BaptistCare

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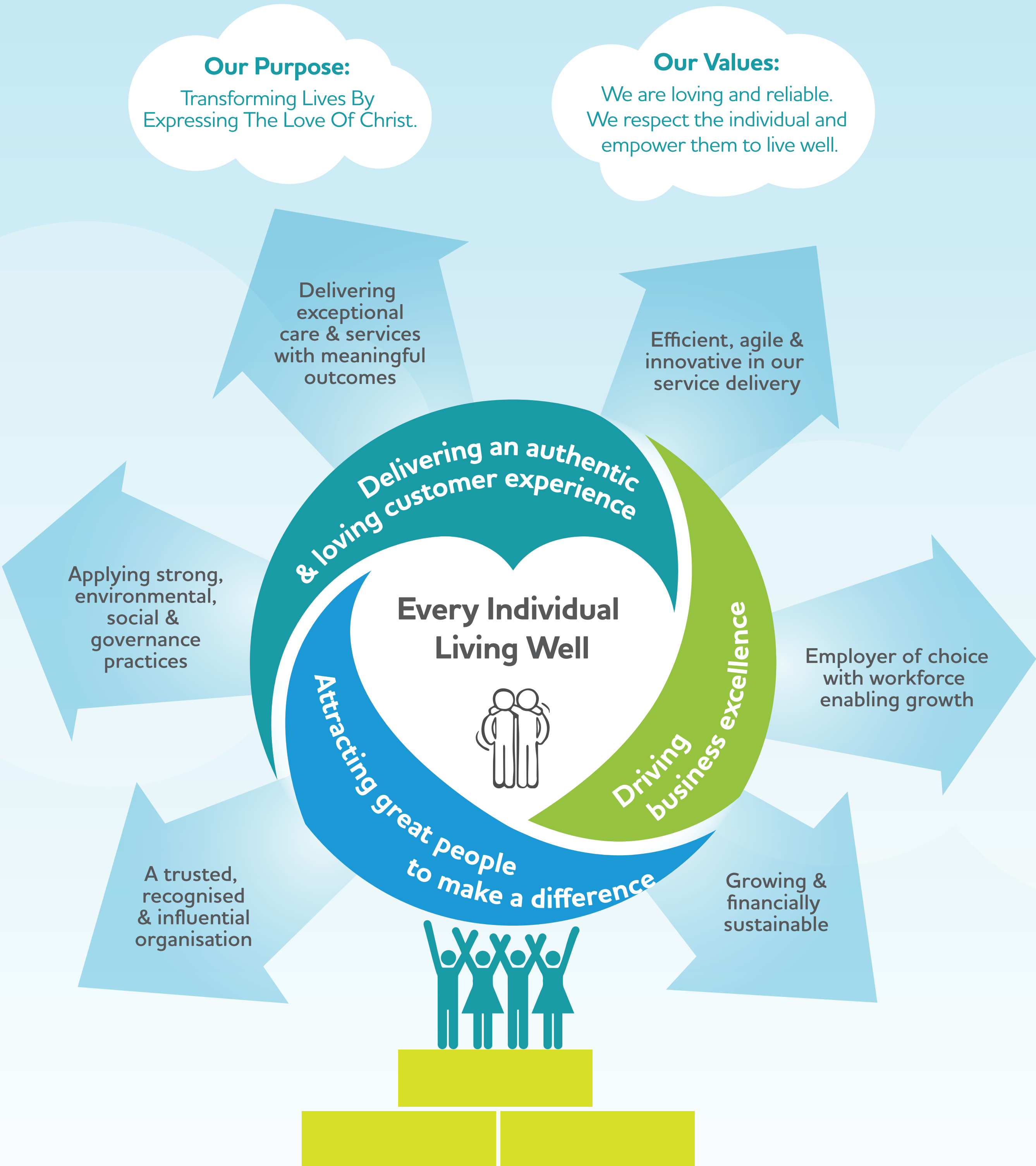
FINANCIAL REPORT 2023

BaptistCare NSW & ACT

ABN 90 000 049 525
Annual Financial Report
30 June 2023

FINANCIAL REPORT 2023

Contents


Our Purpose:
Transforming Lives By Expressing The Love Of Christ.
Our Values:
We are loving and reliable. We respect the individual and empower them to live well.
Delivering exceptional care & services with meaningful outcomes
Efficient, agile & innovative in our service delivery
Applying strong, environmental, social & governance practices
Employer of choice with workforce enabling growth
A trusted, recognised & influential organisation
Growing & financially sustainable
Delivering an authentic & loving customer experience
Driving business excellence
Attracting great people to make a difference
Every Individual Living Well

Directors' report

The Directors present their report together with the financial statements of BaptistCare NSW & ACT (BaptistCare) for the financial year ended 30 June 2023 and the auditor's report thereon.

BaptistCare 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 deepen, strengthen and grow its areas of service so that more people in more places can experience people-centred loving care.

BaptistCare's 2023-2027 Strategic Plan captures the fundamental strategic approaches and high level initiatives BaptistCare will undertake for this period as it strives to deliver on its purpose and vision. 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 BaptistCare's 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.

Our approach to strategy is to be agile, re-evaluate and refine as needed. Our senior leadership group are active participants in ensuring our strategy is taking the organisation in the right direction.

The Strategic Plan identifies six strategic outcomes that together deliver success. Each area is and will be supported by strategic milestones that drive the strategy over the five years as BaptistCare aspires to see 'every individual living well'. The six focus areas are shown on page 4.

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/publications.

2. Principal activities

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

- Residential Services and Retirement Living – includes Residential Aged Care Homes
- BaptistCare at home - supporting seniors and their carers to live independently at home
- Community Services and Housing - includes Social and Affordable Housing, HopeStreet locations, Counselling and Family Services.

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 2023 was a surplus of $39,040,000 (2022: deficit of $8,001,000).

Before noting a number of operational highlights for the 2022/2023 year, the Directors would like to note a number of important matters:

- We continued to see COVID-19 requiring management across our organisation, primarily focusing on our aged care homes going in and out of exposure and outbreak modes. Our homes now operate with fewer visitor restrictions, and we continue to balance this with keeping COVID-19 out of our homes, protecting vulnerable residents and ensuring adequate staffing levels. Vaccination has proven to offer great protection for residents. Staffing has continued to be our biggest challenge across our aged care services, with COVID-19, migration, aged care funding and wages combining to make this an ongoing issue.
- The long-awaited Fair Work Commission (FWC) Work Value Case for aged care workers was announced in November 2022, granting eligible aged care workers an interim 15% increase to the minimum award wage. The newly-elected Labor Government moved quickly to confirm they would fund this increase, and we passed this on to our workforce from 1 July 2023. BaptistCare pledged to use every dollar given to us from Government for the wage increase and associated costs. While we are incredibly grateful for this first step to delivering meaningful wages for our aged care employees, we recognise there are still employees in our aged care services waiting on the third and final stage of the FWC case. We will continue to advocate for increased funding for the sector and greater recognition of the valuable work all our employees do.
- BaptistCare acquired a significant portfolio of residential and retirement living homes in March 2023, securing three new sites in Prestons (South West Sydney), Menangle (South West Sydney) and Dubbo. Each site comprises an aged care home and a retirement village, complementing BaptistCare's existing presence in these regions. The three sites were owned and operated by Tulich Family Communities, with 251 residential aged care beds and 410 independent living units, and just over 240 employees providing care and services to 650 residents. Several information

and celebration events were held to welcome the sites, employees and residents to BaptistCare.

- During the same month, BaptistCare NSW & ACT announced a merger with Baptistcare WA to create one of the largest not-for-profit care providers in Australia. The merger, completed on 1 June, was a logical fit, given both providers' values-driven approach to person-directed care and service delivery. The merger of the two Baptist-affiliated entities will allow the combined organisations to deliver more sustainable care in the aged care sector. Both organisations have worked closely together to transition into one organisation, and this integration will continue into the 2023/2024 financial year. At the time of merging, the new entity had a combined revenue of $520 million, a workforce of more than 5,000 people, 750 volunteers, 33 residential aged care facilities, 9,000 home care customers and 25 retirement villages.
- Following the devastating flooding across the Northern Rivers in early 2022, BaptistCare tendered to operate one of eight temporary housing sites in the region for residents who were flood affected. The housing is located on land directly next to our aged care home, Mid Richmond Centre and includes 56 modular homes, providing homes for up to 240 people. It is planned that the units will be operational for up to two years, depending on housing needs, to ensure that residents have enough time to finalise their long-term housing solutions. As with all our Community Housing locations, tenants are supported by our on-site team, to help them recover and rebuild their lives after the trauma of multiple flooding events.

Operational highlights for the 2022/2023 year are as follows:

- July 2022: Yarra Rossa, featuring 100 new independent living units, was officially opened in Red Hill, Canberra. The retirement living community, located on the site of the former Morling Lodge aged care home, is the organisation's first village in the ACT. BaptistCare Member Gladys Bergerson cut the cake at the opening event. The community features a range of amenities for residents, including a pool, gym, café, bocce court, bowling green, and an alfresco dining area with pizza oven and barbeque.
- October 2022: BaptistCare welcomed the first residents of a new temporary housing site at Coraki in the Northern Rivers, offering a safe, secure home for up to 240 people who experienced months of uncertainty after devastating floods in the region earlier this year. BaptistCare is working with the NSW Reconstruction Authority to deliver this temporary housing.
- November 2022: BaptistCare was proud to have been recognised by Diversity Council Australia as an inclusive employer, one of only 30 employers to be acknowledged for its achievements in 2022-2023. With employees coming from more than 69 different cultural backgrounds and speaking 56 languages, BaptistCare is excited to recognise the diversity of our people while acknowledging the shared values that all employees live out.
- November 2022: After several years of planning and working with the local authorities BaptistCare was pleased to receive approval for its Elderslie site in South West Sydney, announcing the immediate start of construction of a new 96-bed residential aged care home, and plans to extend the Angus Bristow retirement community located on the same site beginning in early 2023.

- December 2022: BaptistCare submitted a concept proposal for redeveloping our Macquarie Park site as a mixed-use development, including seniors housing, student accommodation, build-to-rent and build-to-sell residential flat buildings, a school, retail and community land uses. The State Significant Development Application seeks concept approval for the entire site, with our staged construction plan taking place over four stages, commencing in 2025.
- January 2023: BaptistCare announced it had entered into an agreement to acquire three aged care sites located in the Central West of NSW and South West Sydney from Tulich Family Communities. The acquisition was completed in March 2023.
- February 2023: BaptistCare Dorothy Henderson Lodge in Sydney's Macquarie Park celebrated its 30th anniversary. Home to more than 80 residents, the aged care home was named after the late Dorothy Henderson, a recipient of the Medal of the Order of Australia (OAM) and a Baptist Homes Trust Council volunteer for many decades.
- February 2023: BaptistCare lodged its State Significant Development Application (SSDA) for the lower half of its Carlingford site, with plans to build a Seniors Living Village. The proposed development would include approximately 130 independent living units, 96 residential rooms in a state-of-the-art aged care home, a respite facility and a diverse range of facilities, services and outdoor spaces for residents and the community.
- March 2023: The Gracewood Community celebrated its tenth anniversary with a special event held at its Kellyville, north-west Sydney location. The first residents to move into The Gracewood Community joined special guests to cut the cake.
- March 2023: BaptistCare at home was awarded $3.5million in funding through a Federal Government dementia grant, to improve the use of respite to support people living with dementia at home. Over the next three years, BaptistCare at home will deliver around 120 Refresh Retreats across NSW and ACT, providing three-day, small group retreats for people living with dementia and their carers. The retreats are designed with an education program to equip carers to maintain support of their loved one at home, while also providing a needed break in a restorative environment.
- March 2023: BaptistCare announced the merger of NSW and ACT with Baptistcare WA, combining 125 years of experience delivering exceptional care and services. Charles Moore was announced to lead the organisation, with former CEO of Baptistcare WA, Amanda Vivian, taking on the role of Executive Director in WA. The merger was completed in June 2023.
- April 2023: BaptistCare launched its first Social Return on Investment (SROI) report, demonstrating that for every $1 BaptistCare invests in the people we care for, the positive return to individuals and society is more than two-fold and more than three-fold for community services and social and affordable housing. The organisation partnered with ACIL Allen to develop a framework showing how we positively impact our clients and communities across five areas.
- May 2023: The organisation launched its first Reflect Reconciliation Action Plan (RAP) as part of National Reconciliation Week. Developed in collaboration with Reconciliation Australia, the Reflect RAP is a roadmap for building stronger

relationships with First Nations Australians. Respect is one of our core values at BaptistCare and the heart of reconciliation.

- May 2023: A 10-week pilot of a virtual intergenerational program involving clients of BaptistCare's Social Club in Wagga Wagga and students from a local high school culminated with participants meeting face-to-face for an emotional and memorable final session. The students hosted a morning tea for BaptistCare clients and there was considerable enthusiasm from both sides to continue the friendships that had been started.
- May 2023: BaptistCare HopeStreet partnered with United Way Australia and Mission Australia, and other members of the Strengthening Communities Alliance, to launch a Strengthening Communities Position Paper and call on the Federal Government to lead systemic responses to scale up place-based community-led initiatives across Australia, and improve well-being and equity in local communities.
- May 2023: BaptistCare concluded the construction of its final Social and Affordable Housing Fund (SAHF) property in Carlingford, Gimbawali Place, completing 162 units ready for occupancy by single-parent families and seniors. Tenants quickly began moving in during the following months, supported by our on-site team and wrap-around support services.
- June 2023: A new brand campaign, 'People First', was launched by BaptistCare, celebrating the organisation's values and commitment to providing the best possible care to its customers. Featuring the stories and experiences of BaptistCare customers, family members and employees, the campaign is driven by powerful narratives that take audiences on a journey of what it means to be People First. The campaign will look to attract new employees and position BaptistCare in the market to the increasing number of people the organisation strives to serve.
- June 2023: BaptistCare at home continued its growth strategy with plans to open offices in new regional areas including Ballina, Orange and Wauchope. This expansion approach of care in the home will provide a hub for further service delivery into these areas.
- More information is contained at baptistcare.org.au/annual-report-2023

Allowing for the Tulich acquisition and Baptistcare WA Limited merger, there were no other significant changes in the state of affairs of BaptistCare during this financial year.

4. Measurement of Performance & Compliance with Standards

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

BaptistCare also takes steps to ensure compliance with all relevant industry standards.

5. Board of Directors

The Members of BaptistCare elect the Board.

We welcomed Dr Joan O'Donnell to the Board as a casual vacancy and note confirmation of her appointment by Members is on the Agenda at the 2023 Annual General Meeting. Dr O'Donnell continues to support BaptistCare through her ongoing membership of the Board's Care & Clinical Governance Committee since 2019.

The Board currently comprises 10 Directors (the maximum number is 11) who serve in accordance with BaptistCare's Constitution.

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
Robert Dunn	BA (Hons) GAICD, CA (ANZ) Company Director	November 2018	Chair from November 2019 Member of the Care & Clinical Governance Committee from January 2020 and Chair from April 2020 to November 2020 Member of Governance & Nominations Committee since November 2018 Member of the Audit & Risk Committee since March 2019 Member of Acquisitions Committee since 29 November 2021 Member of Castle Hill Baptist Church
Corinne Glasby	BEc FIAA Actuary	November 2019	Vice Chair from November 2019 Chair of the People & Culture Committee from January 2020 Member of Audit & Risk Committee from November 2019 Member of the Acquisitions Committee since 29 November 2021 Member of Epping Baptist Church

Name	Qualifications & Experience	Appointed / Retired	Special Responsibilities at Balance Date
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 People & Culture Committee from June 2017 Trustee of BCS Foundation from November 2019 Director of B.C.S. Foundation Pty Limited from November 2019 Chair of the Acquisitions Committee since 29 November 2021 Member of Gordon Baptist Church
Craig Collins	BBus (Land Economics) Chief Executive Officer, Hospitality Sector Company	November 2012	Member of Property Committee from May 2017 Member of the Acquisitions Committee since 29 November 2021 Member of Epping Baptist Church
Peter Murphy	BBus MCom MA (Christian Studies) FCPA GAICD Management Consultant	April 2016	Member of the Property Committee since January 2020 Member of the Governance & Nominations Committee since January 2021 Member of Blakehurst Baptist Church
Anna Phan	BA (Hons) Executive Officer	November 2018	Member of People & Culture Committee since November 2018 Member of the Care & Clinical Governance Committee since March 2019 Member of the Governance & Nominations Committee since January 2020 and Chair from November 2021 Member of the Erina Community Baptist Church
Cameron Webb	BBus (Retail Management), MBA GAICD IT Executive, Retail	November 2016	Chair of Property Committee from May 2017 Member of the Audit & Risk Committee from March 2019 until November 2019, and from November 2022 Member of the Care & Clinical Governance Committee since January 2020 Member of the Acquisitions Committee from 29 November 2021 Member of Dural Baptist Church

Name	Qualifications & Experience	Appointed / Retired	Special Responsibilities at Balance Date
Professor Clifford Hughes	D.sc, MBBS, Ad DipMgt, FRACS, FACS, FACC, FIACS (hon), FCSANZ, FAAQHC, FISQua, FRACMA(hon)	November 2020	Chair of Care & Clinical Governance Committee from November 2020 Member of Gordon Baptist Church
Doug Sotheren	M.Th., B.A., Dip.R.E., L.Th., Dip. Company Director	November 2021	Member of Governance & Nominations Committee from November 2021 Member of the Erina Community Baptist Church
Dr Joan O'Donnell	PhD MSc (Med) BAppSc (OT)	April 2023	Member of Care & Clinical Governance Committee from 2018 (prior to her appointment as a Director Joan was an External Committee Member) Member of Ashfield Baptist Church

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	People & Culture Committee	Governance & Nomination Committee	Care & Clinical Governance Committee	Property Committee	Acquisitions Committee
Robert Dunn	6	4	1	4	4	2	7
Owen Chew Lee	5	4	3				7
Craig Collins	5					5	5
Corinne Glasby	5	3	3				7
Peter Murphy	5			3		4	
Anna Phan	5		3	4	4		
Cameron Webb	5	2*			1	4	6
Clifford Hughes	6				4		
Doug Sotheren	5			4			
Joan O'Donnell (appointed April 2023)	2				4**		
Total number of meetings	6	4	3	4	4	5	7

*Mr Webb was appointed to the Audit & Risk Committee on 28 November 2022
** Prior to 24 April 2023, Dr O'Donnell was an external member of the Care & Clinical Governance Committee

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
- 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 be a maximum of 30 Honorary Life Members (unless otherwise approved by BaptistCare in a general meeting).

At the date of this report there are 104 Members (2022: 105 Members) including 15 Honorary Life Members (2022: 17 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 $0.10.

The total amount that Members of BaptistCare are liable to contribute as at 30 June 2023 is $10.40 (2022: $10.50).

8. BaptistCare subsidiaries

In the second half of the 2022/23 Financial Year, two subsidiary companies became a part of the group. Baptistcare WA Limited became a subsidiary when BaptistCare became its sole member effectively resulting in the merger of the WA entity with the Company. Secondly BaptistCare Community Housing Limited was incorporated. It is envisaged that once this entity has obtained regulatory approval as a community housing provider that our community housing assets and operations will be transferred to it.

9. Events subsequent to reporting date

No items, transactions or events of a material or unusual nature that, in the opinion of BaptistCare, are likely to significantly affect operations, the results of those operations or the state of affairs of BaptistCare that have arisen in the period from 30 June 2023 to the date of this report.

10. 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 and Aged Care
- New South Wales Government: Department of Communities and Justice, NSW Health (through various Local Health Districts), Transport for NSW, Corrective

Services NSW, NSW Fair Trading and NSW Department of Planning and Environment

- Australian Capital Territory Government: ACT Government Health and ACT Government Community Services
- Western Australia Government: Department of Communities.

11. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' report for the financial year ended 30 June 2023.

12. Rounding off

BaptistCare is 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.

Robert Dunn
Chair

Dated at Sydney, this 16th day of October 2023

KPMG

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 for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Stephen Isaac

Partner

Sydney

16 October 2023

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Consolidated statement of profit or loss and other comprehensive income

In thousands of AUD	**Note**	**2023**	**2022**
Revenue	4	392,418	328,670
Other income	4	99,286	8,023
Revenue and other income		491,704	336,693
Employee expenses	5	(290,058)	(239,186)
Property expenses		(21,588)	(15,964)
Depreciation and amortisation expenses	10,11	(37,802)	(32,296)
Impairment of assets		(2,255)	-
Service delivery expenses		(45,134)	(41,096)
Capital gain expense	16	(22,465)	-
Business support expenses		(29,931)	(24,386)
Expenses		(449,233)	(352,928)
Surplus/ (deficit) before net finance income		42,471	(16,235)
Finance income		13,094	11,517
Finance costs		(16,525)	(3,283)
Net finance income/ (costs)	6	(3,431)	8,234
Surplus/ (deficit) for the year		39,040	(8,001)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Investment portfolio at FVOCI – net change in fair value		402	(3,687)
Items that will not be reclassified subsequently to profit or loss:			
Investment portfolio at FVOCI – net change in fair value		9,952	(24,486)
Total comprehensive income/ (loss) for the year		49,394	(36,174)

The notes on pages 21 to 43 are an integral part of these financial statements.

Consolidated statement of financial position

In thousands of AUD	**Note**	**2023**	**2022**
Assets			
Cash and cash equivalents	7	58,720	80,609
Receivables	8	54,458	49,942
Inventories		565	29
Investments	9	-	19,000
Total current assets		113,743	149,580
Investments	9	224,794	242,005
Property, plant and equipment	10	1,393,457	771,920
Intangible assets	11	399	527
Total non-current assets		1,618,650	1,014,452
Total assets		1,732,393	1,164,032
Liabilities			
Trade and other payables	12	51,824	36,083
Refundable loans	13	1,141,888	707,806
Loans and borrowings	14	2,924	2,114
Employee benefits	15	57,700	37,590
Provisions	16	59,374	7,400
Contract liabilities	17	29,322	31,625
Total current liabilities		1,343,032	822,618
Loans and borrowings	14	151,778	156,097
Employee benefits	15	4,342	3,109
Contract liabilities	17	14,017	12,378
Total non-current liabilities		170,137	171,584
Total liabilities		1,513,169	994,202
Net assets		219,224	169,830
Accumulated funds			
Reserves		4,272	(6,082)
Retained earnings		214,952	175,912
Total accumulated funds		219,224	169,830

The notes on pages 21 to 43 are an integral part of these financial statements.

Consolidated statement of changes in funds

In thousands of AUD	**Fair value reserve**	**Retained earnings**	**Total funds**
Balance as at 1 July 2021	22,091	183,913	206,004
Deficit for the year	-	(8,001)	(8,001)
Other comprehensive income			
Investment portfolio at FVOCI – net change in fair value	(28,173)	-	(28,173)
Total comprehensive loss for the year	(28,173)	(8,001)	(36,174)
Balance as at 30 June 2022	(6,082)	175,912	169,830
Surplus for the year	-	39,040	39,040
Other comprehensive income			
Investment portfolio at FVOCI – net change in fair value	10,354	-	10,354
Total comprehensive income for the year	10,354	39,040	49,394
Balance as at 30 June 2023	4,272	214,952	219,224

The notes on pages 21 to 43 are an integral part of these financial statements.

Consolidated statement of cash flows

In thousands of AUD	**Note**	**2023**	**2022**
Cash flows from operating activities			
Cash receipts from residents, clients, government subsidies and other income		369,144	308,671
Cash paid to suppliers, residents and employees		(323,184)	(312,506)
Cash generated from operations		45,960	(3,835)
Dividends received		9,605	9,444
Interest received/(paid)		3,782	1,330
Interest paid		(3,046)	(2,967)
Net cash from operating activities		56,301	3,972
Cash flows from investing activities			
Payments for property, plant and equipment		(77,948)	(93,815)
Payments for intangible assets		-	-
Withdrawal of/ (investment in) interest-bearing deposits		19,000	10,000
Withdrawal of/ (Investment in) investment portfolio		29,311	(2,412)
Payments for acquisition of business (net of cash acquired)		(37,080)	-
Proceeds from disposal of property, plant and equipment		3,640	1,645
Net cash used in investing activities		(63,077)	(84,582)
Cash flows from financing activities			
Net cash outflow from residential aged care accommodation bonds		(17,872)	(9,412)
Net cash inflow from retirement village ingoing contributions		5,576	53,479
Payment of lease liabilities		(2,817)	(1,956)
Net cash from financing activities		(15,113)	42,111
Net decrease in cash and cash equivalents		(21,889)	(38,499)
Cash and cash equivalents at beginning of year		80,609	119,108
Cash and cash equivalents at end of year	7	58,720	80,609

The notes on pages 21 to 43 are an integral part of these financial statements.

Notes to the consolidated 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 2023.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). This is the first-time consolidation for BaptistCare as a result of acquisition of Baptistcare WA (see Note 20).

The Group 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. These consolidated financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures adopted by the Australian Accounting Standards Board and the Australian Charities and Not-for-profit Commission Act 2012.

These consolidated financial statements were approved by the Board of Directors on 16 October 2023.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

The Group is of kind referred in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statement and director's report have been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the Group's 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.

(i) *Assumption and estimation uncertainties*

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Notes 3(j), 16 and 21: recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Notes 3(n) and 20: acquisition of subsidiary: fair value of the consideration transferred and fair value of the assets acquired and liabilities assumed, measured on a provisional basis.

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) Revenue recognition policy

Aged care, home care and other service revenue

The Group recognises revenue from aged care, home care and other services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and non-discretionary services as agreed in contractual agreements with residents and clients. Fees received in advance of services performed are recognised as contract liabilities are included within Trade and other payables.

Recurrent grants

Where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is recognised over time as the performance obligations to the grant agreement are fulfilled.

Nature of revenue and cash flows

Further detail on the nature of revenue and cash flows is included in the table on the next page.

Type of revenue	Description
Government revenue – aged care and home care	Government revenue reflects the Group's entitlement to revenue from the Australian Government under the Aged Care Act 1997 based upon the specific care needs of residents and clients. Revenue is recognised over time as services are provided. Funding claims are submitted to the Government and are usually payable within one month of services being performed.
Government revenue – recurrent grants	Recurrent grants are received from the State and Federal Government to deliver outcome-based services on a range of programs to provide support to those most vulnerable in the community. Revenue is recognised over time as performance obligations are met. Funding is usually received in advance with a contract liability recorded for unspent funds.
Resident and client income	Residents and clients are charged a basic daily fee as a contribution to the provision of care. The quantum of resident and client fees is regulated by the Government. Basic daily fees are invoiced on a monthly basis and revenue is usually payable within 30 days.

Income of not-for-profit entities (AASB 1058)

Grants - capital

Capital grants received under an enforceable agreement to enable the Group to acquire or construct an item of property, plant and equipment to identified specifications which will be controlled by BaptistCare are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred.

For acquisition of assets, the revenue is recognised when the asset is acquired and controlled by the Group.

(b) 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 the Group 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 the Group 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, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

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 the surplus for the year.
Investment portfolio at FVOCI (comprising equity securities and fixed interest investments)	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. For equity instruments other net gains and losses are recognised in OCI and are never reclassified to the surplus for the year. For fixed interest investments gain or losses on disposal are reclassified to the surplus for the year.

(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.

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group 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.

(d) 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 11).

(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

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

(iv) Software-as-a-Service (SaaS) arrangement

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such, the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict other's access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognised as an operating expense over the term of the service contract	• Fee for use of application software • Customisation costs that are not distinct from the underlying software
Recognised as an operating expense as the service is received	• Configuration costs • Data conversion and migration costs • Testing costs • Training costs

Cost incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premises systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

(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

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

The Group 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, the Group 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 the Group's historical experience and informed credit assessment and including forward-looking information.

Credit impaired financial assets

At each reporting date, the Group 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 the Group 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 the Group'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 of disposal 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").

The Group'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.

(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 the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost of disposal.

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) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Group by the end of lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Peppercorn or concessionary leases

The Group is a party to approximately 7 arrangements which would meet the definition of a peppercorn or concessionary lease. As allowed by AASB 16, the Group has elected to record these leases at cost rather than fair value.

As a lessor

Residential aged care

For residents receiving residential care services under a refundable accommodation deposit (RAD) or accommodation bond agreement, the Group has determined these arrangements are considered leases for accounting purposes under AASB 16 Leases, with the Group acting as 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 and a corresponding non-cash increase in finance costs on the outstanding RAD and accommodation bond balances, with no net impact on the result for the period.

In the prior period the imputed revenue of RAD and bond balances was not material.

The Group discloses Daily Accommodation Payment (DAP), Daily Accommodation Contribution (DAC) and accommodation supplement revenue under lease income, separate from revenue from contracts with customers (refer Note 4).

Retirement villages

Deferred management fee (DMF) revenue represents the fee that is contractually deducted from the ingoing contribution that is paid back to a resident upon exit from a retirement village. DMF revenue is recognised over the expected length of stay of the resident. The Group discloses this revenue under lease income, separately from revenue from contracts with customers (refer Note 4).

(i) 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 employee 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

The Group'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 the Group 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.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group 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 the Group 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 the Group 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) Capital gain sharing provision

Capital gain sharing provision is recognised for the Group's contractual obligation to share capital gains on retirement village units with residents.

(k) Retirement villages income and expenditure

The Group maintains separate resident statements of income and expenditure in accordance with the Retirement Villages Act 1999 (NSW) and Retirement Villages Act 1992 (WA) (The Acts). The resident income and expenditure is controlled by the residents' committees. The Group records the net surplus on the income and expenditure statement as a liability to the individual village. The Group is required to make good any deficit of a retirement village in accordance with the Acts.

(l) 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 the Group'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.

(m) Income tax

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

(n) Business of consolidation

(i) Business Combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and asset meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities includes, at a minimum, an input and substantive process and whether the acquired set the ability to produce outputs.

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within the equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

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

(iii) Loss of control

When the Group loses control over subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in profit or loss, Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated. Unrealised gains from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4. Revenue and other income

In thousands of AUD	**2023**	**2022**
Revenue from contracts with customers		
Government Income		
Department of Health funding	269,936	239,374
Other government funding	19,184	13,764
Total government income	289,120	253,138
Resident income		
Basic daily care fee	58,753	51,150
Other resident fee income	4,227	2,713
Total resident income	62,980	53,863
Total revenue from contracts with customers	352,100	307,001
Lease income		
Accommodation income – Resident	20,704	15,536
Rental income	6,439	6,133
Imputed interest on refundable accommodation bond	13,175	-
	40,318	21,669
Total revenue	**392,418**	**328,670**
Other income		
Donations and bequests	2,441	2,460
Net gain on disposal of assets	2,993	638
Net gain on sale of investments	2,581	1,148
Gain on bargain purchase (note 20)	84,872	-
Other income	6,399	3,777
Total other income	**99,286**	**8,023**
Total revenue and other income	**491,704**	**336,693**

The Group discloses income received under AASB 16 separately from revenue from contracts with customers. These amounts relate to income received in relation to the provision of accommodation to residents.

5. Employee expenses

In thousands of AUD	**2023**	**2022**
Wages and salaries	203,349	181,952
Other associated personnel expenses	48,697	31,126
Workers' compensation	15,859	7,515
Contributions to defined contribution plans	22,153	18,593
	290,058	239,186

6. Finance income and finance costs

In thousands of AUD	**2023**	**2022**
Interest income	2,840	696
Dividend income on equity securities	10,254	10,821
Finance income	13,094	11,517
Imputed interest cost on refundable accommodation bonds	13,175	-
Interest on lease liability	304	316
Interest on borrowings	3,046	2,967
Finance costs	16,525	3,283
Net finance income/ (costs)	(3,431)	8,234

7. Cash and cash equivalents

In thousands of AUD	**2023**	**2022**
Cash at bank and on hand	2,934	61
Bank deposits at call	55,786	80,548
	58,720	80,609

8. Receivables

In thousands of AUD	**2023**	**2022**
Current		
Trade receivables	17,363	12,635
Deposits Receivable	18,592	23,319
Other receivables and prepayments	19,236	15,012
Provision for impairment losses	(733)	(1,024)
	54,458	49,942

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

In thousands of AUD	**2023**	**2022**
Balance at beginning of the year	1,024	874
Impairment loss recognised	374	150
Amounts written off	(665)	-
Balance at end of the year	733	1,024

9. Investments

In thousands of AUD	**2023**	**2022**
Current		
Interest bearing term deposits	-	19,000
	-	19,000
Non-current		
Investment portfolio classified at fair value through other comprehensive income	224,794	242,005
	224,794	242,005

The carrying value of the investment portfolio is equal to its fair value at 30 June 2023 and 30 June 2022.

10. Property, plant and equipment

In thousands of AUD	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 2022	77,009	741,244	106,899	10,294	7,996	31,046	84,737	1,059,225
Additions	2,732	22,372	11,152	2,017	1,806	5,651	32,682	78,412
Acquisition through business combination	97,221	488,050	3,088	812	661	2,169	-	592,001
Transfer (from) / to capital works in progress	4,995	61,401	124	-	-	-	(66,520)	-
Disposals	(160)	(275)	(193)	(3,465)	(1,654)	(11,173)	-	(16,920)
Balance at 30 June 2023	181,797	1,312,792	121,070	9,658	8,809	27,693	50,899	1,712,718
Depreciation								
Balance at 1 July 2022	868	194,085	64,756	7,347	5,225	15,024	-	287,305
Depreciation for the year	165	24,681	7,377	1,395	1,041	3,015	-	37,674
Impairment	-	2,193	62	-	-	-	-	2,255
Disposals	-	(154)	(160)	(3,463)	(1,323)	(2,873)	-	(7,973)
Balance at 30 June 2023	1,033	220,805	72,035	5,279	4,943	15,166	-	319,261
Carrying amounts								
At 1 July 2022	76,141	547,159	42,143	2,947	2,771	16,022	84,737	771,920
At 30 June 2023	180,764	1,091,987	49,035	4,379	3,866	12,527	50,899	1,393,457

11. Intangible assets

In thousands of AUD	Computer software	Other	Total
Cost			
Balance at 1 July 2022	11,871	508	12,379
Balance at 30 June 2023	11,871	508	12,379
Amortisation			
Balance at 1 July 2022	11,547	305	11,852
Amortisation for the year	104	24	128
Balance at 30 June 2023	11,651	329	11,980
Carrying amounts			
At 1 July 2022	324	203	527
At 30 June 2023	220	179	399

12. Trade and other payables

In thousands of AUD	2023	2022
Current		
Trade payables	15,385	10,228
Accrued expenses	30,958	22,482
Deferred income	2,665	2,974
Capital works fund - Retirement Villages	2,816	399
	51,824	36,083

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.

13. Refundable loans

In thousands of AUD	2023	2022
Current		
Refundable residential aged care accommodation bonds	604,392	389,658
Refundable retirement village ingoing contributions	537,496	318,148
	1,141,888	707,806

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.

14. Loans and borrowings

In thousands of AUD	2023	2022
Current		
Lease liability*	1,739	1,630
Other borrowings	1,185	484
	2,924	2,114
Non-current		
Lease liability*	8,207	12,574
Borrowings**	143,571	143,523
	151,778	156,097

* Expenses relating to short-term leases and leases of low-value assets that are not recognised as right-of-use assets was $313,000 for the year ended 30 June 2023 (2022: $262,000).
** Borrowings relate to the loan facility of $144,000,000 from National Housing Finance and Investment Corporation (NHFIC). Debt set up costs of $572,000 were incurred in relation to the new loan in 2020 which were capitalised as part of the borrowings.

In thousands of AUD	2023	2022
Future lease payments		
Less than one year	2,487	1,934
One to five years	7,277	6,597
More than five years	1,282	7,464
	11,046	15,995

15. Employee benefits

In thousands of AUD	**2023**	**2022**
Current		
Salary, wages and superannuation payable	10,318	6,097
Liability for annual leave	30,516	19,905
Liability for long-service leave	16,866	11,588
	57,700	37,590
Non-current		
Liability for long-service leave	4,342	3,109
	4,342	3,109

16. Provisions

In thousands of AUD	**2023**	**2022**
Current		
Capital gain sharing provision	58,474	5,981
Other provisions	900	1,419
	59,374	7,400

Capital gain sharing provision relates to the residents' share in the increase of the value of the units in the retirement villages. The expense recognised in the consolidated statement of profit or loss and other comprehensive income for the year amounted to $22,465,000.

17. Contract liabilities

In thousands of AUD	**2023**	**2022**
Current		
Client funds - Consumer Directed Care	19,141	24,553
Independent Living Unit Deferred Management Fees	589	1,349
Government grants	9,592	5,723
	29,322	31,625
Non-current		
Independent Living Unit Deferred Management Fees	14,017	12,378
	14,017	12,378

18. Reserves

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of the investment portfolio.

19. Capital and other commitments

In thousands of AUD	**2023**	**2022**
Capital expenditure commitments	61,938	80,801

Included in capital expenditure commitments are costs for the design and construction for major projects associated with different aged care and various retirement villages.

20. Acquisitions through business combination

(a) Baptistcare WA and its controlled entity

On 31 May 2023, BaptistCare became the sole member of Baptistcare WA and its controlled entity, acquiring its net assets and ongoing operations. Baptistcare WA is a not-for-profit entity provider of residential aged care, home care services and retirement living in Western Australia.

(i) *Consideration transferred*

In thousands of AUD	**2023**
Cash	-
Total consideration transferred	-

(ii) *Identifiable assets acquired and liabilities assumed*

The following summarises the recognised amounts of the assets acquired and liabilities assumed at the acquisition date.

In thousands of AUD	**2023**
Cash	40,202
Inventories	1,376
Property, plant and equipment	270,695
Receivables	2,869
Trade and other payables	(8,570)
Refundable loans	(196,758)
Provisions	(6,190)
Loans and borrowings	(8,486)
Employee benefits	(13,731)
Total net assets acquired	81,407

A gain on bargain purchase of $81,407,000 has been recognised under other income in the statement of profit or loss and other comprehensive income within other income.

(b) Tulich Family Communities

On 29 March 2023, BaptistCare acquired the assets and liabilities of the retirement villages and residential aged care centres, comprising of Blue Hills, Kintyre and Durham Green from the Tulich Family Communities.

(i) *Consideration transferred*

In thousands of AUD	**2023**
Cash	77,282
Total consideration transferred	77,282

(ii) *Identifiable assets acquired and liabilities assumed*

The following summarises the recognised amounts of the assets acquired and liabilities assumed at the acquisition date.

In thousands of AUD	**2023**
Property, plant and equipment	321,306
Receivables	607
Refundable loans	(215,689)
Employee benefits	(1,736)
Trade and other payables	(23,741)
Total net assets acquired	80,747

A gain on bargain purchase of $3,465,000 has been recognised in other income in the statement of profit or loss and other comprehensive income.

21. Contingent assets and liabilities

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. The Directors have no future plans which would trigger the refund of capital grants.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate. As of 30 June 2023, the Group have a contingent asset arising from a legal case of $8,500,000.

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22. Related parties

Key management personnel compensation

The key management personnel compensation included in 'employee expenses' (see note 5) was $3,450,874 for the year ended 30 June 2023 (2022: $3,234,794).

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 $1,342,887 (2022: $936,348) during the year ended 30 June 2023 to BaptistCare.

23. Auditor's remuneration

In AUD	**2023**	**2022**
Fees paid to auditors of BaptistCare – KPMG		
Audit of financial statements	284,600	162,600
Other regulatory audit services	102,843	64,600
	387,443	227,200
Other services		
Other assurance and advisory services	23,618	20,800

24. Interests in other subsidiaries

The group's principal subsidiaries at 30 June 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	**Place of business/ country of incorporation**	**Ownership interest held by the group**		**Principal activities**
		2023	**2022**	
Baptistcare WA Limited	Australia	100%	-	Provision of aged and community care services
Gnocci Holdings Limited	Australia	100%	-	Catering management services
BaptistCare Community Housing Limited	Australia	100%	-	Provision of community housing

25. Subsequent events

As at the date of this report, no items, transactions or events of a material or unusual nature that, in the opinion of BaptistCare, are likely to significantly affect operations, the results of those operations or the state of affairs of BaptistCare that have arisen in the period from 30 June 2023 to the date of this report.

26. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

In thousands of AUD	**2023**
Current assets	74,986
Total assets	1,692,318
Current liabilities	(1,320,397)
Total liabilities	(1,488,163)
Net assets	204,155
Funds	
Reserve	(70,289)
Retained earnings	(133,866)
Total equity	(204,155)
Loss for the period	41,304

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 21 to 43 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 2023 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards - Simplified Disclosures and the Australian Charities and Not-for-profits Commission Regulation 2022; 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.

Robert Dunn
Chair

Dated at Sydney, this 16th day of October 2023

KPMG

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 Group's financial position as at 30 June 2023, and of its financial performance and its cash flows for the year ended on that date; and

ii. complying with *Australian Accounting Standards – Simplified Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2022*.

The ***Financial Report*** comprises:

i. Consolidated statement of financial position as at 30 June 2023.

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

iii. Notes including a summary of significant accounting policies.

iv. Directors' declaration of the Company.

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

Basis for opinion

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

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

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

KPMG

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 - Simplified Disclosures Requirements and the ACNC and ACNCR..

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 Group and 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.

Our responsibilities include:

i. Identifying 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. Designing and performing 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.

iii. Obtaining 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 its effectiveness.

iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

v. Concluding 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 and 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 Group and Company to cease to continue as a going concern.

vi. Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

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

16 October 2023

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