid Richmond Centre | 1,565 | 1,649 |
| Borrowings | 40,499 | 847 |
| | <u>42,064</u> | <u>2,496</u> |

A loan facility was established on 1 February 2017 to provide liquidity for the financing of the NSW State Government's Social and Affordable Housing Fund (SAHF) project. This includes a construction facility and term facility of \$100,000,000 (2018: \$155,000,000) which will be drawn down in set tranches as each stage of SAHF progresses. The maturity date of the facility is 1 February 2023. The facility was drawn down by \$42,284,000 as at 30 June 2019. Consistent with the accounting standards, the loan liability and loan transaction costs have been offset and are in a liability position of \$40,499,000 as at 30 June 2019.

| <i>In thousands of AUD</i> | 2019 | 2018 |
|----------------------------------|--------------|--------------|
| Finance lease liabilities | | |
| Future minimum lease payments: | | |
| Less than one year | 84 | 74 |
| Between one and five years | 532 | 532 |
| More than five years | 1,033 | 1,117 |
| | <u>1,649</u> | <u>1,723</u> |

16. Employee benefits

| <i>In thousands of AUD</i> | 2019 | 2018 |
|--|---------------|---------------|
| Current | | |
| Salary, wages and superannuation payable | 6,160 | 5,859 |
| Liability for annual leave | 13,475 | 13,062 |
| Liability for long-service leave | 11,137 | 9,294 |
| | <u>30,772</u> | <u>28,215</u> |
| Non-current | | |
| Liability for long-service leave | 2,751 | 2,465 |
| | <u>2,751</u> | <u>2,465</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Provisions

| <i>In thousands of AUD</i> | Onerous operating lease contract | Make good | Other | Total |
|-------------------------------------|---|----------------------|--------------|--------------|
| Balance at 1 July 2018 | 871 | 2,992 | 995 | 4,858 |
| Provisions made during the year | - | 48 | 224 | 272 |
| Provisions used during the year | (406) | (8) | (18) | (432) |
| Provisions reversed during the year | - | (2,300) | - | (2,300) |
| Balance at 30 June 2019 | 465 | 732 | 1,201 | 2,398 |

Onerous operating lease contract provision

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

Make good provision

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

18. Deferred income

| <i>In thousands of AUD</i> | 2019 | 2018 |
|--|-------------|-------------|
| Current | | |
| Government grants | 213 | 213 |
| Government contributions | 66 | 66 |
| Client funds - Consumer Directed Care | 15,147 | 11,303 |
| Independent Living Unit Deferred Management Fees (ILU DMF) | 1,308 | 1,639 |
| | 16,734 | 13,221 |
| Non-current | | |
| Government grants | 6,611 | 6,824 |
| Government contributions | 5,137 | 5,203 |
| Independent Living Unit Deferred Management Fees (ILU DMF) | 6,843 | 4,416 |
| | 18,591 | 16,443 |

In 2011, BaptistCare received \$8,530,000 for the construction of community housing at Goulburn and Lismore. The grant has been recognised as deferred income and is being amortised over 40 years. BaptistCare has agreed to provide the community housing for a period of 40 years and this obligation is secured by way of registered mortgages over the relevant properties. At the end of 40 years, the mortgages will be discharged and the properties will belong unencumbered to BaptistCare.

19. Reserves

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of equity securities until the investment is derecognised or impaired.

Hedging reserve

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

20. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| <i>In thousands of AUD</i> | 2019 | 2018 |
|----------------------------|--------------|--------------|
| Less than one year | 2,335 | 1,780 |
| Between one and five years | 4,922 | 3,639 |
| More than five years | 85 | 870 |
| | <u>7,342</u> | <u>6,289</u> |

BaptistCare leases a number of properties under operating leases. The duration of the leases are between one and ten years and some leases include options to renew. Lease agreements may include fixed increases or may include contingent rentals based on market review or the Consumer Price Index.

During the financial year ended 30 June 2019, \$2,549,000 (2018: \$2,657,000) was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases.

BaptistCare has two long-term operating leases of land in Queanbeyan and Goulburn with the State of New South Wales. The lease terms are both for 40 years with a remaining term of 12 years for Queanbeyan and 8 years for Goulburn, with no option to renew. BaptistCare pays a nominal rent to the lessor. The notional fair value of the approximate lease rentals amounting to \$178,000 (2018: \$178,000) has been recognised as an expense in the statement of profit or loss and other comprehensive income. However, this is offset by contribution income from the lessor of the same amount, which is also recognised in the statement of profit or loss and other comprehensive income. Accordingly, there is no significant net impact on the net result for the current and previous years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Capital and other commitments

| | | |
|---------------------------------|-------------|-------------|
| <i>In thousands of AUD</i> | 2019 | 2018 |
| Capital expenditure commitments | 157,397 | 167,564 |

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

22. Auditor's remuneration

| | | |
|---|----------------|----------------|
| <i>In dollars</i> | 2019 | 2018 |
| Fees paid to auditors of BaptistCare – KPMG | | |
| Audit of financial statements | 143,500 | 141,000 |
| Other regulatory audit services | 41,000 | 42,300 |
| | <u>184,500</u> | <u>183,300</u> |
| Other services | | |
| Other assurance and advisory services | 52,000 | 48,000 |

23. Financial instruments – Fair values and risk management**Accounting classifications**

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

| | | |
|--------------------------------------|---|---|
| | 2019 | 2018 |
| | Fair value – hedging instruments | Fair value – hedging instruments |
| <i>In thousands of AUD</i> | | |
| Interest rate swaps used for hedging | (549) | (204) |

Derivative assets and liabilities designated as cash flow hedges

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

| | | | | | | |
|---|----------------------------|----------------------------------|-----------------------------------|----------------------------|----------------------------------|-----------------------------------|
| | 2019 | | | 2018 | | |
| | Expected cash flows | | | Expected cash flows | | |
| | Carrying amount | 12 months or less | More than one year | Carrying amount | 12 months or less | More than one year |
| <i>In thousands of AUD</i> | | | | | | |
| Interest rate swaps used for hedging | (549) | - | (549) | (204) | - | (204) |

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

| | 2019 | | | 2018 | | |
|--------------------------------------|-----------------|-------------------|--------------------|-----------------|-------------------|--------------------|
| | Expected impact | | | Expected impact | | |
| <i>In thousands of AUD</i> | Carrying amount | 12 months or less | More than one year | Carrying amount | 12 months or less | More than one year |
| Interest rate swaps used for hedging | (549) | - | (549) | (204) | - | (204) |

Market risk

Interest rate risk

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

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

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

24. Contingencies

Where Government capital grants have been made towards buildings, they may be refundable to the Government in the event of sale of the property on which these buildings have been constructed or in the event of a change in the usage of the property for purposes not in accordance with the grants. Directors have no future plans which would trigger the refund of capital grants.

25. Related parties

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 6) was \$2,047,182 for the year ended 30 June 2019 (2018: \$2,477,581).

As part of their remuneration package, BaptistCare also provides non-cash benefits to key management personnel and contributes to a superannuation fund on their behalf.

Transactions with other related parties

B.C.S. Foundation Pty. Limited acts as a trustee and custodian trustee for seven charitable trusts, including the BCS Foundation. These trusts collectively distributed \$1,015,434 (2018: \$933,275) during the year ended 30 June 2019 to BaptistCare.

26. Subsequent events

There have been no events subsequent to the balance date which would have a material effect on BaptistCare's financial statements at 30 June 2019.



Directors' declaration

In the opinion of the Directors of BaptistCare NSW & ACT (BaptistCare):

- (a) *the financial statements and notes that are set out on pages 18 to 37 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:*
 - (i) giving a true and fair view of BaptistCare's financial position as at 30 June 2019 and of its performance, for the financial year ended on that date; and
 - (ii) *complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and*
- (b) there are reasonable grounds to believe that BaptistCare will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, reading 'J. A. Carpenter', written over a horizontal line.

Judith Carpenter

Director – Chairperson

Dated at Sydney, this 30th day of September 2019



Independent Auditor's Report

To the members of BaptistCare NSW & ACT

Opinion

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

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

- i. giving a true and fair view of the Company's financial position as at 30 June 2019, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 June 2019.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company.

Basis for opinion

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

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

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

Other information

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



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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- i. 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.



- ii. 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 Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- v. 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.

We communicate with the Directors of the Company 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.

KPMG

KPMG

Stephen Isaac
Partner
 Sydney

30 September 2019

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