UnitingCare

Helping you live life in all its fullness

FINANCIAL STATEMENTS

2018

UnitingCare Queensland

Contents

Registered office

The registered office of UnitingCare Queensland is:
The Uniting Church in Australia - Queensland Synod
60 Bayliss Street
Auchenflower QLD 4066

The principal office of UnitingCare Queensland is 192 Ann Street, Brisbane, Queensland 4000.

UnitingCare Queensland

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000 *Restated
Revenue			
Revenue	B1	1,538,323	1,496,327
Other income	B1	43,780	45,291
Total revenue		**1,582,103**	**1,541,618**
Share of (deficit)/surplus in joint ventures	F3	(95)	794
Expenses			
Salaries and employee expenses		(956,911)	(944,719)
Supplies and services expense		(261,000)	(252,468)
Depreciation and amortisation expense		(107,721)	(106,308)
Property expenses	B2	(127,237)	(126,694)
Other expenses	B2	(128,554)	(107,251)
Finance costs	B2	(2,289)	(12,004)
Total expenses		**(1,583,712)**	**(1,549,444)**
Deficit for the year		**(1,704)**	**(7,032)**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Transfer net assets of common controlled entity		-	549
Other comprehensive income for the year		**-**	**549**
Total comprehensive loss for the year		**(1,704)**	**(6,483)**

*See Note G6.6 Voluntary change in accounting policy for restatement of comparative amounts.

UnitingCare Queensland

Consolidated statement of financial position

As at 30 June 2018

ASSETS	Note	2018 $'000	2017 $'000 *Restated
Current assets			
Cash and cash equivalents	B3.1	335,376	505,561
Trade and other receivables	C1.1	91,905	69,439
Inventories	C1.2	11,779	12,572
Other current assets	C1.3	24,661	22,226
Assets classified as held for sale	C2.2	-	2,416
Total current assets		**463,721**	**612,214**
Non-current assets			
Inventories	C1.2	-	312
Interests in other entities	F3	7,075	5,015
Property, plant and equipment	C2.1	1,575,721	1,553,560
Intangible assets	C3	33,855	44,719
Other non-current assets	C1.3	5,917	6,598
Total non-current assets		**1,622,568**	**1,610,204**
TOTAL ASSETS		**2,086,289**	**2,222,418**
LIABILITIES			
Current liabilities			
Trade and other payables	C1.4	130,152	97,581
Ingoing contributions and accommodation bonds[i]	C1.5	725,221	698,118
Borrowings	D1	2,030	12,280
Employee benefits and other provisions	E1	138,478	135,137
Other current liabilities	C1.6	76,756	77,922
Total current liabilities		**1,072,637**	**1,021,038**
Non-current liabilities			
Trade and other payables	C1.4	4,316	4,493
Borrowings	D1	9,068	195,454
Employee benefits	E1	16,738	18,244
Other non-current liabilities	C1.6	52,785	50,740
Total non-current liabilities		**82,907**	**268,931**
TOTAL LIABILITIES		**1,155,544**	**1,289,969**
NET ASSETS		**930,745**	**932,449**
FUNDS			
Contributed funds		5,234	5,234
Accumulated funds		925,511	927,215
TOTAL FUNDS		**930,745**	**932,449**

[i] Australian Accounting Standards require ingoing contributions and accommodation bonds to be presented as current liabilities. The Group estimates that $121,175,000 (2017: $98,969,000) are expected to be settled within 12 months of year end. Further details are included within C1.5.

* See Note G6.6 Voluntary change in accounting policy for restatement of comparative amounts.

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

UnitingCare Queensland

Consolidated statement of changes in funds

For the year ended 30 June 2018

	Note	Contributed funds $'000	Accumulated funds $'000 *Restated	Total funds $'000
Balance at 1 July 2016*		**5,234**	**933,698**	**938,932**
Deficit for the year*		-	(7,032)	**(7,032)**
Other comprehensive income	F1	-	549	**549**
Balance at 30 June 2017*		**5,234**	**927,215**	**932,449**
Deficit for the year		-	(1,704)	**(1,704)**
Balance at 30 June 2018		**5,234**	**925,511**	**930,745**

* See Note G6.6 Voluntary change in accounting policy for restatement of comparative amounts.

UnitingCare Queensland

Consolidated statement of cash flows

For the year ended 30 June 2018

	Note	2018 $'000	2017* $'000 *Restated
Cash flows from operating activities			
Receipts from clients, funding and others		1,568,633	1,594,643
Payments to suppliers and employees		(1,510,743)	(1,484,560)
Interest received		7,857	11,899
Interest paid		(1,824)	(10,615)
Net cash inflow from operating activities	B3.2	**63,923**	**111,367**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6,817	18,020
Proceeds from sale of intangible assets		-	5,656
Proceeds from sale of business		5,459	7,985
Payments for property, plant and equipment		(123,844)	(67,312)
Payments for intangible assets		(719)	(8,794)
Proceeds from capital grants		29,304	16,118
Payments for business combinations, net of cash received	F1	-	(155,059)
Cash transferred from common controlled entity		-	1,311
Acquisition costs	F1	-	(1,739)
Contributions to joint ventures	F3	(2,500)	-
Repayment of loans by joint ventures		277	-
Net cash outflow from investing activities		**(85,206)**	**(183,814)**
Cash flows from financing activities			
Net proceeds from ingoing contributions and accommodation bonds	D1.3	48,687	46,419
Proceeds from borrowings	D1.3	6,000	32,950
Repayment of finance lease liabilities	D1.3	(2,863)	(3,111)
Repayment of borrowings	D1.3	(200,726)	(58,618)
Net cash inflow/(outflow) from financing activities		**(148,902)**	**17,640**
Net decrease in cash and cash equivalents		(170,185)	(54,807)
Cash and cash equivalents at beginning of year		505,561	560,368
Cash and cash equivalents at end of year	B3.1	**335,376**	**505,561**

* See Note G6.6 Voluntary change in accounting policy for restatement of comparative amounts.

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2018

A ABOUT US

A1 Our organisation

UnitingCare Queensland's principal continuing activities are delivering quality health, aged care, disability and community services across Queensland and the Northern Territory. UnitingCare Queensland provides person-centred care and support services to thousands of people every day of the year, enabling clients to live their best possible lives whatever their circumstances.

UnitingCare Queensland ('the Group') is an unincorporated not-for-profit organisation established by the Uniting Church in Australia - Queensland Synod. The Uniting Church in Australia - Queensland Synod has appointed the Board of UnitingCare Queensland to govern its activities. Legal title to all property beneficially utilised in the services provided by UnitingCare Queensland is held in trust by the Uniting Church in Australia Property Trust (Q.), (the Property Trust), a body incorporated by statute and domiciled in Australia, or Australian Regional and Remote Community Services Limited (ARRCS).

A2 Our Financial Statements

A2.1 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Historical cost is generally based on the fair values of the consideration given in exchange for assets. The financial statements are presented in Australian dollars rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

A2.2 Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations (AASBs) issued by the Australian Accounting Standards Board. In some circumstances, where permitted under the AASBs, the Group has elected to apply certain exemptions available to not-for-profit entities.

The financial statements of UnitingCare Queensland for the year ended 30 June 2018 were approved by the Board of UnitingCare Queensland on 2 October 2018.

A2.3 Basis of consolidation

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

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

UnitingCare Queensland* controls the following not for profit organisations:

- UnitingCare Health*;
- Blue Care*;
- UnitingCare Community*; and
- ARRCS.

by virtue of its governance oversight vested in the Board by the Uniting Church in Australia Queensland Synod By-laws (section 3.1.1.1).

* These organisations report to the Australian Charities and Not-for-profits Commission (ACNC) on a group reporting basis, known as the UnitingCare QLD_ACNC Group, refer G6.7.

Consolidation of an entity begins when the Group obtains control over the entity and ceases when the Group loses control of the entity. All intragroup balances and transactions are eliminated on consolidation and accounting policies are consistent.

A2.4 Judgements, estimates and assumptions

The preparation of financial statements in conformity with AASBs requires the use of certain critical accounting estimates. It also requires the Board and management to exercise judgements in the process of applying the accounting policies. The Board and management are responsible for the development, selection and disclosure of critical accounting policies and estimates and their ongoing application. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key judgements, estimates and assumptions made by the Group that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are highlighted in the related note. Any revisions to accounting estimates are adjusted prospectively. Key judgements and estimates which are material to the financial report are found in the following notes:

Key judgements and estimates	*Note*
Determining reciprocal and non-reciprocal grant revenue	B1
Deferred management fees	B1
Estimated useful lives of property, plant and equipment	C2.1
Estimated useful lives of intangibles	C3
Annual and long service leave assumptions	E1

A3 Notes to the financial statements

Information is only included in the notes to the financial statements to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- The amount is significant in size (quantitative factor) or nature (qualitative factor);
- The Group’s results cannot be understood without the specific disclosure (qualitative factor);
- It helps to explain to a user the impact of significant changes in the Group’s operations during the period (qualitative factor); or
- It relates to an aspect of the Group’s operations that is important to its future.

Accounting policies are included within the relevant notes.

B OUR PERFORMANCE

This section highlights the key drivers of the Group's operations, including revenue, expenses and operating cash inflows.

B1 Revenue

	2018 $'000	2017* $'000 *Restated
Grants and subsidies	635,840	634,709
Patient and client revenue	501,264	501,654
Recoverable revenue	123,982	120,619
Non-patient revenue	18,670	19,137
Services and fees	173,856	140,714
Deferred management fees*	17,972	8,690
Lifeline sales	47,448	47,581
Fundraising and donations	3,553	3,360
Other revenue	7,857	7,935
Interest		
Uniting Church Investment Services	5,822	10,953
Other interest	2,059	975
Total revenue	**1,538,323**	**1,496,327**
Other income		
Capital grants from governments [i,ii]	29,304	16,118
Fundraising and donations income – bequests [ii]	7,442	5,369
Gain on sale of property, plant and equipment [iii]	2,188	7,114
Gain on sale of business [iv]	1,872	8,471
Other income [v]	2,974	8,219
Total other income	**43,780**	**45,291**

[i] The primary condition of these grants is to purchase or construct assets.
[ii] The Group recognises the funds when they are controlled and can be reliably measured, these are non-reciprocal transfers.
[iii] Includes gain on disposal of 117 Gipps Street, Fortitude Valley in the prior period.
[iv] The prior year gain on sale of business relates to sale of residential aged care facilities Kingscliff and Amaroo.
[v] Includes a gain on sale of bed licences of $5,656,000 in the prior period.

* See Note G6.6 Voluntary change in accounting policy for restatement of comparative amounts.

Key judgements and estimates

Determining reciprocal and non-reciprocal grant revenue
The Group reviews the terms and conditions of each grant to determine whether the funds relate to a reciprocal grant (i.e. payment for services) in which case it is accounted for as revenue; or a non-reciprocal grant in which case it is accounted for as a contribution (income). Where there is a return obligation for grant funding provided, grant revenue is deferred in the statement of financial position and is recognised as deferred income and released to the statement of profit or loss and other comprehensive income as the obligations are satisfied.

B1 Revenue (continued)

Key judgements and estimates (continued)

Deferred management fees
A key source of estimation is the calculation of the period of expected resident occupancy. This is calculated with reference to the Australian Bureau of Statistics life tables and historical resident occupancy trends. Additionally, a portion of the Group's resident contracts include conditions allowing the resident to participate in capital gain or loss sharing at the end of their occupancy. The capital gain or loss sharing portion of the contract is estimated annually and is based on market values for retirement village units.

Accounting policies
Revenue and income are measured at the fair value of the consideration or contribution received or receivable. Revenue is recognised to the extent that it is probable economic benefits will flow to the Group and they can be reliably measured.

Government grants
Revenue from government grants is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that are reciprocal in nature are recognised in the consolidated statement of profit or loss and other comprehensive income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. A reciprocal transfer generally occurs when a return obligation exists to the funding provider. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Non-reciprocal government grants whose primary condition is that the Group should purchase, construct or otherwise acquire assets are recognised in the consolidated statement of profit or loss and other comprehensive income immediately when control is obtained and can be measured reliably.

Services
The Group provides services to patients, clients and residents through its hospitals, community and residential facilities. Revenue is generally in the form of fees charged and is recognised when the service is provided.

Deferred management fees (DMF)
Amounts retained as income from ingoing contributions are recognised over the expected period of resident occupancy. The expected period of resident occupancy is estimated with reference to historical trends and Australian Bureau of Statistics life table data. A portion of the Group's resident contracts include conditions allowing the resident to participate in capital gain or loss sharing at the end of their occupancy. The capital gain or loss sharing portion of the contract is estimated annually and based on the most current market data for sale prices.

Goods
Revenue is recognised when the goods are delivered and title has passed.

Fundraising and donations
Funds raised, donations and bequests are recognised as revenue when the Group gains control, economic benefits are probable and the amount can be reliably measured. Recognition of revenue relating to funds with a purpose specified in sufficient detail by the donor to create a performance obligation are deferred until such time that performance obligations related to the funds, donation or bequest have been satisfied.

Rental revenue
Rental revenue is recognised on a straight-line basis over the lease term.

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

B2 Expenses

The Group's major categories of expenses are shown in the consolidated statement of profit or loss and other comprehensive income. In addition to this we note:

a) Supplies and services expense includes the cost of goods sold and costs incurred in delivering services to patients, such as hospitality services and housekeeping.
b) Property expenses – this category comprises all costs associated with the ownership and maintenance of the Group's property, plant and equipment and intangible assets including the below expenses:

Property expenses	2018 $'000	2017 $'000
Repairs and maintenance expense	47,653	45,040
Rental expense	20,724	21,208
Communications and utilities expense	30,069	30,826
Rates and taxes	9,927	8,179
Property insurance	4,127	4,124
Motor vehicle expense	12,286	11,512
Other property expense	1,393	5,321
Impairment expense	1,058	484
Total property expenses	**127,237**	**126,694**

c) Other expenses includes external contractors, consulting and professional fees of $85,067,000 (2017: $72,167,000) incurred in the delivery of core services such as medical consultants, and to meet statutory requirements such as external audits.
d) Finance costs comprise interest expense on finance leases recognised using the effective interest method and bank fees.

Accounting policies
Repairs and maintenance costs are charged as expenses as incurred, except where they relate to a material replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with C2.1.

B3 Cash and cash equivalents

B3.1 Cash and cash equivalents

Cash on hand	257	316
Cash at bank	80,335	67,278
Deposits – Uniting Church Investment Services	254,784	437,967
Total cash and cash equivalents	**335,376**	**505,561**

During the period, deposits with Uniting Church Investment Services were used to repay loans, refer D1.1.

Restricted balances included within cash and cash equivalents		
Grant agreement or donation	6,949	6,110
Funds held in Trust under *Retirement Villages Act 1999*:		
Capital Replacement Funds	3,865	9,232
Maintenance Reserve Funds	4,605	4,447
General Services Funds	1,125	535
Total restricted balances	**16,544**	**20,324**

Certain balances are restricted in use for certain purposes defined in either a grant agreement, trust agreement or other externally imposed requirements. In addition, all residential aged care bond deposits received since 1 October 2011 that have been expended on projects meet the *Aged Care Act 1997* "permitted purposes".

B3.1 Cash and cash equivalents (continued)

Accounting policies
Cash and cash equivalents comprise cash balances, short-term bills and call deposits. Balances are carried at face value of the amounts deposited or drawn.

B3.2 Cash flow information

Reconciliation of deficit to net cash inflow from operating activities	2018 $'000	2017 $'000 *Restated
Deficit for the year	(1,704)	(7,032)
Depreciation and amortisation expense	107,721	106,308
Capital grants from government	(29,304)	(16,118)
Write-offs and impairment expense	1,058	484
Gain on sale of business and property, plant and equipment	(4,060)	(21,241)
Acquisition related costs	-	1,739
Deferred management fee revenue	(18,292)	(9,300)
Share of deficit/(surplus) in joint ventures	95	(794)
Accrued interest	102	-
Finance lease interest	362	-
Non cash transactions included in the operating surplus	(583)	(167)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(22,466)	33,424
(Increase)/decrease in prepayments	(1,603)	857
Decrease in inventories	138	1,104
(Increase)/decrease in other assets	(83)	446
Increase in trade and other payables	32,292	6,766
Increase/(decrease) in other liabilities	(1,585)	17,869
Increase/(decrease) in employee benefits and other provisions	1,835	(2,978)
Net cash inflow from operating activities	**63,923**	**111,367**

* See Note G6.6 Voluntary change in accounting policy for restatement of comparative amounts.

C OUR OPERATING ASSET BASE

This section provides further insight into the Group's operating asset base used to support the provision of health and community services. This section includes working capital, property plant and equipment and intangible assets. Working capital includes trade and other receivables, inventories, other assets, trade and other payables, ingoing contributions and accommodation bonds and other liabilities.

C1 Working capital

C1.1 Trade and other receivables	2018 $'000	2017 $'000
Trade receivables	90,190	68,002
Allowance for impairment	(4,617)	(3,301)
	85,573	64,701
Other receivables	824	181
GST recoverable	5,508	4,557
Total trade and other receivables	**91,905**	**69,439**

C1.1 Trade and other receivables (continued)

	2018	2017
Ageing of past due but not impaired	**$'000**	**$'000**
60 – 90 days	2,120	1,493
90+ days	4,143	3,670
Total past due but not impaired	**6,263**	**5,163**
Movement in allowance for impairment of receivables		
Balance at beginning of the financial year	3,301	2,791
Impairment losses recognised on receivables	2,005	950
Amounts written off during the year as uncollectible	(689)	(451)
Amounts recovered during the year	-	11
Balance at end of the financial year	**4,617**	**3,301**

Accounting policies
Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Trade and other receivables are assessed for indicators of impairment at the end of each annual reporting period. They are impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected. Those trade and other receivables that are assessed not to be impaired individually, are in addition assessed for impairment on a collective basis.

C1.2 Inventories

Current		
Medical supplies	10,838	11,072
Linen	-	696
Other	941	804
Total current inventories	**11,779**	**12,572**
Non-Current		
Linen	-	312
Total non-current inventories	**-**	**312**

The cost of inventories recognised as an expense during the year was $210,607,000 (2017: $212,000,000). This relates to medical items and prosthetics.

Accounting policies
Purchased inventories are valued at the lower of weighted average cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Second hand inventory donations are not valued.

C1.3 Other assets

Current		
Prepayments	15,264	13,661
Accrued income	8,562	8,486
Loans to other entities [i]	799	26
Other current assets	36	53
Total other current assets	**24,661**	**22,226**

i. See footnote i on next page.

C1.3 Other assets (continued)

Non-current	2018 $'000	2017 $'000
Loans to other entities [i]	845	1,895
Imputation tax receivable [ii]	2,604	2,259
Funds held in trust [iii]	2,468	2,444
Total other non-current assets	**5,917**	**6,598**

i. Loans to other entities consists of an unsecured loan to UnitingCare Medical Imaging Pty Ltd (UCMI), a 50% joint venture with UnitingCare Health and an unsecured payment arrangement with Karoon Holdings Pty Ltd. The UCMI loan is for a ten year period and was provided to assist with working capital and capital development requirements. The directors exercised an option available in the first year of the loan to capitalise interest on the outstanding balance. The interest is charged quarterly at the bank bill swap rate (BBSW) plus 4% and has been capitalised to the loan.

ii. The Group has a 50% ownership in UCMI, a joint venture which is subject to income tax. An income tax benefit is recognised as a receivable by the Group for its share of the income tax paid by UCMI which will be recouped by the Group from the Australian Taxation Office (ATO) on payments of dividends by UCMI.

iii. Funds are restricted in use to the purposes intended under these trust agreements. Only interest income earned from investment of the principal amounts is permitted to be used. Permitted uses include the promotion of staff development and training and the support of community care services.

C1.4 Trade and other payables

Current		
Trade payables	45,400	33,829
Accrued expenses	83,304	62,021
Other payables	1,448	1,731
Total current trade and other payables	**130,152**	**97,581**
Non-current		
Maintenance reserve funds	4,316	4,493
Total non-current trade and other payables	**4,316**	**4,493**

The Group has financial risk management policies in place to ensure that payables are paid within the credit framework. The credit framework is determined by the terms of the creditors and interest is not payable when paid within trading terms.

Maintenance reserve funds are established under section 97 of the *Retirement Villages Act 1999 (Qld)* for maintaining and repairing retirement villages' capital items. The amounts held in the funds are solely for the benefit of the residents and the residents are solely responsible for contributing to the funds. The balance of the fund is set annually by an external quantity surveyor and drawn down as the allowed items are incurred.

C1.5 Ingoing contributions and accommodation bonds

	2018 $'000	2017 $'000 *Restated
Current		
Expected to be paid within 12 months		
Ingoing contributions*	43,242	32,034
Accommodation bonds	77,933	66,935
	121,175	98,969
Not expected to be paid within 12 months		
Ingoing contributions*	435,269	443,160
Accommodation bonds	168,777	155,989
	604,046	599,149
Total ingoing contributions and accommodation bonds	**725,221**	**698,118**

* See Note G6.6 Voluntary change in accounting policy for restatement of comparative amounts.

C1.5 Ingoing contributions and accommodation bonds (continued)

Accommodation bonds (including Refundable Accommodation Deposits) are held in respect of clients in residential aged care facilities. Ingoing contributions are held for clients of retirement living units covered under the *Retirement Villages Act 1999*. By their nature, these amounts are considered to be repayable on demand and are therefore classified as current liabilities. They are recorded at the amount initially received less any retention the Group is allowed to deduct in accordance with the relevant legislation and resident agreement and are not discounted. The cash required to cover the refund of accommodation bonds is subject to a documented liquidity management strategy.

Accounting policies

Ingoing contributions received from residents represent non-interest bearing deposits that are refundable in accordance with the relevant legislation and the individual resident agreements in the event the resident leaves a Group facility. As they are considered to be repayable on demand, they are recorded at the amount initially received, less any contractually accrued DMF the Group is allowed to deduct, and are not discounted.

C1.6 Other liabilities	2018 $'000	2017 $'000 *Restated
Current		
Grant funding liabilities	66,790	67,397
Deferred revenue*	2,939	2,682
Unearned income	4,854	5,284
Income received in advance	563	1,013
Lease incentives	1,228	1,228
Other current liabilities	382	318
Total other current liabilities	**76,756**	**77,922**
Non-current		
Deferred revenue*	34,652	31,623
Fundraising monies held in trust	352	358
Unearned income	8,640	8,796
Lease incentives and straight-line lease liabilities	9,141	9,963
Total other non-current liabilities	**52,785**	**50,740**

* See Note G6.6 Voluntary change in accounting policy for restatement of comparative amounts.

Unearned income includes a lease to Wesley Medical Research for a 99 year period that has been prepaid. This lease does not have an option to renew or purchase the leased asset at the expiry of the lease period. Unearned income also includes prepaid lease consideration arising from an 18 year lease with UCMI. The construction of the external walls, roof and floors of the leased space was funded by UCMI and forms a part of the prepaid lease consideration. The asset is recognised as an asset of the Group and the prepaid rental amortised over the term of the lease.

Accounting policies

Grant funding liabilities

Grant funding liabilities relate to deferred grant revenue for government grants containing a return obligation. This liability is released to the statement of profit or loss and other comprehensive income as the obligations are satisfied (refer B1).

Deferred revenue

Deferred revenue relates to the difference between contractually accrued ingoing contributions and DMF revenue recognised based on expected resident occupancy.

C1.6 Other liabilities (continued)

Accounting policies (continued)

Lease incentives and straight-line lease liabilities
Rental expenses on operating leases are recognised over the life of the lease (referred to as straight-lining). When a lease incentive is granted a liability is recognised and amortised over the life of the lease.

C2 Property, plant and equipment (PPE)

C2.1 PPE

	CWIP^	Land	B&I^	P&E^ [i]	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Cost	88,845	177,972	1,594,583	459,705	49,245	**2,370,350**
Accumulated depreciation	-	-	(481,015)	(292,518)	(21,096)	**(794,629)**
Total 30 June 2018	88,845	177,972	1,113,568	167,187	28,149	**1,575,721**
1 July 17 carrying amount	32,575	176,579	1,141,643	174,339	28,424	**1,553,560**
Additions	74,697	534	17,692	23,799	8,326	**125,048**
Disposals and derecognitions	(997)	(18)	(703)	(1,412)	(2,843)	**(5,973)**
Impairment	-	-	(919)	(139)	-	**(1,058)**
Transfers:						
From CWIP [ii]	(17,430)	-	12,781	4,035	-	**(614)**
*From HFS^*	-	913	-	-	-	**913**
Depreciation	-	(36)	(56,926)	(33,435)	(5,758)	**(96,155)**
30 June 2018 carrying amount	**88,845**	**177,972**	**1,113,568**	**167,187**	**28,149**	**1,575,721**
2017 (*Restated)						
Cost	32,575	176,579	1,566,294	437,055	48,571	**2,261,074**
Accumulated depreciation	-	-	(424,651)	(262,716)	(20,147)	**(707,514)**
Total 30 June 2017*	32,575	176,579	1,141,643	174,339	28,424	**1,553,560**
1 July 2016 carrying amount	47,263	128,977	695,026	176,163	28,879	**1,076,308**
Additions:						
Additions	35,663	48	12,658	20,409	7,945	**76,723**
*Business combinations**	-	47,055	462,040	441	162	**509,698**
Disposals	(988)	(379)	(1,585)	(852)	(2,920)	**(6,724)**
Impairment	(2)	(482)	-	-	-	**(484)**
Transfers:						
Under common control	-	51	-	11	57	**119**
From CWIP [ii]	(49,361)	-	29,682	12,287	-	**(7,392)**
*From HFS^*	-	2,996	10	-	-	**3,006**
Depreciation*	-	(29)	(55,583)	(34,104)	(5,699)	**(95,415)**
Classified to HFS^	-	(1,658)	(605)	(16)	-	**(2,279)**
30 June 2017 carrying amount*	**32,575**	**176,579**	**1,141,643**	**174,339**	**28,424**	**1,553,560**

* See Note G6.6 Voluntary change in accounting policy for restatement of comparative amounts.
^ Abbreviations used are Capital work in progress (CWIP), Buildings and improvements (B&I), Plant and equipment (P&E) and Held for sale (HFS).

i. Plant and equipment includes an amount of $10,686,000 (2017: $11,414,000) of leased equipment at cost and $4,205,000 (2017: $3,064,000) of accumulated depreciation where the Group is a lessee under a finance lease. These assets comprise medical equipment and print infrastructure assets for which the lease liability is disclosed in D1.2.

ii. Certain transfers out of capital work in progress have been processed through asset class additions and transfers to intangible assets have been recognised as additions in C3.

C2.1 PPE (continued)

Assets pledged as security
Freehold land and buildings with a carrying amount of $69,579,000 (2017: $106,186,000) have been pledged to secure borrowings of the Property Trust. The freehold land and buildings have been pledged as security for bank loans under a mortgage. The Property Trust is not allowed to pledge these assets as security for other borrowings or to sell them to another entity without the approval from the Australia and New Zealand Banking Group Limited.

As at 30 June 2018, freehold land and buildings with a carrying amount of $4,638,000 (2017: $4,930,000) have been pledged to the Queensland Government to secure grant funding under a mortgage. The Group is able to pledge these assets as security for other borrowings provided that the funder remains as a second mortgagee. In addition, hospital assets with a carrying value of $38,309,000 (2017: $41,215,000) are pledged as security in accordance with a grant contract from the Commonwealth of Australia.

In total, assets of $42,946,000 (2017: $46,145,000) which is 2.8% (2017: 3.0%) of total PPE, have been or will be pledged to secure government grants.

Key judgements and estimates
The estimated useful lives of PPE are reviewed annually. This assessment takes into consideration legislative and safety requirements and plans to ensure continued compliance therewith. The estimated useful lives reflect existing and future redevelopment plans which are also subject to review based on requirements and cost. Any changes are accounted for prospectively.

Accounting policies
Freehold land is held at cost less any impairment losses and is not depreciated. Buildings are carried at cost less accumulated depreciation and any impairment losses. Items of PPE are stated at cost (or at fair value where gifted to the Property Trust) less accumulated depreciation and impairment losses. Subsequent to initial recognition, fair value is deemed cost.

The cost of capital works in progress includes the cost of materials, direct labour, the initial estimate (where relevant) of the costs of dismantling and removing the items and restoring the site on which they are located, an appropriate proportion of production overheads and directly attributable borrowing costs (net of investment income on specific borrowings).

Depreciation is charged on a straight-line basis over the item of PPE's estimated useful life as follows:

- Buildings and improvements — Up to 50 years
- Plant and equipment — 3 to 40 years
- Motor vehicles — 3 to 10 years

Assets are depreciated from the date of acquisition or in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Subsequent costs
Costs incurred on PPE subsequent to acquisition are capitalised if the Group will derive a future benefit from them, or expensed if they are in the nature of maintaining the existing asset and no additional benefit will be derived.

Impairment of assets
The carrying amounts of assets are reviewed annually to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Group would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the current replacement cost of the asset. Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine recoverable amount.

C2.2 Assets classified as held for sale

	2018 $'000	2017 $'000
Land	-	1,658
Buildings	-	742
Plant and equipment	-	16
Total assets classified as held for sale	**-**	**2,416**

Accounting policies

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

C2.3 Leasing

Operating lease arrangements

(a) Leasing arrangements

Operating leases relate to leases of plant and IT equipment, motor vehicles and premises with lease terms up to ten years.

(b) Payments recognised as an expense

Minimum lease payments	23,009	23,654

(c) Non-cancellable operating lease commitments

Non-cancellable operating leases over plant and IT equipment, motor vehicles and premises contracted for but not capitalised in the financial statements are payable as follows:

Not later than 1 year	18,023	18,817
Later than 1 year and not later than 5 years	42,458	34,951
Later than 5 years	9,110	19,299
	69,591	**73,067**

Liabilities recognised in respect of non-cancellable operating leases are disclosed in other liabilities (refer C1.6)

Accounting policies

A lease is classified at inception as a finance lease or operating lease. A lease that transfers substantially all the risks and benefits incidental to ownership to the Group is classified as a finance lease. The PPE under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense on a straight-line basis over the lease term.

C2.4 Commitments and expenditure

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	2018 $'000	2017 $'000
Not later than 1 year		
Buildings	7,234	40,079
Plant and equipment	2,749	2,400
Intangibles	204	133
Between 1 – 5 years		
Buildings	-	5,388

C3 Intangible Assets

Computer software		
Opening Balance	44,719	46,824
Additions	105	1,402
Disposals	(17)	(6)
Transfers from CWIP	614	7,392
Amortisation	(11,566)	(10,893)
Carrying amount at end of the year	**33,855**	**44,719**

During the year ended 30 June 2018, the Group carried the following significant intangible assets: clinical information system, eHealth application and data convergence centre. The carrying value related to these intangible assets at 30 June 2018 of $15,158,000 (2017: $19,908,000) is expected to be fully amortised in two to six years.

Key judgements and estimates
The estimated useful lives of intangible assets are reviewed annually. The estimated useful lives reflect existing and future redevelopment plans which are also subject to review based on requirements and cost. Any changes are accounted for prospectively.

Accounting policies
Intangible assets are carried at cost less accumulated amortisation and impairment. Amortisation is recognised on a straight line basis over the assets estimated useful lives which are between 1 and 10 years.

The Group recognises an intangible asset on development activities if the project is technically feasible, and the Group can demonstrate:

- the intention to complete the intangible asset;
- how the intangible assets use will generate probable future economic benefits; and
- the ability to reliably measure the expenditure during the intangible assets development. Expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads.

In the current and prior periods, all expenditure is occurring in the development phase and as such no research expenditure has been incurred. Costs associated with maintaining computer software and licencing costs are expense as incurred.

The Group also has intangible assets in the form of residential aged care places which are a right to operate a bed. They are issued by the Federal Government free of charge and have no fixed period once operational. The Group does not assign a value to bed assets due to the lack of a clear market that buys and sells these assets. Intangible assets are tested for impairment when an indicator of impairment exists. If the recoverable amount is less than its carrying amount, an impairment loss is recorded to adjust the carrying amount. The Group does not have intangibles with indefinite useful lives.

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D FINANCIAL INSTRUMENTS

This section provides information on Group objectives when managing capital. The Group's objectives are to safeguard the Group's ability to continue as a going concern, and to ensure the funding structure enhances, protects and balances financial flexibility against minimising the cost of capital.

Given the nature of Group operations, it is also exposed to a number of market risks; this section outlines how these key risks are managed.

D1 Borrowings

	2018 $'000	2017 $'000
Current		
Finance lease obligation	2,030	2,428
Loans – Uniting Church Investment Services	-	9,852
Total current borrowings	**2,030**	**12,280**
Non-current		
Finance lease obligation	3,068	4,580
Loans – Uniting Church Investment Services	-	190,874
Newpin Social Benefit Bond	6,000	-
Total non-current borrowings	**9,068**	**195,454**

D1.1 Loans

During the period, loans from Uniting Church Investment Services ('UCIS') were repaid in full, with an associated reduction in cash and cash equivalents, refer B3. The Newpin Social Benefit Bond borrowing related to a $6,000,000 loan received from the Newpin Queensland Social Benefit Bond Trust. The loan has a 7.25 year term, with 2% per annum fixed interest payments over six years and a performance interest payment in year seven, based on the outcomes of the Newpin program.

Additionally, at the end of the reporting period the Group had access to the following facilities:

i. Australia and New Zealand Banking Group Limited ('ANZ') revolving cash advance facility of $5,000,000;
ii. ANZ bank guarantees facility of $5,000,000; and
iii. UCIS line of credit facility of $20,000,000.

With the exception of $62,000 being utilised of the ANZ bank guarantee facility, no other amounts had been used from the above facilities.

Accounting policies

Borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any difference between cost and redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the entire period of the borrowings on an effective interest basis. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless there is an unconditional right to defer the settlement of the liability for at least twelve months from the end of each annual reporting period.

D1.2 Finance lease obligations

	2018 $'000	2017 $'000
Minimum lease payments		
Not later than 1 year	2,278	2,774
Later than 1 year and not later than 5 years	3,248	4,912
Minimum lease payments	5,526	7,686
Less: future finance charges	(428)	(678)
Present value of minimum lease payments	**5,098**	**7,008**
Not later than 1 year	2,030	2,428
Later than 1 year and not later than 5 years	3,068	4,580
Present value of minimum lease payments	**5,098**	**7,008**

Finance lease obligations are secured by the lessor's title to the leased assets. The borrowings are a mix of variable and fixed interest rate debt with repayment periods up to five years. The current weighted average effective interest rate on those finance lease liabilities is 5.81% per annum (2017: 5.76% per annum).

The Group has no legal right of set-off of any assets and liabilities.

Finance leases, with the exception of those in respect of print equipment, relate to equipment with lease terms of one to fifteen years. An option to purchase the equipment for a nominal amount at the conclusion of the lease agreement exists. Finance leases in respect of print equipment are for a lease term of five years. Whilst there is no stated option to purchase the equipment, there is a specified minimum committed purchase amount that has been reflected in the stated carrying values.

Accounting policies
Finance leases are capitalised at the commencement of the lease at the lower of fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease term so as to produce a constant rate of interest on the remaining balance of the liability.

D1.3 Movement in liabilities from financing activities

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1 July 2017 $'000	Cash flows $'000	New leases $'000	Other [i] $'000	30 June 2018 $'000
Lease liabilities	7,008	(2,863)	591	362	5,098
Loans – Uniting Church Investment Services	200,726	(200,726)	-	-	-
Loans - other	-	6,000	-	-	6,000
Ingoing contributions and accommodation bonds	698,118	48,687	-	(21,584)	725,221
Total liabilities from financing activities	**905,852**	**(148,902)**	**591**	**(21,222)**	**736,319**

[i] Other changes for ingoing contributions and accommodation bonds include deferred management fee and retention revenue.

D2 Financial risk management

D2.1 Financial risk management objectives

The Group's financial assets (trade receivables and loans to other entities) are all classified as loans and receivables. The fair values of financial assets and financial liabilities approximate carrying amounts as the assets and liabilities are either short-term; the impact of discounting is not significant; or any borrowings incur interest at variable rates.

The Group's activities expose it to a variety of financial risks: market risks (including fair value interest rate risk), credit risk, liquidity risk, and capital risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. The Group's current strategy to meet minimum liquidity requirements is to constantly monitor cash flow through the preparation of monthly cash flow statements and cash flow reconciliations and forecasts.

UnitingCare Queensland and its Service Groups deposit funds with, and borrow funds from, UCIS, the Treasury arm of the Property Trust and ANZ. Risk management is carried out under policies approved by the Queensland Synod Finance, Investment and Property Board and the Board of UnitingCare Queensland.

D2.2 Capital risk management

The capital structure consists of debt borrowings (refer D1) and cash and cash equivalents (refer B3). Operating cash flows are used to maintain and expand the services assets, as well as to make the routine outflows including repayment of debt. The policy is to borrow centrally, using a variety of borrowing facilities to meet anticipated funding requirements.

(a) Credit risk management

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At the end of the annual reporting period there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(b) Market risk

The Group has significant interest-bearing assets and therefore, the income and operating cash flows are materially exposed to changes in market interest rates. There has been no change to the nature of these risks or the manner in which these risks are managed and measured.

(c) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. UCIS maintains flexibility in funding by keeping external credit lines available.

D2.3 Interest rate risk management

Interest rate risks on borrowings are managed with the aim of reducing the impact of short term fluctuations in earnings. However, over the longer term, permanent changes in interest rates would have an impact on earnings. At 30 June 2018, it is estimated that a general increase of one percentage point in interest rates on borrowings would not have a material impact on the Group.

The undiscounted contractual maturities include interest that will be earned. This information is included as the liquidity is managed on a net asset basis.

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D2.4 Financial assets and liabilities

30 June 2018 ASSETS	Effective interest rate (%)	MATURING (Years) < 1 $'000	1 to 2 $'000	> 2 $'000	Total $'000
Non-interest bearing:					
Cash and cash equivalents	-	613	-	-	**613**
Receivables	-	91,905	-		**91,905**
Other non-current assets	-	-	-	2,604	**2,604**
Floating interest rate:					
Cash and cash equivalents	2.24	334,763	-	-	**334,763**
Loans to other entities	6.08	799	845	-	**1,644**
Funds held in trust	1.45	-	-	2,468	**2,468**
Total financial assets		**428,080**	**845**	**5,072**	**433,997**
LIABILITIES					
Fixed interest rate:					
Borrowings	5.81	2,030	1,672	7,396	**11,098**
Non-interest bearing:					
Ingoing contributions and accommodation bonds	-	725,221	-	-	**725,221**
Trade and other payables	-	130,152	4,316	-	**134,468**
Other liabilities	-	67,172	352	-	**67,524**
Total financial liabilities		**924,575**	**6,340**	**7,396**	**938,311**

30 June 2017* ASSETS	Effective interest rate (%)	MATURING (Years) < 1 $'000	1 to 2 $'000	> 2 $'000	Total $'000
Non-interest bearing:					
Cash and cash equivalents	-	594	-	-	**594**
Receivables	-	69,439	-	-	**69,439**
Other non-current assets	-	-	-	2,259	**2,259**
Floating interest rate:					
Cash and cash equivalents	2.19	504,967	-	-	**504,967**
Loans to other entities	5.79	26	-	1,895	**1,921**
Funds held in trust	1.58	-	-	2,444	**2,444**
Total financial assets		**575,026**	**-**	**6,598**	**581,624**
LIABILITIES					
Floating interest rate:					
Bank loans and overdrafts	4.53	12,280	10,306	185,148	**207,734**
Non-interest bearing:					
Ingoing contributions and accommodation bonds*	-	698,118	-	-	**698,118**
Trade and other payables	-	97,581	4,493	-	**102,074**
Other liabilities*	-	67,715	358	-	**68,073**
Total financial liabilities		**875,694**	**15,157**	**185,148**	**1,075,999**

* See Note G6.6 Voluntary change in accounting policy for restatement of comparative amounts.

E OUR PEOPLE

This section provides further details of the Group's investment in our people including employee benefits and remuneration of key management personnel.

E1 Employee benefits and other provisions

	2018 $'000	2017 $'000
Current		
Annual leave [i]	70,669	70,041
Long service leave [i]	61,836	55,166
Accrued day off and other leave	1,056	1,497
Sick leave	3,955	4,574
Restructuring provision	439	469
Total current employee benefits	**137,955**	**131,747**
Other provisions	523	3,390
Total current employee benefits and other provisions	**138,478**	**135,137**
Non-current		
Long service leave	16,738	18,244
Total non-current employee benefits and other provisions	**16,738**	**18,244**

i. The current portion of employee benefits liability includes all of the employee benefits where employees have completed the required period of service or will complete the required period of service within 12 months from the balance date. The entire annual leave provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Current leave obligations not expected to be settled within 12 months included in current employee benefits were $40,206,000 (2017: $34,025,000).

Key judgements and estimates

Management judgement is applied in determining the following key assumptions used in the calculation of annual leave and long service leave at the end of the reporting period:

- future increases in wages and salaries;
- future on-cost rates; and
- experience of employee departures and period of service.

Accounting policies

Wages and salaries

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service and accumulating sick leave in the period the related service is rendered. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Employee benefit on-costs

Employee benefit on-costs are recognised consistently with the related employee benefits.

Accrued day off and other leave

A liability for accrued rostered days off and time off in lieu is measured at the amounts expected to be paid when the liabilities are settled.

E1 Employee benefits and other provisions (continued)

Accounting policies (continued)

Sick leave
Under certain enterprise bargaining arrangements, sick leave accrued by employees has been recognised and measured at the amounts expected to be paid when the employee takes sick leave entitlements. The balance of the liability is settled on termination.

Restructuring
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructure and has raised a valid expectation that it will carry out the plan through either commencement, or announcing its main features to those affected by it. The measurement of the provision includes only the direct expenditures arising from the restructure, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

E2 Key management personnel compensation

Key management personnel compensation paid to executives included in salaries and employee costs are as follows:

	2018 $'000	2017 $'000
Short-term employee benefits	4,808	5,052
Post-employment benefits	247	255
Other long term employment benefits	213	-
Termination benefits	-	667
Total key management personnel compensation	**5,268**	**5,974**

No transactions other than those disclosed above were made with key management personnel (2017: nil).

F OUR STRUCTURE

This section explains the Group's structure including entities we control and our interests in joint ventures.

F1 Business combinations

The 30 June 2017 financial statements were based on a provisional assessment of the fair value of Carlyle and Argyle Gardens and Fraser Shores net assets at acquisition date, which have now been finalised following a thorough analysis of the acquired contracts, including with respect to deferred management fees and residents share of capital gains. On completion of accounting, the acquisition date fair values were adjusted as follows:

- Property, plant and equipment increased by $16,737,000
- Ingoing contributions increased by $7,417,000
- Deferred revenue increased by $24,154,000

Acquisition of Carlyle and Argyle Gardens
The Carlyle Gardens (Mackay), Carlyle Gardens (Townsville) and Argyle Gardens (Bundaberg) Retirement Villages businesses were acquired on 1 September 2016. The acquisition has increased the Group's market share in the retirement village industry and complements existing assets.

The total consideration of $85,000,000 was paid in cash. Acquisition related costs of $886,000 including legal expenses, government charges and professional fees were expensed and included in other expenses in the consolidated statement of profit or loss and other comprehensive income in the prior period. In the prior period, the acquired business contributed revenues of $5,906,000 and a net loss of $5,028,000 to the Group. If the acquisition had occurred on 1 July 2016, the revenue and loss for the year ended 30 June 2017 would have been $7,088,000 and $6,033,000 respectively.

F1 Business combinations (continued)

Acquisition of Fraser Shores
The Fraser Shores and Fraser Shores 2 Retirement Village businesses were acquired on 1 July 2016. The acquisition has increased the Group's market share in the retirement village industry and complements existing assets.

The total consideration paid for the acquisition of the retirement village assets and business from Fraser Shores Properties Pty Ltd was $70,495,000. This includes deferred consideration payable 12 months after acquisition of $400,000, which has a present value at the acquisition date of $378,000. Acquisition related costs of $853,000 including legal expenses, government charges and professional fees, were expensed and included in other expenses and consulting and professional fees in profit and loss in the prior period.

In the prior period, the acquired business contributed revenues of $2,761,000 and a net loss of $3,675,000 to the Group.

	Carlyle and Argyle Gardens 1 Sept 16	Fraser Shores 1 July 16	Total
Fair value of net identifiable assets	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	321	115	436
Property, plant and equipment	306,585	156,058	462,643
Land	22,500	24,555	47,055
Total assets	**329,406**	**180,728**	**510,134**
Employee benefits	(268)	(134)	(402)
Ingoing contributions (contractually accrued)	(226,577)	(103,506)	(330,083)
Deferred revenue	(17,561)	(6,593)	(24,154)
Total liabilities	**(244,406)**	**(110,233)**	**(354,639)**
Net assets acquired	85,000	70,495	155,495
Consideration	**85,000**	**70,495**	**155,495**
Outflow of cash to acquire business, net of cash acquired			
Cash paid	85,000	70,495	155,495
Less: balances acquired	(321)	(115)	(436)
Net outflow of cash – investing activities	84,679	70,380	155,059
Acquisition costs	886	853	1,739

Prior period - transfer under common control of Blair Athol
In July 2016, management of Blair Athol accommodation and support service was transferred from Blair Athol – a charity and agency of Uniting Church of Australia Queensland Synod to UnitingCare Community. This transaction which was a business combination under common control results in net assets acquired of $549,000 being recognised in other comprehensive income.

Accounting policies
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity instruments issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the acquire are measured in accordance with AASB 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

F1 Business combinations (continued)

Accounting policies (continued)
Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

F2 Joint operations

Blue Care has a 50% interest in a joint operation with Brisbane Housing Company Limited that provides affordable housing under the National Rental Affordability Scheme (NRAS).

Financial information relating to this interest is set out below.

Interest in joint operation	**2018 $'000**	**2017 $'000**
Property, plant and equipment assets	4,761	4,889
Less: depreciation	(128)	(128)
Net interest in joint operation	**4,633**	**4,761**
Results		
Rental Revenue	644	816
Expenses	(234)	(253)
Net contribution to result	**410**	**563**

Accounting policies
A joint operation is a joint arrangement whereby the parties to the joint venture have rights to the assets and obligations for the liabilities relating to the arrangement. Interests in joint operations are accounted for through the recognition of the proportionate share of the assets, liabilities, revenues and expenses of the joint operation. Classification of these items is consistent within the Group.

F3 Interests in other entities

Interests in equity accounted joint ventures

			Ownership Interest		**Carrying Amount of Investment**	
Name	**Place of Business**	**Principal Activities**	**2018 %**	**2017 %**	**2018 $'000**	**2017 $'000**
UnitingCare Medical Imaging Pty Ltd	Australia	Healthcare	50	50	5,687	5,015
Trinity Health Services Ltd	Australia	Healthcare	50	50	-	-
Leap in! Australia Ltd	Australia	Healthcare	50	-	1,388	-
Investments accounted for using the equity method					**7,075**	**5,015**

UnitingCare Medical Imaging Pty Ltd (UCMI) is an operator in the provision of diagnostic imaging services in Australia, and Leap in! Australia Ltd (LIL) is developing an online portal for national disabilities insurance scheme clients. Trinity Health Services Ltd is a dormant entity.

F3 Joint ventures (continued)

Movements during the year for equity accounted investments	UCMI		LIL	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At beginning of the financial year	5,015	4,477	-	-
Add: Investments during the period	-	-	2,500	-
Add: Share of joint venture surplus/(deficit)	1,017	794	(1,112)	-
Less: Imputation tax credits	(345)	(256)	-	-
Balance at end of the year	**5,687**	**5,015**	**1,388**	**-**
Summarised financial performance:				
Joint venture surplus/(deficit) for the year	2,035	1,587	(2,224)	-

Commitments and contingent liabilities in respect of joint ventures

A joint and several liability over an asset finance facility with an external bank amounting to $15,000,000 has been entered into by the two joint investors to UCMI. At the end of the period, no funds were drawn down.

Accounting policies

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The Group recognises its share of the profits or losses of the joint venture, and its share of movements in the consolidated statement of profit or loss and other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest. Accounting policies are consistent with the Group's policies.

Interests in joint ventures are tested for impairment when an indicator of impairment exists. If the recoverable amount is less than its carrying amount an impairment loss is recorded to adjust the carrying amount.

G OTHER DISCLOSURES

This section includes additional information that is required by accounting standards and other relevant legislation.

G1 New and amended standards adopted

The group applied the following amendments for the first time for the annual reporting period commencing 1 July 2017:

- AASB 2016-2 A*mendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* ;
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non Cash Generating Specialised Assets of Not-for-Profit Entities; and*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.*

The Group has provided additional disclosures on changes in liabilities arising from financing activities (refer D1.3). The adoption of these amendments did not have any impact on the amounts recognised in period periods and also will not affect the current or future periods.

G2 Standards and Interpretations in issue but not yet adopted

The Group's assessment of the impact of these new standards and interpretation is set out below:

Title AASB 9 Financial Instruments

Nature of change
AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact
The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 July 2018:

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, contract assets under AASB 15 *Revenue from Contracts with Customers*, lease receivables and loan commitments. Based on the assessments undertaken to date, the group does not expect a significant change in the allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Mandatory application date / Date of adoption
Must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparatives will not be restated.

Title AASB 15 Revenue from Contracts with Customers,
AASB 1058 Income of Not-for-Profit Entities and
AASB 2016-8 Australian Implementation Guidance for Not-for-Profit Entities

Nature of change
The AASB has issued a new standard for the recognition of revenue, and for the recognition of income of not-for-profit entities. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 1004 which covers contributions. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Impact
Management is currently assessing the effects of applying the new standard on the Group financial statements and has identified the following areas that are likely to be affected:

Accounting for grant revenue – there will no longer be a distinction between reciprocal and non-reciprocal revenue. Transactions will be accounted for under AASB 15 where there is a legally enforceable contract with a customer that contains sufficiently specific performance obligations, and transactions that are not captured under AASB 15 will be accounted for under AASB 1058.

At this stage, the Group is not able to estimate the effect of the new rules on its financial statements. The Group will undertake more detailed assessments of the effect over the next year.

Mandatory application date / Date of adoption
Mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard and implementation guidance before its effective date.

G2 Standards and Interpretations in issue but not yet adopted (continued)

Title AASB 16 Leases

Nature of change
AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact
The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $69,591,000, refer C2.3. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payment and how this may affect the Group's surplus and classification of cash flows going forward.

Mandatory application date / Date of adoption
Mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

G3 Going concern

The financial statements have been prepared on an accruals basis of accounting and include the assumption that UnitingCare Queensland will continue to operate as a going concern.

UnitingCare Queensland has a net current asset deficiency of $608,916,000 (2017: $408,824,000), a significant portion of which is ingoing contributions and accommodation bonds of $725,221,000 (2017: $698,118,000), which are disclosed as a current liability. Current liability classification notwithstanding, UnitingCare Queensland expects that, of the total ingoing contributions and accommodation bonds disclosed as a current liability, $604,046,000 (2017: $599,149,000) will not be repaid within 12 months (refer C1.5). Furthermore, the repayment of any ingoing contributions and accommodation bonds will be offset by incoming ingoing contributions and accommodation bonds. Additionally, of total current employee benefits disclosed, $40,206,000 (2017: $34,025,000) are expected to be settled after 12 months (refer E1). The groups adjusted net current asset position is reflected as follows:

	2018 $'000	**2017 $'000**
Net current asset deficiency	(608,916)	(408,824)
Add back: Ingoing contributions and accommodation bonds not expected to be repaid within 12 months	604,046	599,149
Add back: Ingoing contributions and accommodation bonds expected to be repaid within 12 months and replaced by new ingoing contributions and accommodation bonds	121,175	98,969
Add back: Current employee benefits not expected to be settled within 12 months	40,206	34,025
Total adjusted net current asset position	156,512	323,319

G4 Other accounting policies

G4.1 Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense, unless otherwise not recoverable. Contingencies and commitments are also disclosed net of GST payable or recoverable. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the consolidated statement of financial position. Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows within the receipts from clients, funding and others and payments to suppliers and employees.

G4.2 Income taxes
No provision for income tax has been made as UnitingCare Queensland and its agencies are exempt from taxation under Division 50 of the *Income Tax Assessment Act (1997)* and have been so endorsed by the Commissioner of Taxation.

G5 Comparatives
Where necessary, comparative amounts have been amended for any changes to the current year presentation or classification of items in the financial statements that were made in order to enhance users' understanding of the financial statements:
- Capital contributions from clients are now included within revenue;
- Revenue sub-categories have been renamed to better reflect their nature;
- Property related expenses have been grouped and assigned their own category in the consolidated statement of profit or loss and other comprehensive income;
- Consulting and professional fees have been grouped within other expenses in the consolidated statement of profit or loss and other comprehensive income;
- Straight-lining and lease incentive liabilities are all classified as other liabilities.

G6 Other Disclosures

G6.1 Auditor's remuneration	2018 $	2017 $
Audit fees	555,000	633,400
Other services	223,060	321,000
Total auditor's remuneration	**778,060**	**954,400**

The auditor for UnitingCare Queensland is Deloitte Touche Tohmatsu. Other services provided relate to consulting and professional fees.

G6.2 Other related party disclosures

(a) Equity interests in related parties

Interests in other entities
For details of joint arrangements refer to sections F2 and F3. For details of a loan to a joint venture refer to section C1.3.

(b) Transactions with other related parties

UnitingCare Queensland is part of the Uniting Church in Australia - Queensland Synod and the Group has a related party relationship with and undertakes transactions with various agencies and departments of the Property Trust including The Department of Finance and Property Services, Uniting Church Investment Services and Uniting Church Insurance.

G6.2 Other related party disclosures (continued)

(b) Transactions with related parties (continued)

The Property Trust has entered into various agreements with Wesley Medical Research to supply grant funding, administration services and rent assistance. Wesley Medical Research has entered into lease agreements for premises and the construction of premises on a commercial basis with the Property Trust.

The Group makes financial contributions to UnitingCare Australia which is the national body for the UnitingCare network.

(c) Transactions and balances with related parties

The consolidated deficit for the year includes the following amounts arising from transactions and balances with related parties:

	Note	2018 $'000	2017 $'000
Uniting Church in Australia – Queensland Synod			
Fees paid to synod for chaplaincy services		(2,755)	(2,796)
Mission and service fund contribution [i]		-	(882)
Insurance premiums paid		(10,021)	(10,440)
Other expenses [i]		(23)	(235)
Board remuneration [i]		-	(96)
Funds held in trust		1,490	1,469
Stewardship fee		(8,800)	-
Net payables owed		(64)	(121)
Uniting Church Investment Services			
Interest revenue received		5,822	10,953
Borrowing costs paid		-	(9,781)
Cash on deposit at the end of year		254,784	437,967
Borrowings at the end of year		-	(200,726)
UnitingCare Australia			
Contribution paid		(517)	(514)
Uniting Care Medical Imaging Pty Ltd			
Receivable owing		29	314
Rental income		1,706	1,937
Other sundry income		660	693
Reimbursement of theatre and prosthetics fees (expense)		(3,301)	(3,984)
Breast clinic fees		(404)	(538)
Other sundry expenses		(509)	(185)
Leap in! Australia Ltd			
Contributions	F3	2,500	-

[i] The reduction in the current year amount of these expenses is now included in the Stewardship fee.

G6.3 Contingent liabilities

Periodically, the organisation is notified of claims from people who have received current and/or previous services from the Uniting Church in Australia, Queensland Synod or its predecessor Denominations. Although the Group and the Uniting Church in Australia, Queensland Synod meet with claimants, payments made to claimants are currently paid through the Queensland Synod Insurance Managed Fund (including where applicable contributions from insurers and other predecessor Denominations) and not directly by the Group.

From time to time, the services of UnitingCare Queensland are named in legal claims of a medical nature. The outcome of these claims is uncertain. The UnitingCare Queensland Board are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future outflow of economic benefits will be required or the amount is not capable of reliable measurement and insurance policies are adequate to meet these claims. The maximum exposure to liability for excess payments in respect of these claims is $1,930,000 (2017: $1,228,000).

The Group has received capital grants from the State and Commonwealth governments. Funding received may be repayable in circumstances where the asset is sold or it ceases to be used for its funded purpose, depending on the specific contractual obligations of each contract. The contingent liability at 30 June 2018 was $4,570,000 (2017: $5,911,000).

The Group is aware of capital funding grants provided by the Commonwealth Government to agencies previously responsible for the delivery of residential care services.

Other than the above matters, the Board is not aware of any other contingent liabilities at the date of this report.

G6.4 Economic dependency

The Group is dependent on both State and Commonwealth Government grants and subsidies to fund its operations. The continued support and funding of community care and aged care program facilities by the Federal Government is subject to regular reviews and accreditation requirements.

G6.5 Events after the reporting period

There were no matters subsequent to the end of the year that have come to attention that would have a material impact on the financial statements or disclosures therein.

G6.6 Voluntary change in accounting policy

During the year management have reviewed their accounting policy with regards to DMF in line with the current requirements, industry trends and internal resident data with an aim to producing more reliable and relevant information to the users of the financial statements. As a result, the following changes have been reflected in the 30 June 2018 financial statements:

- The value of DMF revenue that the Group is entitled to is recognised over expected resident occupancy (refer B1); and
- Any difference between ingoing contribution contractual liabilities and expected resident occupancy is accounted for as a deferred revenue liability (refer C1.6).

G6.6 Voluntary change in accounting policy (continued)

The above changes have been adjusted by restating each of the affected financial statement line items for the prior periods as follows:

	30 June 2017				30 June 2016		
Consolidated statement of financial position	**30 June 2017 Audited $'000**	**Impact of finalisation of business combination (F1) Increase/ (Decrease) $'000**	**Impact of voluntary change in accounting policy Increase/ (Decrease) $'000**	**30 June 2017 Restated $'000**	**30 June 2016 Audited $'000**	**Impact of voluntary change in accounting policy Increase/ (Decrease) $'000**	**30 June 2016 Restated $'000**
Non-current asset							
Property, plant and equipment	1,537,271	16,289	-	1,553,560	1,076,308	-	1,076,308
Total asset change	**2,206,129**	**16,289**	**-**	**2,222,418**	**1,847,116**	**-**	**1,847,116**
Current liabilities							
Ingoing contributions and accommodation bonds	705,521	(7,417)	14	698,118	341,412	-	341,412
Other current liabilities	75,240	1,888	794	77,922	57,314	552	57,866
Non-current liabilities							
Other non-current liabilities	19,117	22,266	9,357	50,740	19,382	6,509	25,891
Total liability change	**1,263,067**	**16,737**	**10,165**	**1,289,969**	**901,123**	**7,061**	**908,184**
Net assets	**943,062**	**(448)**	**(10,165)**	**932,449**	**945,993**	**(7,061)**	**938,932**
Accumulated funds	937,828	(448)	(10,165)	927,215	940,759	(7,061)	933,698
Total equity	**943,062**	**(448)**	**(10,165)**	**932,449**	**945,993**	**(7,061)**	**938,932**

	30 June 2017			
Consolidated statement of profit or loss and other comprehensive income	**30 June 2017 Audited $'000**	**Impact of finalisation of business combination (F1) Increase/ (Decrease) $'000**	**Impact of voluntary change in accounting policy Increase/ (Decrease) $'000**	**30 June 2017 Restated $'000**
Total revenue	1,544,722	-	(3,104)	1,541,618
Depreciation	(105,860)	(448)	-	(106,308)
Deficit for the year	**(3,480)**	**(448)**	**(3,104)**	**(7,032)**

G6.7 ACNC required disclosure

As per section A2.3, the UCQ ACNC reporting group includes the following entities:

- UnitingCare Queensland
- UnitingCare Community
- Blue Care; and
- UnitingCare Health.

However UnitingCare Queensland also controls and consolidates ARRCS. A reconciliation is included below, with any reclassifications required, to comply with ACNC disclosure requirements:

Consolidated statement of profit or loss and other comprehensive income	**UCQ ACNC reporting group $'000**	**Other controlled entities [i] $'000**	**Eliminations $'000**	**UCQ Consolidated Group $'000**
Revenue				
Government grants [ii]	607,518	57,625	-	665,143
Donations and bequests [iii]	10,978	17	-	10,995
Other revenue	891,439	8,389	(897)	898,931
Total revenue	**1,509,935**	**66,031**	**(897)**	**1,575,069**
Other income	7,341	264	(666)	6,939
Total income	**1,517,276**	**66,295**	**(1,563)**	**1,582,008**
Expenses				
Salary and employee expenses	(920,516)	(36,394)	(1)	(956,911)
Other expenses	(613,092)	(15,273)	1,564	(626,801)
Total expenses	**(1,533,608)**	**(51,667)**	**1,563**	**(1,583,712)**
Net surplus/(deficit)	**(16,332)**	**14,628**	**-**	**(1,704)**
Consolidated statement of financial position				
Assets				
Total current assets	429,707	34,444	(430)	463,721
Total non-current assets	1,575,583	46,985	-	1,622,568
Total assets	**2,005,290**	**81,429**	**(430)**	**2,086,289**
Liabilities				
Total current liabilities	(1,055,136)	(17,931)	430	(1,072,637)
Total non-current liabilities	(82,454)	(453)	-	(82,907)
Total liabilities	**(1,137,590)**	**(18,384)**	**430**	**(1,155,544)**
Net assets	**867,700**	**63,045**	**-**	**930,745**

[i] All other controlled entities are also public benevolent institutions.
[ii] Government grants includes both 'grants and subsidies' and 'capital grants from governments' (refer B1).
[iii] Donations and bequests includes both 'fundraising and donations' and 'fundraising and donations income – bequests' (refer B1).

UnitingCare Queensland

Declaration by the Board of UnitingCare Queensland

30 June 2018

The Board of UnitingCare Queensland declares that:

(a) the financial statements and notes set out on pages 1 to 33:

  i. comply with the *Australian Charities and Not-for-profits Commission Act 2012* including compliance with Australian Accounting Standards and mandatory professional reporting requirements; and

  ii. give a true and fair view of the financial position of UnitingCare Queensland as at 30 June 2018 and of its performance as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that UnitingCare Queensland will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board.

Dated 2 October 2018

Nigel Alexander, Chair
UnitingCare Queensland Board

Chris Townend, Chair
UnitingCare Queensland Audit, Risk and Compliance Committee

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The Chairman
UnitingCare Queensland Board
Level 5,
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2 October 2018

Dear Nigel

The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland

In accordance with Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the Board of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland.

As lead audit partner for the audit of the financial statements of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; or

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

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Independent Auditor's Report to the Board of UnitingCare Queensland acting through The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland

Opinion

We have audited the financial report of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the Board of UnitingCare Queensland (the "Board") as set out on pages 1 to 34.

In our opinion, the accompanying financial report of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the "ACNC Act"), including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Board for the Financial Report

The Board of the Group is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC Act and for such internal control as the Board determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 2 October 2018

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