The Uniting Church in Australia - Queensland Synod UnitingCare Queensland

Financial Statements

For the Year Ended 30 June 2017

The Uniting Church in Australia - Queensland Synod

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue			
Revenue	3	1,497,318	1,478,207
Other income	3	47,404	43,351
Total revenue		**1,544,722**	**1,521,558**
Share of surplus in joint ventures	12(b)	794	640
Expenses			
Communications and utilities expense		(30,931)	(28,753)
Consulting and professional fees		(72,167)	(63,625)
Depreciation and amortisation expense	4(b)	(105,860)	(92,617)
Finance costs	4(a)	(11,223)	(12,578)
Salaries and employee expenses		(944,719)	(935,480)
Repairs and maintenance expense		(45,040)	(42,025)
Supplies and services expense		(251,846)	(255,514)
Other expenses	4(c)	(86,726)	(80,963)
Write offs and impairment expense	4(d)	(484)	(1,815)
Total expenses		**(1,548,996)**	**(1,513,370)**
Surplus/(deficit) for the year		**(3,480)**	**8,828**
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Transfer net assets of common controlled entity	25	549	6,900
Other comprehensive income for the year		**549**	**6,900**
Total comprehensive income/(loss) for the year		**(2,931)**	**15,728**

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

The Uniting Church in Australia - Queensland Synod
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Consolidated statement of financial position

At 30 June 2017

ASSETS	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	7	505,561	560,368
Trade and other receivables	8	69,439	102,863
Inventories	9	12,572	13,611
Other current assets	10	22,226	23,581
Assets classified as held for sale	11	2,416	12,393
Total current assets		**612,214**	**712,816**
Non-current assets			
Inventories	9	312	377
Interests in other entities	12	5,015	4,477
Property, plant and equipment	13	1,537,271	1,076,308
Intangible assets	14	44,719	46,824
Other non-current assets	10	6,598	6,314
Total non-current assets		**1,593,915**	**1,134,300**
TOTAL ASSETS		**2,206,129**	**1,847,116**
LIABILITIES			
Current liabilities			
Trade and other payables	15	98,605	91,296
Accommodation bonds expected to be paid within 12 months	16	66,935	99,545
Accommodation bonds not expected to be paid within 12 months	16	155,990	105,829
Ingoing contributions expected to be paid within 12 months	16	39,437	23,824
Ingoing contributions not expected to be paid within 12 months	16	443,159	112,214
Borrowings	17	12,280	24,907
Employee benefits and other provisions	18	135,137	138,838
Other current liabilities	19	75,240	57,314
Total current liabilities		**1,026,783**	**653,767**
Non-current liabilities			
Trade and other payables	15	4,493	1,277
Borrowings	17	195,454	209,176
Employee benefits and other provisions	18	18,244	17,521
Other non-current liabilities	19	18,093	19,382
Total non-current liabilities		**236,284**	**247,356**
TOTAL LIABILITIES		**1,263,067**	**901,123**
NET ASSETS		**943,062**	**945,993**
FUNDS			
Contributed funds		5,234	5,234
Accumulated funds		937,828	940,759
TOTAL FUNDS		**943,062**	**945,993**

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

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Consolidated statement of changes in funds

For the year ended 30 June 2017

	Note	Contributed funds $'000	Accumulated funds $'000	Total funds $'000
Balance at 1 July 2015		5,234	925,031	930,265
Surplus for the year		-	8,828	**8,828**
Other comprehensive income	25	-	6,900	**6,900**
Balance at 30 June 2016		**5,234**	**940,759**	**945,993**
Deficit for the year		-	(3,480)	**(3,480)**
Other comprehensive income	25	-	549	**549**
Balance at 30 June 2017		**5,234**	**937,828**	**943,062**

The above consolidated statement of changes in funds should be read in conjunction with the accompanying notes.

The Uniting Church in Australia - Queensland Synod
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Consolidated statement of cash flows

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from clients, funding and others		1,594,643	1,526,889
Payments to suppliers and employees		(1,484,560)	(1,463,441)
Interest paid		(10,615)	(12,578)
Interest received		11,899	13,798
Net cash inflow from operating activities	26	**111,367**	**64,668**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		18,020	34,734
Proceeds from sale of intangible assets		5,656	-
Proceeds from sale of business		7,985	-
Payments for property, plant and equipment		(67,312)	(99,890)
Payments for intangible assets		(8,794)	(12,411)
Proceeds from capital grants		16,118	9,534
Payments for business combinations, net of cash received	25	(155,059)	-
Cash transferred from common controlled entity	25	1,311	6,900
Acquisition costs	25	(1,739)	-
Net cash outflow from investing activities		**(183,814)**	**(61,133)**
Cash flows from financing activities			
Net proceeds from accommodation bonds and ingoing contributions		46,419	59,788
Proceeds from borrowings		32,950	12,997
Repayment of borrowings		(61,729)	(21,559)
Net cash inflow from financing activities		**17,640**	**51,226**
Net (decrease)/increase in cash and cash equivalents		(54,807)	54,761
Cash and cash equivalents at beginning of year		560,368	505,607
Cash and cash equivalents at end of year	7	**505,561**	**560,368**

1. Summary of significant accounting policies

(a) General information

UnitingCare Queensland 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 health and community services 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.), a body incorporated by statute and domiciled in Australia.

The financial statements reflect the consolidation of the operations of the following organisations (herein referred to as the “Group”):

- Group Office*;
- UnitingCare Health*;
- Blue Care*;
- UnitingCare Community*; and
- Australian Regional and Remote Community Services Limited (ARRCS).

* These organisations report to the Australian Charities and Not-for-profits Commission on a joint reporting basis.

The registered office of the Uniting Church in Australia Property Trust (Q.) is:

The Uniting Church in Australia - Queensland Synod
60 Bayliss Street
Auchenflower QLD 4066

UnitingCare Queensland operates from 192 Ann Street, Brisbane, Queensland 4000.

During the period the principal continuing activities of the Group were the provision of health and community services across Queensland and the Northern Territory.

(b) 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 2017 were approved by the Board of UnitingCare Queensland on 3rd October 2017.

(c) Critical accounting judgements and key sources of estimation uncertainty

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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1. Summary of significant accounting policies (continued)

(c) Critical accounting judgements and key sources of estimation uncertainty (continued)

The estimates and judgements that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year are:

Grant funding

The Group has received a number of government grants during the year. Once the Group has been notified of the successful outcome of a grant application, the terms and conditions of each grant are reviewed to determine whether the funds relate to a reciprocal grant (i.e. payment for services rendered) in which case it is accounted for under AASB 118 *Revenue* or a non-reciprocal grant in which case it is accounted for under AASB 1004 *Contributions*. 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.

Accommodation bonds and ingoing contributions

By their nature, accommodation bonds and ingoing contributions 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. For the purpose of providing users of the financial statements with more relevant information, additional disclosure relating to the expected repayment dates of accommodation bonds and ingoing contributions has been added to the consolidated statement of financial position. Accommodation bonds include Refundable Accommodation Deposits (RADs). Judgements are used as to the likely expected payment periods based on past experience of resident exits and the average value of current bonds and ingoing contributions held.

Employee benefits

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.

Refer to note 1(r) for further details on the key management judgements used in the calculation of long service leave and annual leave.

Estimated useful life of property, plant and equipment

The estimated useful lives of property, plant and equipment and intangible are assessed annually. This assessment takes into consideration legislative and safety requirements and plans to ensure continued compliance therewith. The estimated useful lives reflect existing redevelopment plans which are also subject to review based on requirements and cost. Future changes to the redevelopment program may impact on the assessment of useful lives with a corresponding impact on depreciation expense in future periods.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated lives. The estimated life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the organisations controlled by the Group. Control is achieved when an organisation within the Group:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Uniting Church in Australia Queensland Synod By-laws (section 3.1.1.1) designates that the responsibility for the governance oversight of UnitingCare Queensland shall be vested in the UnitingCare Queensland Board (the Board) subject to the provisions of the UnitingCare Queensland By-laws. This includes the governance oversight of each of the unincorporated not for profit organisations (UnitingCare Health, Blue Care, and Uniting Care Community), as confirmed in the constitution of UnitingCare Queensland. The constitution affirms the Board has all the powers necessary to manage each organisation within the terms of the constitution and the By-laws. As a result, UnitingCare Queensland controls each of those organisations as it has the power, exposure to variable returns, and the ability to use its power to affect their returns.

For other legal entities, the Group has power over the investee when the voting rights of the governing body (i.e.: Board of Directors) are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made.

Consolidation of an investee begins when the Group obtains control over the investee and ceases when the Group loses control of the investee. Specifically, income and expenses of an investee acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the investee.

Profit or loss and each component of other comprehensive income are attributed to the controlling interests of the Group and to the non-controlling interests. Total comprehensive income of investees is attributed to the controlling interests of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of investees to bring their accounting policies into line with the Group's accounting policies.

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

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

Changes in the Group's controlling interests

Changes in the Group's ownership interests in investees that do not result in the Group losing control over the investee are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the investee. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to controlling interests of the Group.

When the Group loses control of an investee, a gain or loss is recognised in profit or loss and is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the investee and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that investee are accounted for as if the Group had directly disposed of the related assets or liabilities of the investee (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former investee at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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.

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.

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

Business combinations – transfer of common control
Business combinations under common control are accounted for in the consolidated accounts prospectively from the date the Group obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the financial statements of the Group. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity in accumulated funds.

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less any accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (CGU) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to deduct the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata based on the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) 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.

UnitingCare Health has a 50% ownership in UnitingCare Medical Imaging Pty Ltd, a joint venture which is subject to income tax. An income tax benefit is recognised as a receivable by the Group as UnitingCare Health's share of the income tax paid by UnitingCare Medical Imaging Pty Ltd will be recouped by UnitingCare Health from the Australian Taxation Office (ATO) on payments of dividends by UnitingCare Medical Imaging Pty Ltd.

(f) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of goods and services tax (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. 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.

1. Summary of significant accounting policies (continued)

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the revenue received or to be received cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Rendering of services revenue

Fee revenue is recognised in the consolidated statement of profit or loss and other comprehensive income when the service is provided or in proportion to the stage of completion of the transaction at the end of the annual reporting period. It is recognised to the extent that it is probable that the economic benefits will flow to the Group and that revenue can be reliably measured.

The stage of completion is determined as follows:

- Servicing fees included in the price of a product are recognised by reference to the proportion of the total cost of the of providing the service for the product sold;
- Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred; and
- For fixed price contracts, revenue is recognised based on the actual services provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method).

Government grants and subsidies revenue

Government grants are 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 profit or loss 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. Where such a return obligation exists, revenue is deferred in the consolidated statement of financial position and is recognised as deferred income and released to the consolidated statement of profit or loss and other comprehensive income as the obligations are satisfied. Specifically, 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. 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.

Resident retentions revenue

Amounts retained as income from ingoing contributions and accommodation bonds are recognised in accordance with the applicable legislation or the residents' accommodation agreement.

Rental revenue

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1. Summary of significant accounting policies (continued)

(g) Revenue recognition (continued)

Sale of goods
Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Fundraising, donations and bequests
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.

(h) Expenses

Finance costs
Finance costs comprise interest payable on borrowings calculated using the effective interest method, including:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance charges in respect of finance leases recognised in accordance with AASB 117 *Leases*.

Finance costs are expensed and included in net financing costs unless directly attributable to the acquisition or construction of a qualifying asset and then capitalised as part of the cost of that asset. The interest expense component of finance lease payments is recognised in the consolidated statement of profit or loss and other comprehensive income using the effective interest method.

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Notes to the financial statements

For the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(h) Expenses (continued)

Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property and the present value of the minimum lease payments and are included in borrowings in note 17. The corresponding rental obligations, net of finance charges, are included in other payables. 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 period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Repairs and maintenance

Plant and equipment is serviced on a regular basis. The costs of maintenance 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 note 1(l). Other routine operating maintenance, repair and minor renewal costs are charged as expenses as incurred.

(i) Cash and cash equivalents

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

Amounts are held separately in Capital Replacement Funds and Maintenance Reserve Funds in accordance with statutory restrictions imposed by the *Retirement Villages Act 1999*.

1. Summary of significant accounting policies (continued)

(j) Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in surplus or deficit.

Financial assets are classified into the following specified categories:

- Fair value through profit or loss (FVTPL);
- Held-to-maturity investments;
- Available-for-sale (AFS); and
- Loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets classified as at “fair value through profit or loss”.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “trade and other receivables”. Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each annual reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually, are in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

1. Summary of significant accounting policies (continued)

(j) Financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, they recognise its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in surplus or deficit.

(k) Inventories

Inventories of supplies held for future use are valued at the lower of cost and net realisable value. Costs are assigned to inventories by the method most appropriate to each particular class of inventory, with all categories being valued on a weighted average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Inventory held for distribution

Linen costs are valued at replacement value less a reduction in this value for the life expectancy of inventory in circulation.

(l) Property, plant and equipment

Freehold land is held at cost less any impairment losses and not depreciated. Buildings are carried in the consolidated statement of financial position at cost less any subsequent accumulated depreciation and any impairment losses.

Items of property, plant and equipment are stated at cost or at fair value where gifted to the Uniting Church in Australia Property Trust (Q.) less accumulated depreciation and impairment losses. The cost of self-constructed assets 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, and an appropriate proportion of production overheads.

All items of property, plant and equipment with a cost less than $1,000 are charged directly to the consolidated statement of profit or loss and other comprehensive income.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

1. Summary of significant accounting policies (continued)

(l) Property, plant and equipment (continued)

Subsequent costs
The subsequent costs of replacing an item of property, plant and equipment are recognised in the carrying value of the asset when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the organisation and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of profit or loss and other comprehensive income as an expense as incurred.

Carrying value
Each class of property, plant and equipment is carried at cost or fair value (as indicated) less where applicable, any accumulated depreciation and impairment losses.

Depreciation
With the exception of freehold land, depreciation is charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each significant component of an item of property, plant and equipment. Land is not depreciated.

The expected useful lives are as follows:

Class of asset	
Buildings and building 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. The residual value, the useful life and the depreciation method applied to an asset are re-assessed at least annually. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed in the consolidated statement of profit or loss and other comprehensive income.

(m) Impairment of assets
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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 depreciated replacement cost of the asset. Depreciated replacement cost is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

1. Summary of significant accounting policies (continued)

(m) Impairment of assets (continued)

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Reversal of impairment losses

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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Costs associated with maintaining software programs are recognised as an expense as incurred. Software has a limited useful life and is amortised using the straight-line method over one to ten years. Annual software licensing costs are recognised in the consolidated statement of profit or loss and other comprehensive income as an expense when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated statement of profit or loss and other comprehensive income as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and sufficient resources exist to complete development.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

1. Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

The expenditure capitalised includes the cost of materials (including the perpetual license to use software), direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as an expense when incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Capitalised development costs are recorded as intangible assets and amortised from a point at which the asset is ready for use on a straight-line basis over its useful life, which varies from one to eight years.

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Residential aged care places

Residential aged care places represent 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.

(o) Interests in other entities

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement and have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 12.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement and have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated statement of financial position.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

1. Summary of significant accounting policies (continued)

(o) Interests in other entities (continued)

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.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1(m). Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the accounting policy for goodwill arising in a business combination.

(p) Assets classified as held for sale

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.

(q) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Accommodation bonds and ingoing contributions

Accommodation bonds and ingoing contributions received from residents represent non-interest bearing deposits that are refundable in accordance with the relevant legislation and the individual resident agreement in the event the resident leaves a Group facility.

As these accommodation bonds and ingoing contributions are considered to be repayable on demand, 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.

1. Summary of significant accounting policies (continued)

(r) Employee benefits

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 and when it is probable that settlement will be required and they are capable of being measured reliably. 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 and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Accrued day off and other leave
A liability for accrued rostered days off (RDO) and time off in lieu is recognised and has been measured at the amounts expected to be paid when the liabilities are settled.

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

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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.

1. Summary of significant accounting policies (continued)

(s) Provisions (continued)

Make-good

A make-good provision is recognised when the Group has present obligation to restore leased premises to their original condition at the completion of the lease period. The provision is measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(t) Borrowings

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.

Capitalised Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies. Historical cost is generally based on the fair values of the consideration given in exchange for assets. The historical cost convention has been applied, except for the revaluation of certain non-current assets and financial instruments. The financial statements are presented in Australian dollars rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 117 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(a) New and amended standards adopted

The Group has applied the following mandatory standards and amendments for the first time for the annual reporting period commencing 1 July 2016.

- AASB 1057 Application of Australian Accounting Standards
- AASB 2014-3 Accounting for acquisitions of interests in Joint Operations
- AASB 2014-4 Clarifications of Acceptable Methods of Depreciation and Amortisation
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2015-1 Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Disclosure Initiative: Amendments to AASB 101

The adoption of these standards and amendments did not have any impact on the current period or any prior period and is not likely to affect future periods

2. Basis of preparation (continued)

(b) Standards and Interpretations in issue but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretation is set out below:

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 Groups operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $73,067,000, see note 22(c). 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 will affect the Group's surplus and classification of cash flows.
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.
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.

2. Basis of preparation (continued)

(b) Standards and Interpretations issued but not yet adopted (continued)

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.
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	While the Group is yet to undertake a detailed assessment of the classification and measurement of financial assets, financial assets include trade and other receivables and related party loans which are measured at amortised cost. The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. 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. Derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. 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 does not intend to adopt AASB 9 before its mandatory date.
Title	**AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non Cash-Generating Specialised Assets of Not-for-Profit Entities**
Nature of change	AASB 2016-4 removes reference to depreciated replacement cost as a measure of value in use for not-for-profit entities and clarifies that the recoverable amount of non-CGU assets which are specialised in nature and typically held for continuing use in the service capacity is expected to be materially the same as the fair value determined under AASB 13 *Fair Value Measurement.*
Impact	There will be no impact on the Group's accounting for non-CGU specialised assets as it is expected that materially the same fair value will be determined under AASB 13 using the cost method.

2. Basis of preparation (continued)

(b) Standards and Interpretations issued but not yet adopted (continued)

Mandatory Application Date / Date Of adoption	Must be applied for financial years commencing on or after January 2017. The Group intends to adopt AASB 2016-4 from 1 July 2017.

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.

(c) 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 is in a net current liability position of $414,569,000 (2016: net asset of $59,049,000), a significant portion of which is accommodation bonds and ingoing contributions of $705,521,000 (2016: $341,412,000), which are disclosed as a current liability. Current liability classification notwithstanding, UnitingCare Queensland expects that, of the total accommodation bonds and ingoing contributions disclosed as a current liability, $599,149,000 (2016: $218,043,000) will not be repaid within 12 months.

(d) 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:

- Certain accommodation revenue has been reclassified from other income to revenue;
- Proceeds from capital grants in the prior year has been reclassified from operating activities to investing activities;
- Cash transferred from common control entity has been reclassified from financing activities to investing activities.

The Uniting Church in Australia - Queensland Synod
UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2017

3. Revenue	**2017 $'000**	**2016 $'000**
Patient and client revenue	501,654	497,244
Recoverable revenue	120,619	122,558
Non-patient revenue	19,137	19,412
Fundraising and donation revenue	3,360	4,827
Rental revenue	7,011	6,743
Grants and subsidies revenue	633,122	621,459
Rendering of services revenue	140,061	138,298
Resident retentions revenue	12,404	7,259
Sale of goods	47,581	46,267
Miscellaneous other revenue	441	342
Interest revenue		
Uniting Church Investment Services	10,953	12,675
Other interest	975	1,123
Total revenue	**1,497,318**	**1,478,207**
Other income		
Capital contributions from clients	2,113	2,184
Capital grants from government	16,118	9,534
Bequests	5,369	3,994
Gain on sale of intangibles	5,656	-
Gain on sale of property, plant and equipment	7,114	14,355
Gain on sale of residential aged care facility (Note 5)	8,471	2,515
Other income	2,563	10,769
Total other income	**47,404**	**43,351**

4. Surplus for the year

The surplus for the year has been arrived at after charging:

		2017 $'000	2016 $'000
(a)	**Finance costs**		
	Interest expense – related parties	9,781	11,429
	Interest expense – other	1,442	1,149
	Total finance costs	**11,223**	**12,578**
(b)	**Depreciation and amortisation expense**		
	Depreciation	94,967	80,696
	Amortisation	10,893	11,921
	Total depreciation and amortisation expense	**105,860**	**92,617**
(c)	**Other expenses**		
	Other expenses include:		
	Rentals & lease	23,115	21,807
	Client expenses	5,908	7,574
	Insurance expenses	8,595	8,638
	Rates & taxes	8,179	7,378
	Marketing expenses	7,067	2,953
	Bad and doubtful debts	959	1,152
	Business expenses	16,494	16,583
(d)	**Write offs and impairment expense**		
	Impairment – capital works in progress	2	254
	Impairment charge – other	482	1,561
	Total write offs and impairment expense	**484**	**1,815**

5. Disposals

2017 Financial Year

Disposal of Residential Aged Care facilities
On 30 September 2016, Blue Care disposed of its Kingscliff and Amaroo Aged Care Facilities, as well as it's Community Operations in Northern NSW. Financial information relating to this disposal is set out below.

Consideration received		
Consideration received or receivable was as follows:	**$'000**	**$'000**
Total cash consideration received		8,117
Less: costs of disposal		(132)
Net proceeds from sale of business		**7,985**
Profit on disposal		
Carrying value of assets/(liabilities) disposed of:		
Ingoing contributions	(4,192)	
HCP packages	(154)	
Leave balances	(1,216)	
Land and buildings	4,077	
Plant & equipment	999	
Net liability disposed	(486)	
Profit on disposal		**8,471**

Disposal of bed licences
Blue Care disposed of bed licences on 20 June 2017 for $5,656,000, these licences were not previously assigned a value (refer to Note 1 (n)).

Disposal of property
On 20 February 2017, UnitingCare Community disposed of 117 Gipps Street, Fortitude Valley; a gain on sale of $5,069,745 was recognised.

2016 Financial Year

Disposal of Residential Aged Care facilities
On 29 June 2016, Blue Care disposed of its Pioneer Place, Maiala Court & Christine Court Aged Care Facilities. These facilities were purchased by Eureka Cascade Gardens (Belgian Gardens).

Consideration received		
Consideration received or receivable was as follows:		
Total cash consideration received		5,999
Less: costs of disposal		(32)
Net proceeds from sale of business		**5,967**
Profit on disposal		
Carrying value of assets/(liabilities) disposed of:		
Ingoing contributions	1,159	
Land	1,058	
Property, plant & equipment	1,235	
Net asset disposed	3,452	
Profit on disposal		**2,515**

6. Auditor's remuneration

	2017 $	2016 $
Audit fees	633,400	736,000
Other regulatory compliance services	-	5,400
Other services	321,000	197,000
Total auditor's remuneration	**954,400**	**938,400**

The auditor for UnitingCare Queensland is Deloitte Touche Tohmatsu.

7. Cash and cash equivalents

	$'000	$'000
Cash on hand	316	293
Cash at bank	67,278	121,512
Deposits – related parties	437,967	438,563
Total cash and cash equivalents [(a)]	**505,561**	**560,368**

(a) Included in the cash and cash equivalents are certain balances that are restricted in use for certain purposes defined in either a grant agreement, trust agreement or other externally imposed requirements.

Restricted balances		
Grant agreement or donation	6,110	3,468
Funds held in Trust		
Retirement Villages Act 1999:		
Capital Replacement Funds	9,232	10,914
Maintenance Reserve Funds	4,447	2,667
Total restricted balances	**19,789**	**17,049**

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".

8. Trade and other receivables

	2017 $'000	2016 $'000
Trade receivables [a]	68,002	99,182
Allowance for impairment of trade receivables [b]	(3,301)	(2,791)
	64,701	96,391
Bonds negotiated but not received	-	264
Other receivables	181	1,655
GST recoverable	4,557	4,553
Total trade and other receivables	**69,439**	**102,863**

An allowance has been made for estimated trade receivable amounts arising from the past sale of goods and rendering of services which may not be collectable, determined by reference to past default experience. The Group has specifically assessed receivables or considered an allowance for receivables aged at or greater than 90 days because historical experience is that as receivables age, they are less likely to be recovered.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts (see below for aged analysis). In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

(a) Ageing of past due but not impaired

	2017	2016
Not past due	59,538	84,448
60 – 90 days	1,493	3,536
90+ days	3,670	8,407
Total	**64,701**	**96,391**

(b) Movement in allowance for impairment of receivables

	2017	2016
Balance at beginning of the financial year	2,791	2,779
Impairment losses recognised on receivables	950	1,063
Amounts written off during the year as uncollectible	(451)	(1,128)
Amounts recovered during the year	11	77
Balance at end of the financial year	**3,301**	**2,791**

(c) Bonds negotiated but not received

There was $244,248 (2016: $249,248) of bonds negotiated but not received which were more than 120 days past due but not impaired. Non-recovery of these would have no impact on income and would also result in an equivalent reduction in the accommodation bonds liability.

Retention income is receivable on these outstanding bonds and any outstanding retention payments are included in the ageing of past due but not impaired amounts disclosed where applicable. Outstanding retention debts form part of the resident debtors balance within trade and other receivables. Bonds negotiated but not received are also included in trade debtors and the balance net of retentions is included in the accommodation bonds liability.

9. Inventories

	2017 $'000	2016 $'000
Current		
Medical supplies	11,072	12,067
Linen	696	689
Other	804	855
Total current inventories	**12,572**	**13,611**
Non-current		
Linen	312	377
Total non-current inventories	**312**	**377**

The cost of inventories recognised as an expense during the year in respect of continuing operations was $212.0 million (2016: $214.9 million)

10. Other assets

	2017 $'000	2016 $'000
Current		
Prepayments	13,661	14,518
Accrued income	8,486	9,014
Loans to other entities [(a)]	26	49
Other current assets	53	-
Total other current assets	**22,226**	**23,581**
Non-current		
Loans to other entities [(a)]	1,895	1,895
Imputation tax receivable	2,259	2,003
Funds held in trust [(b)]	2,444	2,416
Total other non-current assets	**6,598**	**6,314**

(a) The loan to other entities consists of an unsecured loan to UnitingCare Medical Imaging Pty Ltd, a 50% joint venture with UnitingCare Health and an unsecured deferred payment arrangement with Karoon Holdings Pty Ltd.

The UnitingCare Medical Imaging Pty Ltd 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 BBSW plus 4% and has been capitalised to the loan.

(b) 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.

11. Assets classified as held for sale

	2017 $'000	2016 $'000
Land	1,658	6,034
Buildings	742	5,154
Plant and equipment	16	1,205
Total assets classified as held for sale	**2,416**	**12,393**

In accordance with the accounting policy criteria stated at Note 1(p), certain land and buildings were reclassified to assets held for sale during the current financial year. These include three properties that have accepted offers to sell and are pending final execution of the contract, and two properties currently being actively marketed. All mentioned properties are expected to sell within 12 months.

Impairment is assessed annually with any impairment loss recognised where the directors expect that the fair value (estimated based on recent market prices of similar locations) less costs to sell, is less than the carrying amount.

12. Interests in other entities

(a) Interests in equity accounted joint ventures

			Ownership Interest		Carrying Amount of Investment	
Name	**Place of Business**	**Principal Activities**	**2017 %**	**2016 %**	**2017 $'000**	**2016 $'000**
UnitingCare Medical Imaging Pty Ltd [(i)]	Australia	Healthcare	50	50	5,015	4,477
Trinity Health Services Ltd [(ii)]	Australia	Healthcare	50	50	-	-
Investments accounted for using the equity method					**5,015**	**4,477**

(i) UnitingCare Medical Imaging Pty Ltd (UCMI, previously Wesley Medical Imaging Pty Ltd) is a joint venture between UnitingCare Health and the I-Med Network (formally operating as Southern X-Ray) to provide diagnostic imaging services.

(ii) UnitingCare Health and Mater Health Services have formed Trinity Health Services Limited as a joint venture to seek to secure the exclusive provision of medical and health services at the site of the former Royal Children's Hospital in Herston, Brisbane. An expression of interest lodged with the Queensland Government in prior years was withdrawn upon a change in government intent. The joint venture company has since moved to cease operations. To date, no carrying value has been recorded in the consolidated statement of financial position, as activity has been limited to the 50% share of costs to establish and maintain the corporate structure. These costs have been recognised directly in the consolidated statement of profit or loss and other comprehensive income.

(b) Movements during the year for equity accounted investments

	2017 $'000	2016 $'000
Balance at beginning of the financial year	4,477	4,026
Add: Share of joint ventures profit	794	640
Less: Imputation tax credits	(256)	(189)
Balance at end of the financial year	**5,015**	**4,477**

12. Interests in other entities (continued)

(b) Movements during the year for equity accounted investments (continued)

Summarised financial performance in respect of the interest in joint ventures is set out below.

	2017 $'000	2016 $'000
Joint venture surplus	1,587	1,280
Share of surplus in joint ventures	794	640

(c) 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 $10,000,000 has been entered into by the two joint venture parties of UnitingCare Medical Imaging Pty Ltd. As at the end of the annual reporting period, no funds have been drawn down by the joint venture.

(d) Joint operations

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

Blue Care has classified this arrangement as a joint operation and has accounted for its interest by recognising its share of the assets, liabilities, revenues and expenses of the joint operation.

Financial information relating to this interest is set out below.

	2017 $'000	2016 $'000
***(i)* Interest in joint operations ***		
Property, plant and equipment assets	4,889	5,017
Less: depreciation for the year	(128)	(128)
Net interest in joint operations	**4,761**	**4,989**
(ii)* Results *		
Rental Revenue	816	326
Expenses	(253)	(239)
	563	**87**

* Included in the respective amounts disclosed in each category in the consolidated statement of financial position.

** Included in the respective amounts disclosed in each category in the consolidated statement of profit or loss and other comprehensive income.

13. Property, plant and equipment	2017 $'000	2016 $'000
Capital works in progress		
At cost	**32,575**	**47,263**
Freehold land		
At cost	**176,579**	**128,977**
Buildings and improvements		
At cost	1,549,557	1,073,871
Accumulated depreciation	(424,203)	(378,845)
Total buildings and improvements	**1,125,354**	**695,026**
Plant and equipment		
At cost	437,055	411,749
Accumulated depreciation	(262,716)	(235,586)
Total plant and equipment	**174,339**	**176,163**
Motor vehicles		
At cost	48,571	50,139
Accumulated depreciation	(20,147)	(21,260)
Total motor vehicles	**28,424**	**28,879**
Total property, plant and equipment	**1,537,271**	**1,076,308**

Legal title to all property beneficially utilised in the services of the Group is held in trust by either the Uniting Church in Australia Property Trust (Q.) (Property Trust) or Australian Regional and Remote Community Services Limited (ARRCS).

Assets pledged as security
Freehold land and buildings with a carrying amount of $106,185,596 (2016: $109,919,145) 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 2017, freehold land and buildings with a carrying amount of $4,930,455 (2016: $4,959,595) 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 $41,214,630 (2016: $44,278,968) are pledged as security in accordance with a grant contract from the Commonwealth of Australia.

In total, assets of $46,145,085 (2016: $49,238,563) which is 3.0% (2016: 4.6%) of total property, plant and equipment, has been or will be pledged to secure government grants.

Leased assets
Plant and equipment includes an amount of $11,413,920 (2016: $8,492,951) of leased equipment at cost and $3,064,305 (2016: $3,983,744) of accumulated depreciation where the Group is a lessee under a finance lease. As at the end of the annual reporting period, no other assets than those outlined above, are pledged as security.

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Notes to the financial statements

For the year ended 30 June 2017

13. Property, plant and equipment (continued)

Movements in carrying amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year is as follows:

	Capital works in progress $'000	Land $'000	Buildings and improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
2016						
Balance at beginning of year	24,994	141,514	718,373	173,012	28,023	**1,085,916**
Additions	79,597	599	6,949	18,051	9,334	**114,530**
Disposals	(1,229)	(5,781)	(5,855)	(1,344)	(3,155)	**(17,364)**
Impairment	(254)	(1,296)	(265)	-	-	**(1,815)**
Transfers	(55,845)	-	21,932	22,043	-	**(11,870)**
Depreciation expense	-	(25)	(40,954)	(34,394)	(5,323)	**(80,696)**
Reclassified to held for sale	-	(6,034)	(5,154)	(1,205)	-	**(12,393)**
Carrying amount at 30 June 2016	**47,263**	**128,977**	**695,026**	**176,163**	**28,879**	**1,076,308**
2017						
Balance at beginning of year	47,263	128,977	695,026	176,163	28,879	**1,076,308**
Additions	35,663	48	12,658	20,409	7,945	**76,723**
Disposals	(988)	(379)	(1,585)	(852)	(2,920)	**(6,724)**
Impairment	(2)	(482)	-	-	-	**(484)**
Transfers from common control transactions	-	51	-	11	57	**119**
Acquisitions through business combinations	-	47,055	445,303	441	162	**492,961**
Transfers	(49,361)	-	29,682	12,287	-	**(7,392)**
Depreciation expense	-	(29)	(55,135)	(34,104)	(5,699)	**(94,967)**
Transferred from held for sale	-	2,996	10	-	-	**3,006**
Reclassified to held for sale	-	(1,658)	(605)	(16)	-	**(2,279)**
Carrying amount at 30 June 2017	**32,575**	**176,579**	**1,125,354**	**174,339**	**28,424**	**1,537,271**

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 note 14.

14. Intangible assets

	2017 $'000	2016 $'000
Computer software		
Opening Balance	46,824	46,502
Additions	1,402	541
Disposals	(6)	(168)
Transfers	7,392	11,870
Amortisation	(10,893)	(11,921)
Carrying amount at end of the year	**44,719**	**46,824**

Intangible assets include all costs incurred in development and customisation of various software programs utilised by UnitingCare Queensland in its operations.

Significant intangible assets

During the year ended 30 June 2017, the Group incurred costs for the following significant software projects: clinical information system, centralised customer call centre, procurement systems, and other significant upgrades to business applications software. The carrying value related to the clinical information system at 30 June 2017 of $19,908,374 (2016: $20,083,037) is expected to be fully amortised in two to ten years.

Further investment in the Data Convergence Centre during the current year resulted in an increase in carrying value at balance date of $8,879,114 (2016: $7,580,071).

15. Trade and other payables

	2017 $'000	2016 $'000
Current		
Trade payables	33,829	37,249
Sundry payables and accrued expenses	62,021	53,268
Straight-line lease liability	1,024	480
Other payables	1,731	779
Total current trade and other payables	**98,605**	**91,296**
Non-current		
Maintenance reserve funds	4,493	1,277
Total non-current trade and other payables	**4,493**	**1,277**

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 the 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.

16. Accommodation bonds and ingoing contributions

	2017 $'000	2016 $'000
Current		
Accommodation bonds – aged care facilities:		
Expected to be paid within 12 months	66,935	99,545
Not expected to be paid within 12 months	155,990	105,829
Ingoing contributions – retirement villages:		
Expected to be paid within 12 months	39,437	23,824
Not expected to be paid within 12 months	443,159	112,214
Total accommodation bonds and ingoing contributions	**705,521**	**341,412**

Accommodation bonds 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. These are recognised as current liabilities for reporting purposes but have been split in this note into the ageing categories for information enhancement. This is based on refunds expected to be paid. The cash required to cover the refund of accommodation bonds are subject to a documented liquidity management strategy.

17. Borrowings

	2017 $'000	2016 $'000
Current		
Finance lease obligation [a]	2,428	2,468
Loans – related party [b]	9,852	22,439
Total current borrowings	**12,280**	**24,907**
Non-current		
Finance lease obligation [a]	4,580	5,197
Loans – related party [b]	190,874	203,979
Total non-current borrowings	**195,454**	**209,176**

(a) Finance lease obligation

Finance lease obligations as disclosed in note 21, are secured by the lessor's title to the leased assets. The borrowings in respect of UnitingCare Health 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 5.006% pa (2016: 5.692% pa.). Further finance leases entered into during the current financial year were in respect of Print Infrastructure assets, of which a fixed 7% interest rate applies in respect of all equipment and software charges within the lease agreement.

(b) Loans – related party

Access was available at the end of the annual reporting period to the following lines of credit:

	Annual interest rate	2017 $'000	2016 $'000
Principal and interest facility	BBSW 30d + 2.9%	93,947	120,000
Interest only facility	BBSW 30d + 2.9%	110,000	110,000
Line of credit facility	BBSW 30d + 3.5%	20,000	20,000
Total facilities		**223,947**	**250,000**
Less: used at the end of the reporting period		(200,726)	(226,418)
Unused at the end of the reporting period		**23,221**	**23,582**

The principal and interest loan is not available for re-draw, however, the interest only and line of credit facilities may be drawn at any time.

18. Employee benefits and other provisions

	2017 $'000	2016 $'000
Current		
Employee benefits:		
Annual leave	70,041	70,080
Long service leave	55,166	58,672
Accrued day off and other leave	1,497	1,463
Sick leave	4,574	5,450
Restructuring provision	469	1,477
Total current employee benefits [a]	**131,747**	**137,142**
Other provisions [b]	3,390	1,696
Total current employee benefits and other provisions	**135,137**	**138,838**
Non-current		
Employee benefits:		
Long service leave	18,244	17,521
Total non-current employee benefits and other provisions	**18,244**	**17,521**

(a) Total current employee benefits

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.

(b) Other provisions

Other provisions in the current financial year consist mainly of provisions raised for external parties where it is considered that receipt of a portion of funds is at risk.

19. Other liabilities

	2017 $'000	2016 $'000
Current		
Grant funding liability	67,397	51,222
Unearned income	5,284	3,967
Income received in advance	1,013	897
Lease incentives	1,228	1,228
Other current liabilities	318	-
Total other current liabilities	**75,240**	**57,314**
Non-current		
Fundraising monies held in trust	358	255
Unearned income	8,796	8,956
Lease incentives	8,939	10,171
Total other non-current liabilities	**18,093**	**19,382**

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.

The Wesley Hospital entered into an 18 year lease with UnitingCare Medical Imaging Pty Ltd (UCMI) for an extension immediately adjacent to the existing leased space. The construction of the external walls, roof and floors of the leased space has been funded by UCMI as a prepaid lease consideration. The asset is recognised as an asset of UnitingCare Health and the prepaid rental amortised over the term of the lease

20. Financial instruments

(a) Financial risk management objectives

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. The Group may from time to time, use derivative financial instruments such as interest rate swaps, to hedge certain risk exposures.

UnitingCare Queensland and its Service Groups deposit funds with and borrow funds from Uniting Church Investment Services (UCIS), the Treasury arm of The Uniting Church in Australia Property Trust (Q.). Risk management is carried out under policies approved by the Queensland Synod Finance, Investment and Property Board and the Board of UnitingCare Queensland.

(b) Capital risk management

The capital structure consists of debt borrowings as detailed in note 17 and cash and cash equivalents as detailed in note 7.

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.

(c) 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 in the consolidated statement of financial position.

20. Financial instruments

(d) 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.

(e) Liquidity risk management

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

Financial assets

The following table details the maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Effective interest rate (%)	MATURING (Years) < 1 $'000	1 to 2 $'000	> 2 $'000	Total $'000
30 June 2016					
Non-interest bearing available:					
Cash and cash equivalents	-	293	-	-	**293**
Receivables	-	102,599	-	-	**102,599**
Other non-current assets	-	-	-	2,003	**2,003**
Floating interest rate available:					
Cash and cash equivalents	1.76	560,075	-	-	**560,075**
Loan to other entities	6.29	49	-	1,895	**1,944**
Other receivables	6.20	264	-	-	**264**
Funds held in trusts	1.08	-	-	2,416	**2,416**
Total financial assets		**663,280**	**-**	**6,314**	**669,594**

	Effective interest rate (%)	MATURING (Years) < 1 $'000	1 to 2 $'000	> 2 $'000	Total $'000
30 June 2017					
Non-interest bearing available:					
Cash and cash equivalents	-	594	-	-	**594**
Receivables	-	69,439	-	-	**69,439**
Other non-current assets	-	-	-	2,259	**2,259**
Floating interest rate available:					
Cash and cash equivalents	2.19	504,967	-	-	**504,967**
Loan to other entities	5.79	26	-	1,895	**1,921**
Funds held in trusts	1.58	1,468	-	976	**2,444**
Total financial assets		**576,494**	**-**	**5,130**	**581,624**

20. Financial instruments (continued)

(e) Liquidity risk management (continued)

Financial liabilities

The following table details the Group's contractual maturity for its financial liabilities.

	Effective interest rate (%)	MATURING (Years) < 1 $'000	1 to 2 $'000	> 2 $'000	Total $'000
30 June 2016					
Floating interest rate available:					
Bank loans and overdrafts	5.01	24,907	10,438	198,73[illegible]	**234,083**
Non-interest bearing available:					
Accommodation bonds and ingoing contributions [(i)]	-	341,412	-	-	**341,412**
Trade and other payables	-	91,296	1,277	-	**92,573**
Other liabilities	-	53,347	1,525	8,901	**63,773**
Total financial liabilities		**510,962**	**13,240**	**207,639**	**731,841**
30 June 2017					
Floating interest rate available:					
Bank loans and overdrafts	4.53	12,280	10,306	185,148	**207,734**
Non-interest bearing available:					
Accommodation bonds and ingoing contributions [(i)]	-	705,521	-	-	**705,521**
Trade and other payables	-	98,605	4,493	-	**103,098**
Other liabilities	-	69,994	1,586	7,673	**79,253**
Total financial liabilities		**886,400**	**16,385**	**192,821**	**1,095,606**

(e) Liquidity risk management (continued)

(i) The Group has negotiated 327 bonds and 184 ingoing contributions and acquired 1552 ingoing contributions for the year ended 30 June 2017 (2016: 354 bonds and 93 ingoing contributions). 315 bonds and 175 ingoing contributions were refunded during the year ended 30 June 2017 (2016: 237 bonds and 105 ingoing contributions). The value of new bonds is approximately $56,323 (2016: $74,774) higher for each bond than the value of bonds refunded.

(f) Interest rate risk management

Interest rate sensitivity analysis

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 2017, it is estimated that a general increase of one percentage point in interest rates on borrowings would decrease the net result for the year by approximately $2,108,714 (2016: $2,340,830).

20. Financial instruments (continued)

(g) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives; and
- the fair value of monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of financial assets and financial liabilities which have been recognised on the consolidated statement of financial position approximate their fair values.

			2017		2016	
	Note	**Level**	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Financial assets						
Cash and cash equivalents	7	1	505,561	505,561	560,368	560,368
Trade and other receivables	8	2	69,439	69,439	102,863	102,863
Loans to other entities	10	2	1,920	1,920	1,944	1,944
Other assets	10	2	2,259	2,259	2,003	2,003
Funds held in trusts	10	2	2,444	2,444	2,416	2,416
Financial liabilities						
Trade and other payables	15	2	103,098	103,098	92,573	92,573
Accommodation bonds and ingoing contributions	16	2	705,521	705,521	341,412	341,412
Bank loans and overdrafts	17	2	207,734	207,734	234,083	234,083
Other liabilities	19	2	79,253	79,253	63,773	63,773

(g) Fair value of financial instruments

The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models, with the most significant input being the discount rate that reflects the credit risk of counterparties.

21. Obligations under finance leases

(a) Leasing arrangements

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.

21. Obligations under finance leases (continued)

(b) Finance lease liabilities

	2017 $'000	2016 $'000
Minimum lease payments		
Not later than 1 year	2,774	2,850
Later than 1 year and not later than 5 years	4,912	5,656
Minimum lease payments	7,686	8,506
Less: future finance charges	(678)	(840)
Present value of minimum lease payments	**7,008**	**7,666**
Not later than 1 year	2,428	2,468
Later than 1 year and not later than 5 years	4,580	5,198
Present value of minimum lease payments	**7,008**	**7,666**

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

(c) Fair value

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

22. Operating lease arrangements

(a) Leasing arrangements

Operating leases relate to leases of office and warehouse facilities, motor vehicles and equipment with lease terms up to ten years.

	2017 $'000	2016 $'000
(b) Payments recognised as an expense		
Minimum lease payments	23,654	22,184

(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:

	2017 $'000	2016 $'000
Not later than 1 year	18,817	19,083
Later than 1 year and not later than 5 years	34,951	39,668
Later than 5 years	19,299	25,067
	73,067	**83,818**

(d) Liabilities recognised in respect of non-cancellable operating leases

	2017 $'000	2016 $'000
Lease incentives		
Current	1,228	1,228
Non-current	8,939	10,129
	10,167	**11,357**

The above mentioned lease incentive was received in respect of a lease and is amortised over the life of the lease (10 years). The Group's accounting treatment of this lease incentive is included in the leases accounting policy in note 1(h).

23. Commitments for expenditure

(a) Capital expenditure commitments

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

	2017 $'000	2016 $'000
Buildings		
Not later than 1 year	40,079	33,176
Between 1 – 5 years	5,388	30,132
	45,467	63,308
Plant and equipment		
Not later than 1 year	2,400	1,806
Intangibles		
Not later than 1 year	133	1,058

(b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in notes 21 and 22.

(c) Other expenditure commitments

Expenditure commitments for software licenses, maintenance and other contracts are as follows:

	2017 $'000	2016 $'000
Not later than 1 year	13,184	10,119
Later than 1 year and not later than 5 years	16,283	14,352
	29,467	**24,471**

There are no other material expenditure commitments other than those disclosed above.

24. 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 hospitals of UnitingCare Health 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 $1,228,200 (2016: $933,000).

The Group has from time to time obtained bank guarantees from Uniting Church Investment Services, at balance date there were none (2016: $nil).

The Group has from time to time received capital grants from the State and Commonwealth Government. 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 2017 was $5,910,780 (2016: $7,367,400).

The Group is aware of capital funding grants provided by the Commonwealth Government to agencies previously responsible for the delivery of residential care services. As at the date of this financial report, the novation of the obligations in respect of these grants is not yet finalised.

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

25. Business Combinations

Fair value of net identifiable assets	Carlyle and Argyle Gardens 1 Sept 16 $'000	Fraser Shores 1 July 16 $'000	Total $'000
Cash and cash equivalents	321	115	436
Property, plant and equipment	296,441	149,465	445,906
Land	22,500	24,555	47,055
Total assets	**319,262**	**174,135**	**493,397**
Employee benefits	(268)	(134)	(402)
Incoming contributions	(233,994)	(103,506)	(337,500)
Total liabilities	**(234,262)**	**(103,640)**	**(337,902)**
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

(a) 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 was $85,000,000, and was paid in cash. Acquisition related costs of $886,216 including legal expenses, government charges and professional fees, were expensed and included in other expenses and consulting and professional fees in profit and loss.

The acquired business contributed revenues of $6,480,790 and a net loss of $4,179,036 to the Group for the period from 1 September 2016 to 30 June 2017. If the acquisition had occurred on 1 July 2016, the revenue and loss for the year ended 30 June 2017 would have been $7,776,947 and $5,014,843 respectively.

(b) 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 is $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 $378,458. Acquisition related costs of $853,193 including legal expenses, government charges and professional fees, were expensed and included in other expenses and consulting and professional fees in profit and loss.

The acquired business contributed revenues of $3,176,060 and a net loss of $3,078,303 to the Group for the period from 1 July 2016 to 30 June 2017.

25. Business combinations (continued)

(c) Transfer under common control – Blair Athol

In July 2016, management of Blair Athol accommodation and support services were transferred from Blair Athol – a charity and agency of The Uniting Church in Australia - Queensland Synod to the Group.

The assets acquired and liabilities assumed at 1 July 2016 are as follows:

	Total
Assets	**$000s**
Cash and cash equivalents	1,311
Other current assets	54
Property, plant and equipment	119
Total assets	**1,484**
Liabilities	
Trade and other payables	(632)
Employee benefits and other provisions	(79)
Other current liabilities	(224)
Total liabilities	**(935)**
Net assets acquired	**549**

The net effect of this common control transaction was recognised in other comprehensive income and accounted for as accumulated funds in the statement of changes in funds.

(d) 2016 Transfer under common control – ARRCS

During the 2016 financial year, as envisaged in the original transfer agreement, an additional contribution was made by the National Assembly of the Uniting Church following sale of the Tracey Property. The net amount of cash funds received and recognised was $6,899,577.

The net effect of this common control transaction was recognised in other comprehensive income and accounted for as accumulated funds in the consolidated statement of changes in funds.

26. Cash flow information

	2017 $'000	2016 $'000
Reconciliation of cash flows from operating activities to surplus for the year		
(Deficit)/surplus for the year	(3,480)	8,828
Depreciation and amortisation expense	105,860	92,617
Capital grants from government	(16,118)	(9,534)
Write-offs and impairment expense	484	1,815
Gain on sale of assets and investments	(21,241)	(16,870)
Loss on disposal of intangibles	-	168
Acquisition related costs	1,739	-
Retentions from accommodation bonds and ingoing contributions	(12,404)	(7,259)
Share of surplus in joint ventures	(794)	(640)
Non cash transactions included in the operating surplus	(167)	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	33,424	(22,636)
(Increase)/decrease in prepayments	857	(49)
(Increase)/decrease in inventories	1,104	(16)
(Increase)/decrease in other assets	446	(2,579)
Increase/(Decrease) in trade and other payables	6,766	(11,515)
Increase in other liabilities	17,869	23,561
Increase/(Decrease) in employee benefits and other provisions	(2,978)	8,777
Net cash inflow from operating activities	**111,367**	**64,668**

27. Key management personnel compensation

Key management personnel compensation paid to executives included in salaries and employee costs (refer to consolidated statement of profit or loss and other comprehensive income) are as follows:

	2017 $'000	2016 $'000
Short-term employee benefits	5,052	3,064
Post-employment benefits	255	142
Termination benefits	667	584
	5,974	**3,790**

In August 2015 UnitingCare Queensland announced the commencement of the Group's Transform Program. Following this, in July 2016 a new executive leadership structure was announced to provide an extended governance model and also support the establishment of new ways of working between the Group's services and support services. This led to an increased number of employees determined to be key management personnel, as the expanded executive leadership team was shaped to be more effective in our work with individuals, families and communities.

27. Key management personnel compensation (continued)

Other key management personnel transactions with the Group or its controlled entities
Where key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies, these entities are classified as related parties.

The terms and conditions of any transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on an arm's length basis, for similar transactions to non-key management personnel related entities.

From time to time, key management personnel or their related entities may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by employees or customers and are trivial or minor in nature.

28. Other related party disclosures

(a) Equity interests in related parties

Interests in other entities
Details of joint arrangements are disclosed in note 12 to the financial statements. Details of a loan to a joint venture are disclosed in note 10 to the financial statements.

(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 Uniting Church in Australia Property Trust (Q.) including The Department of Finance and Property Services, Uniting Church Investment Services and Uniting Church Insurance.

The Uniting Church in Australia Property Trust (Q.), (the Property Trust), is the legal entity under which all activities of UnitingCare Queensland are conducted. Certain transactions require the delegated authority of the Property Trust to be completed (including land purchase and sales and execution of some contracts). Insurance, investment and financing services are provided through The Uniting Church in Australia - Queensland Synod. Neither the Property Trust, Uniting Church Investment Services, nor the Department of Finance and Property Services impose any material charge for the performance of these transactions.

The Property Trust has entered into various agreements with Wesley Medical Research (previously The Wesley Research Institute Limited and St Andrew's Medical Institute Foundation Limited) 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 surplus/(deficit) for the year includes the following amounts arising from transactions and balances with related parties:

28. Other related party disclosures (continued)

	2017 $'000	2016 $'000
Uniting Church in Australia – Queensland Synod		
Fees paid to synod for chaplaincy services	(2,796)	(2,961)
Mission and service fund contribution	(882)	(869)
Insurance premiums paid	(10,440)	(9,157)
Other expenses	(235)	(68)
Board remuneration	(96)	(115)
Funds held in trust	1,469	1,446
Net payables owed	(121)	(9)
Uniting Church Investment Services		
Interest revenue received	10,953	12,675
Borrowing costs paid	(9,781)	(11,429)
Cash on deposit at the end of year	437,967	438,563
Borrowings at the end of year	(200,726)	(226,418)
UnitingCare Australia		
Contribution paid	(514)	(503)
UnitingCare Medical Imaging		
Net receivable owing	314	317
Rental income	1,937	1,215
Other sundry income	693	553
Reimbursement of theatre and prosthetics fees (expense)	(3,984)	(3,558)
Breast clinic fees	(538)	(414)
Other sundry expenses	(185)	(128)

29. Economic dependency

The Group is dependent on revenue from certain health insurance funds.

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.

30. Events after the reporting period

Subsequent to year end a $6,000,000 loan was received from Newpin Queensland Social Benefit Bond Trust, relating to Newpin Social Benefit Bonds that were issued to investors. The bonds were fully subscribed. 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.

There were no other 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.

The Uniting Church in Australia - Queensland Synod
UnitingCare Queensland

Declaration by the Board of UnitingCare Queensland

30 June 2017

The Board of UnitingCare Queensland declares that:

(a) the financial statements and notes set out on pages 1 to 50:

  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 2017 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 this 3rd day of October 2017

Craig Barke, Chair
UnitingCare Queensland Board

Maree Blake, Chair
UnitingCare Queensland Audit, Risk
and Compliance Committee

Deloitte Touche Tohmatsu
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The Chairman
UnitingCare Queensland Board
Level 5, 192 Ann Street
Brisbane QLD 4000
Australia

3 October 2017

Dear Craig,

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 2017, 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 sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R G Saayman
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 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in funds and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Board of UnitingCare Queensland's (the "Board") declaration.

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

(i) giving a true and fair view of the group's financial position as at 30 June 2017 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.

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Responsibilities of Management and the Board for the Financial Report

Management of the entity 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 management 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 management is responsible for assessing the group's ability 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.

The Board is responsible for overseeing the entity's financial reporting process.

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 management.

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- Conclude on the appropriateness of management'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

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R G Saayman
Partner
Chartered Accountants
Brisbane, 3 October 2017