



The Uniting Church in Australia - Queensland Synod UnitingCare Queensland

Financial Statements

For the Year Ended 30 June 2016

The Uniting Church in Australia - Queensland Synod

UnitingCare Queensland

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Revenue			
Revenue	3	1,470,804	1,452,124
Other income	3	50,754	70,613
Total revenue		1,521,558	1,522,737
Share of surplus in joint ventures	12(b)	640	1,656
Expenses			
Communications and utilities expense		(28,753)	(27,126)
Consulting and professional fees		(63,625)	(55,064)
Depreciation and amortisation expense	4(b)	(92,617)	(90,737)
Finance costs	4(a)	(12,578)	(15,039)
Salaries and employee expenses		(935,480)	(901,178)
Repairs and maintenance expense		(42,025)	(40,067)
Supplies and services expense		(255,514)	(250,218)
Synod expenses		(869)	(843)
UnitingCare Australia contribution		(503)	(449)
UnitingCare Queensland Board expenses		(665)	(578)
Other expenses	4(c)	(78,926)	(80,473)
Write offs and impairment expense	4(d)	(1,815)	(21,642)
Total expenses		(1,513,370)	(1,483,414)
Surplus for the year		8,828	40,979
Other comprehensive income			
Transfer of common controlled entity	25	6,900	13,315
Other comprehensive income for the year		6,900	13,315
Total comprehensive income for the year		15,728	54,294

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Consolidated statement of financial position

At 30 June 2016

ASSETS	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	7	560,368	505,607
Trade and other receivables	8	102,863	82,358
Inventories	9	13,611	13,538
Other current assets	10	23,581	20,991
Assets classified as held for sale	11	12,393	500
Total current assets		712,816	622,994
Non-current assets			
Inventories	9	377	434
Interests in other entities	12	4,477	4,026
Property, plant and equipment	13	1,076,308	1,085,916
Intangible assets	14	46,824	46,502
Other non-current assets	10	6,314	6,089
Total non-current assets		1,134,300	1,142,967
TOTAL ASSETS		1,847,116	1,765,961
LIABILITIES			
Current liabilities			
Trade and other payables	15	91,296	101,687
Accommodation bonds and entry contributions expected to be paid within 12 months	16	123,369	79,820
Accommodation bonds and entry contributions not expected to be paid within 12 months	16	218,043	211,194
Borrowings	17	24,907	1,822
Employee benefits and other provisions	18	138,838	134,112
Other current liabilities	19	57,314	36,112
Total current liabilities		653,767	564,747
Non-current liabilities			
Trade and other payables	15	1,277	2,400
Borrowings	17	209,176	238,096
Employee benefits and other provisions	18	17,521	13,471
Other non-current liabilities	19	19,382	16,982
Total non-current liabilities		247,356	270,949
TOTAL LIABILITIES		901,123	835,696
NET ASSETS		945,993	930,265
FUNDS			
Contributed funds		5,234	5,234
Accumulated funds		940,759	925,031
TOTAL FUNDS		945,993	930,265

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 2016

	Note	Contributed funds \$'000	Accumulated funds \$'000	Total funds \$'000
Balance at 1 July 2014		5,234	870,737	875,971
Surplus for the year		-	40,979	40,979
Other comprehensive income		-	13,315	13,315
Balance at 30 June 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

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Consolidated statement of cash flows

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from clients, funding and others		1,536,423	1,567,689
Payments to suppliers and employees		(1,463,441)	(1,388,750)
Interest paid		(12,578)	(15,039)
Interest received		13,798	11,485
Net cash inflow from operating activities	26	74,202	175,385
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		34,734	21,540
Proceeds from sale of investments		-	19,820
Payments for property, plant and equipment		(99,890)	(98,986)
Payments for intangible assets		(12,411)	(32,570)
Net cash outflow from investing activities		(77,567)	(90,196)
Cash flows from financing activities			
Proceeds from borrowings		12,997	23,630
Net proceeds from accommodation bonds and entry contributions		59,788	46,757
Repayment of borrowings		(21,559)	(16,489)
Cash transferred from common controlled entity		6,900	2,777
Net cash inflow from financing activities		58,126	56,675
Net increase in cash and cash equivalents		54,761	141,864
Cash and cash equivalents at beginning of year		505,607	363,743
Cash and cash equivalents at end of year	7	560,368	505,607

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Notes to the financial statements

For the year ended 30 June 2016

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 Ltd (ARRCS Ltd).

* 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.

(b) Statement of compliance

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

The financial statements of UnitingCare Queensland for the year ended 30 June 2016 were approved by the Board of UnitingCare Queensland on 4th October 2016.

(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.

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Notes to the financial statements

For the year ended 30 June 2016

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 entry contributions

By their nature, accommodation bonds and entry 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 entry contributions has been added to the consolidated statement of financial position. 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 entry 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.

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Notes to the financial statements

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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 each of their constitutions. Each constitution affirms the Board has all the powers necessary to manage each organisation within the terms of each 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.

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Notes to the financial statements

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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.

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Notes to the financial statements

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

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 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.

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Notes to the financial statements

For the year ended 30 June 2016

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

Revenues are recognised at fair value of the consideration received or receivable. 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 entity 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 entry 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.

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For the year ended 30 June 2016

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.

Donations and bequests

Income from donations and bequests are recognised in the year in which they are received.

Donation and fundraising monies are recognised as an asset and revenue when control of the contribution is gained. In instances where these monies are not able to be spent for the intended purpose and as a result, there arises an obligation to repay, a subsequent offsetting expense and liability is recorded.

(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 2016

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*.

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Notes to the financial statements

For the year ended 30 June 2016

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”.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when the financial asset is either held for trading or it is designated at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a Group of financial assets which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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1. Summary of significant accounting policies (continued)

(j) Financial assets (continued)

- it forms part of a contract containing one or more embedded derivatives, and AASB 139 *Financial Instruments: Recognition and Measurement* permits the contract to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognised in surplus or deficit. The net gain or loss recognised in surplus or deficit incorporates any dividend or interest earned on the financial asset.

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 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are re-classified to surplus or deficit in the period.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases, the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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Notes to the financial statements

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(j) Financial assets (continued)

In respect of available-for-sale equity instruments, impairment losses previously recognised in surplus or deficit are not reversed through surplus or deficit. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of accumulated funds. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, they continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

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.

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Notes to the financial statements

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(I) 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.

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	5 to 40 years
Plant and equipment	3 to 15 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.

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Notes to the financial statements

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(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 cash-generating unit (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.

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.

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Notes to the financial statements

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(n) Intangible assets

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.

Other intangibles

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. 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 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.

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.

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Notes to the financial statements

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(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.

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.

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Notes to the financial statements

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(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”.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated at fair value through profit or loss. A financial liability is held for trading if:

- it has been incurred principally for the purpose of re-purchasing in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the surplus or deficit. The net gain or loss recognised in the profit or loss incorporates any interest paid on the financial liability.

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.

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Notes to the financial statements

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(q) Financial liabilities (continued)

Accommodation bonds and entry contributions

Accommodation bonds and entry 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 entry 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.

(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.

Rostered days off and time off in lieu

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.

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Notes to the financial statements

For the year ended 30 June 2016

1. Summary of significant accounting policies (continued)

(s) Provisions (continued)

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.

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.

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Notes to the financial statements

For the year ended 30 June 2016

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 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 entity 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) Standards and Interpretations affecting the reported results or financial position

In the current year the Group has applied a revised accounting standard issued by the Australian Accounting Standards Board (AASB) that is mandatorily effective for the accounting period that begins on or after 1 July 2015.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

The amendment completes the removal of AASB 1031 *Materiality* by amending AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to supersede AASB 1031, and deletes references to AASB 1031 in the Australian Accounting Standards listed in the Appendix to AASB 2015-3.

The application of this amendment does not have any material impact on the disclosures in the Group's consolidated financial statements.

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Notes to the financial statements

For the year ended 30 June 2016

2. Basis of preparation (continued)

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

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. Initial application of the following Standards will not affect any of the amounts recognised in the financial statements but in some instances will change the disclosures presently made in relation to the general purpose financial statement.

Standard / Interpretation and the relevant amending standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ended
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15'	1 January 2018	30 June 2019
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

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Notes to the financial statements

For the year ended 30 June 2016

2. Basis of preparation (continued)

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

Standard / Interpretation and the relevant amending standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ended
AASB 1057 'Application of Australian Accounting Standards and AASB 2015-9 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' and AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 2016-4 'Amendments to Australian Accounting Standards – Recoverable amount of Non-Cash Generating Specialised Assets of Not-for-Profit entities'	1 January 2017	30 June 2018

The potential effect of the revised Standards/Interpretations on the Group's financial statements has not yet been determined.

(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. The historical cost convention has been applied, except for the revaluation of certain non-current assets and financial instruments. Cost is based on fair values of the consideration given in exchange for assets.

(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.

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Notes to the financial statements

For the year ended 30 June 2016

3. Revenue	2016 \$'000	2015 \$'000
Patient and client revenue	497,244	480,542
Recoverable revenue	122,558	121,866
Non-patient revenue	19,412	18,238
Fundraising and donation revenue	4,827	4,169
Rental revenue	6,743	6,377
Grants and subsidies revenue	621,459	653,797
Rendering of services revenue	130,895	104,069
Resident retentions revenue	7,259	6,998
Sale of goods	46,267	44,330
Miscellaneous other revenue	342	253
Interest revenue		
Uniting Church Investment Services	12,675	9,850
Other interest	1,123	1,635
Total revenue	1,470,804	1,452,124
Other income		
Capital contributions from clients	9,587	13,842
Capital grants from government	9,534	29,269
Donations for capital acquisitions	-	1,346
Bequests	3,994	3,108
Gain on sale of property, plant and equipment	14,355	6,392
Gain on sale of residential aged care facility (Note 5)	2,515	7,646
Gain on sale of interest in joint venture	-	24
Other income	10,769	8,986
Total other income	50,754	70,613

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Notes to the financial statements

For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
4. Surplus for the year		
The surplus for the year has been arrived at after charging:		
(a) Finance costs		
Interest expense – related parties	11,429	13,944
Interest expense – other	1,149	1,095
Total finance costs	12,578	15,039
(b) Depreciation and amortisation expense		
Depreciation	80,696	79,816
Amortisation	11,921	10,921
Total depreciation and amortisation expense	92,617	90,737
(c) Other expenses		
Other expenses include:		
Rentals & lease	21,111	19,924
Client expenses	7,754	6,210
Insurance expenses	4,008	3,789
Rates & taxes	2,977	2,731
Marketing expenses	1,518	1,612
Bad and doubtful debts	1,152	943
(d) Write offs and impairment expense		
Impairment – capital works in progress	254	3,265
Impairment charge – other	1,561	18,377
Total write offs and impairment expense	1,815	21,642

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Notes to the financial statements

For the year ended 30 June 2016

5. Disposal of Residential Aged Care Facility

2016 Financial Year

(a) Description

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).

	\$'000	\$'000
(b) Consideration received		
Consideration received or receivable was as follows:		
Total cash consideration received		5,999
Less: Costs of disposal		<u>(32)</u>
Net proceeds from sale of business		<u>5,967</u>
(c) Profit on disposal		
Carrying Value of Assets and Liabilities Disposed of:		
Ingoing Contributions	1,159	
Land	1,058	
Property, Plant & Equipment	<u>1,235</u>	(3,452)
Profit on disposal		<u>2,515</u>

2015 Financial Year

(a) Description

On 31 March 2015 Blue Care disposed of its Glenmead Residential Aged Care Facility. Financial information relating to this disposal is set out below.

(b) Consideration received

Consideration received or receivable was as follows:

Total cash consideration received		20,308
Less: Costs of disposal		<u>(511)</u>

Net proceeds from sale of business		<u>19,797</u>
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(c) Profit on disposal

Carrying Value of Assets and Liabilities Disposed of:

Property, Plant and Equipment	16,874	
Accommodation Bonds Liability	(3,496)	
Employee Benefits Provisions	<u>(1,227)</u>	(12,151)

Profit on disposal		<u>7,646</u>
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Notes to the financial statements

For the year ended 30 June 2016

	2016	2015
	\$	\$
6. Auditor's remuneration		
Audit fees	736,000	930,000
Other regulatory compliance services	5,400	7,000
Other assurance services	197,000	45,000
Total auditor's remuneration	938,400	982,000

The auditor for UnitingCare Queensland is Deloitte Touche Tohmatsu.

	2016	2015
	\$'000	\$'000
7. Cash and cash equivalents		
Cash on hand	293	282
Cash at bank	121,512	44,198
Deposits – related parties	438,563	461,127
Total cash and cash equivalents^(a)	560,368	505,607

Reconciliation of cash

Cash at the end of the financial year is reconciled to items in the consolidated statement of financial position as follows:

Cash and cash equivalents	560,368	505,607
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- (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	3,468	2,764
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Funds held in Trust

Retirement Villages Act 1999:

Capital Replacement Funds	10,914	10,869
Maintenance Reserve Funds	2,667	2,424

Total restricted balances	17,049	16,057
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In addition, all residential aged care bond deposits received since 1 October 2011 that has been expended on projects meet the *Aged Care Act 1997* "permitted purposes".

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	2016 \$'000	2015 \$'000
8. Trade and other receivables		
Trade receivables ^(a)	99,182	77,581
Allowance for impairment of trade receivables ^(b)	(2,791)	(2,779)
	<u>96,391</u>	<u>74,802</u>
Bonds negotiated but not received ^(c)	264	2,394
Other receivables	1,655	934
GST recoverable	4,553	4,228
	<u>102,863</u>	<u>82,358</u>

An allowance has been made for estimated unrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience. The Group has specifically assessed receivables or considered an allowance for receivables aged 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

Not past due	84,448	67,546
60 – 90 days	3,536	2,231
90+ days	8,407	5,025
Total	<u>96,391</u>	<u>74,802</u>

(b) Movement in allowance for impairment of receivables

Balance at beginning of the financial year	2,779	2,380
Impairment losses recognised on receivables	1,063	937
Amounts written off during the year as uncollectible	(1,128)	(568)
Amounts recovered during the year	77	30
Balance at end of the financial year	<u>2,791</u>	<u>2,779</u>

(c) Bonds negotiated but not received

There was \$249,248 (2015: \$2,487,607) 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.

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9. Inventories	2016 \$'000	2015 \$'000
Current		
Medical supplies	12,067	11,915
Linen	689	782
Other	855	841
Total current inventories	13,611	13,538
Non-current		
Linen	377	434
Total non-current inventories	377	434

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$214,866,053 (2015: \$211,110,000).

10. Other assets

Current		
Prepayments	14,518	14,468
Accrued income	9,014	6,493
Other	49	30
Total other current assets	23,581	20,991
Non-current		
Loans to other entities ^(a)	1,895	1,897
Imputation tax receivable	2,003	1,814
Funds held in trust ^(b)	2,416	2,378
Total other non-current assets	6,314	6,089

- (a) The loan to other entities consists of an unsecured loan to UnitingCare Medical Imaging Pty Ltd, a 50% joint venture with UnitingCare Health.

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.

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	2016 \$'000	2015 \$'000
11. Assets classified as held for sale		
Land	6,034	45
Buildings	5,154	423
Plant and equipment	1,205	32
Total assets classified as held for sale	12,393	500

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 two properties that are currently subject to due diligence, two properties that have accepted offers to sell and are pending final execution of the contract, and three 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	Name	Place of Business	Principal Activities	Ownership Interest		Carrying Amount of Investment	
				2016 %	2015 %	2016 \$'000	2015 \$'000
	UnitingCare Medical Imaging Pty Ltd ⁽ⁱ⁾	Australia	Healthcare	50	50	4,477	4,026
	Trinity Health Services Ltd ⁽ⁱⁱ⁾	Australia	Healthcare	50	50	-	-
	Investments accounted for using the equity method					4,477	4,026

(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	2016 \$'000	2015 \$'000
Balance at beginning of the financial year	4,026	2,855
Add:		
Share of joint ventures profit	640	1,656
Less:		
Imputation tax credits	(189)	(485)
Balance at end of the financial year	4,477	4,026

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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.

	2016	2015
	\$'000	\$'000
Joint venture surplus	1,280	3,312
Share of surplus in joint ventures	640	1,656

(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 have 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.

(i) Interest in joint operations *

Property, plant and equipment assets	5,103	5,103
Less: Depreciation for the year	(128)	(86)
Net interest in joint operations	4,975	5,017

(ii) Results **

Rental Revenue	326	44
Expenses	(239)	(97)
	87	(53)

* 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.

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	2016 \$'000	2015 \$'000
13. Property, plant and equipment		
Capital works in progress		
At cost	47,263	24,994
Freehold land		
At cost	128,977	141,514
Buildings and improvements		
At cost	1,073,871	1,074,655
Accumulated depreciation	(378,845)	(356,282)
Total buildings and improvements	695,026	718,373
Plant and equipment		
At cost	411,749	393,919
Accumulated depreciation	(235,586)	(220,907)
Total plant and equipment	176,163	173,012
Motor vehicles		
At cost	50,139	52,646
Accumulated depreciation	(21,260)	(24,623)
Total motor vehicles	28,879	28,023
Total property, plant and equipment	1,076,308	1,085,916

Legal title to all property beneficially utilised in the services of the organisation 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 Ltd).

Assets pledged as security

Freehold land and buildings with a carrying amount of \$109,919,145 (2015: \$113,694,259) 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 2016, freehold land and buildings with a carrying amount of \$4,959,595 (2015: \$5,100,577) 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 \$44,278,968 (2015: \$47,150,429) are pledged as security in accordance with a grant contract from the Commonwealth of Australia.

In total, assets of \$49,238,563 (2015: \$52,251,006) which is 4.6% (2015: 4.8%) of total property, plant and equipment, has been or will be pledged to secure government grants.

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13. Property, plant and equipment (continued)

Leased assets

Plant and equipment includes an amount of \$8,492,951 (2015: \$10,732,650) of leased equipment at cost and \$3,983,744 (2015: \$4,228,178) 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 assets outlined above, are pledged as security.

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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
2015						
Balance at beginning of year	103,294	157,095	673,322	145,502	27,450	1,106,663
Transfers from common control transactions	-	35	13,047	840	439	14,361
Additions	65,285	568	15,599	28,775	10,342	120,569
Disposals	(1,030)	(1,671)	(20,500)	(4,378)	(2,022)	(29,601)
Impairment	(3,265)	(13,422)	(4,957)	-	-	(21,644)
Transfers	(139,290)	(1,033)	82,265	33,942	-	(24,116)
Depreciation expense	-	(13)	(39,980)	(31,637)	(8,186)	(79,816)
Other	-	(45)	(423)	(32)	-	(500)
Carrying amount at 30 June 2015	24,994	141,514	718,373	173,012	28,023	1,085,916
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

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 13.

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14. Intangible assets

	2016 \$'000	2015 \$'000
Computer software		
Opening Balance	46,502	25,693
Additions	541	7,724
Disposals	(168)	(110)
Transfers	11,870	24,116
Amortisation	(11,921)	(10,921)
Carrying amount at end of the year	46,824	46,502

Intangible assets include 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 2016, 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 2016 of \$20,083,037 (2015: \$21,770,032) 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 increased carrying value at balance date of \$4,944,168 (2015: \$1,611,406).

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15. Trade and other payables	2016 \$'000	2015 \$'000
Current		
Trade payables	37,249	44,490
Sundry payables and accrued expenses	53,268	56,973
Other payables	779	224
Total current trade and other payables	91,296	101,687
Non-current		
Maintenance reserve funds	1,277	2,400
Total non-current trade and other payables	1,277	2,400

The Group have 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 entry contributions

Current

Accommodation bonds – aged care facilities:

Expected to be paid within 12 months	99,545	63,077
Not expected to be paid within 12 months	105,829	98,920

Entry contributions – retirement villages:

Expected to be paid within 12 months	23,824	16,743
Not expected to be paid within 12 months	112,214	112,274

Total accommodation bonds and entry contributions	341,412	291,014
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Accommodation bonds are held in respect of clients in residential aged care facilities. Entry contributions are held for clients of retirement living units covered under the *Retirement Villages Act 1999 (Qld)*. These are recognised as current liabilities for reporting purposes but have been split in this note into 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.

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17. Borrowings	2016 \$'000	2015 \$'000
Current		
Finance lease obligation ^(a)	2,468	1,822
Loans – related party ^(b)	22,439	-
Total current borrowings	24,907	1,822
Non-current		
Finance lease obligation ^(a)	5,197	4,316
Loans – related party ^(b)	203,979	233,780
Total non-current borrowings	209,176	238,096

(a) Finance lease obligation

Finance lease obligations as disclosed in note 17, 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 5.692% p.a. (2015: 5.535% p.a.). 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	2016 \$'000	2015 \$'000
Principal and Interest facility (related party)	BBSW 30d + 2.9%	120,000	-
Interest Only facility (related party)	BBSW 30d + 2.9%	110,000	253,000
Line of Credit facility (related party)	BBSW 30d + 3.5%	20,000	-
Total facilities (related party)		250,000	253,000
Less: used at the end of the reporting period		(226,418)	(233,780)
Unused at the end of the reporting period		23,582	19,220

Effective 31 August 2015, the facility terms were amended to separate the total borrowings into three facilities, extend the maturity of all facilities to 31 August 2025, and to revise the interest rates on each facility. The applicable interest rate for the facilities up to 31 August 2015 was BBSW 30d + 3.5% per annum.

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.

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	2016 \$'000	2015 \$'000
18. Employee benefits and other provisions		
Current		
<i>Employee benefits:</i>		
Annual leave	70,080	67,938
Long service leave	58,672	57,265
Accrued day off and other leave	1,463	1,507
Sick leave	5,450	5,928
Restructuring provision	1,477	-
Total current employee benefits ^(a)	137,142	132,638
Other provisions ^(b)	1,696	1,474
Total current employee benefits and other provisions	138,838	134,112
Non-current		
<i>Employee benefits:</i>		
Long service leave	17,521	13,471
Total non-current employee benefits and other provisions	17,521	13,471

(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 health fund audits for UnitingCare Health. In comparison the prior year balance primarily consisted of the Group's provision for make-good of certain leased premises and provision for repayments to health funds.

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19. Other liabilities	2016	2015
	\$'000	\$'000
Current		
Grant funding liability	51,222	30,532
Unearned income ^(a)	3,967	2,992
Income received in advance	897	1,648
Lease incentives	1,228	940
Total other current liabilities	57,314	36,112
Non-current		
Fundraising monies held in trust	255	607
Unearned income ^(a)	8,956	9,115
Lease incentives	10,171	7,260
Total other non-current liabilities	19,382	16,982

- (a) 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.

Also included in unearned income is a prepaid 18 year lease with UnitingCare Medical Imaging Pty Ltd (UCMI) for an extension immediately adjacent to an existing leased space. The construction of the external walls, roof and floors of the leased space has been funded by WMI 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 Finance Investment Property Trust Board.

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20. Financial instruments (continued)

(b) Capital risk management (continued)

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.

(d) Market risk

UnitingCare Queensland 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)			Total \$'000
		< 1 \$'000	1 to 2 \$'000	> 2 \$'000	
30 June 2015					
<i>Non-interest bearing available:</i>					
Cash and cash equivalents		282	-	-	282
Receivables		79,964	-	-	79,964
Other non-current assets		-	-	1,814	1,814
<i>Floating interest rate available:</i>					
Cash and cash equivalents	1.93	505,325	-	-	505,325
Loan to other entities	6.26	30	2	1,895	1,927
Other receivables	6.61	2,394	-	-	2,394
Funds held in trusts	1.93	-	-	2,378	2,378
Total financial assets		587,995	2	6,087	594,084

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20. Financial instruments (continued)

(e) Liquidity risk management (continued)

	Effective interest rate (%)	MATURING (Years)			Total \$'000
		< 1 \$'000	1 to 2 \$'000	> 2 \$'000	
30 June 2016					
<i>Non-interest bearing available:</i>					
Cash and cash equivalents	-	293	-	-	293
Receivables	-	102,599	-	-	102,599
Other non-current assets	-	-	-	2,003	2,003
<i>Floating interest rate available:</i>					
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

Financial liabilities

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

	Effective interest rate (%)	MATURING (Years)			Total \$'000
		< 1 \$'000	1 to 2 \$'000	> 2 \$'000	
30 June 2015					
<i>Floating interest rate available:</i>					
Bank loans and overdrafts	5.54	1,822	-	238,096	239,918
<i>Non-interest bearing available:</i>					
Accommodation bonds and entry contributions ⁽ⁱ⁾	-	291,014	-	-	291,014
Trade and other payables	-	101,687	2,400	-	104,087
Other liabilities	-	33,120	1,860	6,007	40,987
Total financial liabilities		427,643	4,260	244,103	676,006
30 June 2016					
<i>Floating interest rate available:</i>					
Bank loans and overdrafts	5.01	24,907	10,438	198,738	234,083
<i>Non-interest bearing available:</i>					
Accommodation bonds and entry 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

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20. Financial instruments (continued)

(e) Liquidity risk management (continued)

- (i) The Group has negotiated 354 bonds and 93 entry contributions for the year ended 30 June 2016 (2015: 256 bonds and 133 entry contributions). 237 bonds and 105 entry contributions were refunded during the year ended 30 June 2016 (2015: 251 bonds and 93 entry contributions). The value of new bonds is approximately \$263,000 (2015: \$81,000) 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. Over the longer-term, however, permanent changes in interest rates would have an impact on earnings. At 30 June 2016, 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 \$2,340,830 (2015: \$2,399,172).

(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.

	Note	Level	2016		2015	
			Carrying amount	Fair value	Carrying amount	Fair value
			\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	7	1	560,368	560,368	505,607	505,607
Trade and other receivables	8	2	102,863	102,863	82,358	82,358
Loans to other entities	10	2	1,944	1,944	1,927	1,927
Other assets	10	2	2,003	2,003	1,814	1,814
Funds held in trusts	10	2	2,416	2,416	2,378	2,378
Financial liabilities						
Trade and other payables	15	2	92,573	92,573	104,087	104,087
Accommodation bonds and entry contributions	16	2	341,412	341,412	291,014	291,014
Bank loans and overdrafts	17	2	234,083	234,083	239,918	239,918
Other liabilities	19	2	63,773	63,773	40,987	40,987

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Notes to the financial statements

For the year ended 30 June 2016

20. Financial instruments (continued)

(g) Fair value of financial instruments (continued)

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.

(b) Finance lease liabilities

	2016 \$'000	2015 \$'000
Minimum lease payments		
Not later than 1 year	2,850	2,162
Later than 1 year and not later than 5 years	5,656	4,666
Minimum lease payments	8,506	6,828
<i>Less: future finance charges</i>	(840)	(690)
Present value of minimum lease payments	7,666	6,138
Present value of minimum lease payments		
Not later than 1 year	2,468	1,822
Later than 1 year and not later than 5 years	5,198	4,316
Present value of minimum lease payments	7,666	6,138

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.

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Notes to the financial statements

For the year ended 30 June 2016

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. In October 2015, the Group took up occupancy in new premises, 192 Ann Street Brisbane. The lease is for ten years, with two optional extension periods of five years each. A fixed percentage rental increase of 3.5% applies annually, for the term of the lease and the two optional extension periods.

	2016 \$'000	2015 \$'000
(b) Payments recognised as an expense		
Minimum lease payments	22,184	20,348

(c) Non-cancellable operating lease commitments

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

Not later than 1 year	19,083	11,635
Later than 1 year and not later than 5 years	39,668	27,827
Later than 5 years	25,067	25,339
	83,818	64,801

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

Lease incentives

Current	1,228	940
Non-current	10,129	7,260
	11,357	8,200

The above mentioned lease incentive was received in respect of the 192 Ann Street 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).

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Notes to the financial statements

For the year ended 30 June 2016

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:

	2016 \$'000	2015 \$'000
Buildings		
Not later than 1 year	33,176	35,950
Between 1 – 5 years	30,132	9,676
	63,308	45,626
Plant and equipment		
Not later than 1 year	1,806	9,091
Intangibles		
Not later than 1 year	1,058	1,227

(b) Lease commitments

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

(c) Other expenditure commitments

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

Not later than 1 year	10,119	11,149
Later than 1 year and not later than 5 years	14,352	14,763
	24,471	25,912

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

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Notes to the financial statements

For the year ended 30 June 2016

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 several 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 sacrifice 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 \$933,000 (2015: \$420,853).

At balance date, UnitingCare Health has no bank guarantees with Uniting Church Investment Services (2015: \$279,510).

The Child Care centres operated by the Group were built with the assistance of the Commonwealth and State Governments. The terms of the agreement provide that any Government funds for the initial construction costs less 4% of the funds per year must be repaid if the centres were closed down within 25 years from the date of initial use. The organisation has no current intention to close these centres. The contingent liability as at 30 June 2016 that would apply, if the centres were to be closed within the 25 years period, is \$250,950 (2015: \$310,455).

The Group have 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.

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.

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UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2016

25. Business Combinations

Management of AARCS was transferred from Frontier Services – a charity and agency of the National Assembly of the Uniting Church. The assets acquired and liabilities assumed at 1 July 2014 are as follows:

	\$'000
Assets	
Cash and cash equivalents	2,777
Freehold land - at cost	35
Freehold buildings - at cost	9,814
Leasehold improvements - at cost	3,233
Plant & Equipment - at cost	840
Motor vehicles - at cost	439
Software licences - at cost	2
	<hr/>
Total assets	17,140
	<hr/>
Liabilities	
Annual leave provision	(1,548)
Long service leave provision	(1,058)
RDO provision	(10)
Accommodation bonds	(1,209)
	<hr/>
Total liabilities	(3,825)
	<hr/>
Net assets	13,315
	<hr/>

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.

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Notes to the financial statements

For the year ended 30 June 2016

26. Cash flow information	2016 \$'000	2015 \$'000
Reconciliation of cash flows from operating activities to surplus for the year		
Surplus for the year	8,828	40,979
Depreciation and amortisation expense	92,617	90,737
Write-offs and impairment expense	1,815	21,642
Gain on sale of assets and investments	(16,870)	(14,062)
Loss on disposal of intangibles	168	-
Retentions from accommodation bonds and entry contributions	(7,259)	(6,998)
Share of surplus in joint ventures	(640)	(1,656)
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	(22,636)	13,926
Increase in prepayments	(49)	(2,040)
Increase in inventories	(16)	(1,976)
(Increase) / decrease in other assets	(2,579)	1,305
(Decrease) / increase in trade and other payables	(11,515)	12,825
Increase in other creditors	23,561	13,785
Increase in employee benefits and other provisions	8,777	6,918
Net cash inflow from operating activities	74,202	175,385

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:

Short-term employee benefits	3,064	3,004
Post-employment benefits	142	159
Termination benefits	584	-
	3,790	3,163

Other key management personnel transactions with the organisation 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, the UnitingCare Queensland Board members or their related entities may purchase goods or services from the organisation. These purchases are on the same terms and conditions as those entered into by employees or customers and are trivial or minor in nature.

The Uniting Church in Australia - Queensland Synod

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Notes to the financial statements

For the year ended 30 June 2016

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

Consolidated surplus for the year includes the following amounts arising from transactions with related parties:

	2016	2015
	\$'000	\$'000
Uniting Church in Australia – Queensland Synod		
Chaplains fees paid to synod for chaplaincy services	(2,961)	(3,211)
Mission and service fund contribution	(869)	(843)
Insurance premiums paid	(9,157)	(9,003)
Other expenses	(68)	(142)
Board remuneration	(115)	(72)
Funds held in trust	1,446	1,413
Net (payables) owed	(9)	(87)
Uniting Church Investment Services		
Interest revenue received	12,675	9,850
Borrowing costs paid	(11,429)	(13,944)
Cash on deposit at the end of year	438,563	461,127
Borrowings at the end of year	(226,418)	(233,780)
UnitingCare Australia		
Contribution paid	(503)	(449)

The Uniting Church in Australia - Queensland Synod

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Notes to the financial statements

For the year ended 30 June 2016

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

Fraser Shores and Fraser Shores 2

On 22 April 2016, the Board of UnitingCare Queensland approved a plan to purchase two retirement villages at Hervey Bay, known as Fraser Shores and Fraser Shores 2 which comprised of 427 independent living units.

The purchase contract, which settled on 1 July 2016 for a total consideration of \$70.5 million, comprised the purchase of property, plant and equipment, other assets and the transfer of resident liabilities, capital replacement fund liabilities and employee entitlements. The determination of fair value of assets and liabilities acquired is yet to be finalised. Below is the most recent estimate which has been determined provisionally as the valuations have not been finalised.

	\$'000
Consideration	(70,500)
Fair value of net assets acquired	62,680
Goodwill	7,820

Carlyle and Argyle Gardens

On 7 June 2016, the Board of UnitingCare Queensland approved a plan to purchase three retirement villages, known by the brand names Carlyle Gardens and Argyle Gardens, at sites in Townsville, Mackay and Bundaberg. The three properties comprise a total of 1,066 independent living units and 78 serviced apartments.

Contract settlement occurred on 1 September 2016 for a total consideration of \$85.0 million (less any settlement adjustments) and includes the purchase of property, plant and equipment and the transfer of resident liabilities. Disclosure of the fair value of assets and liabilities acquired as part of the business combination has not been included as this is yet to be finalised.

The Uniting Church in Australia - Queensland Synod

UnitingCare Queensland

Notes to the financial statements

For the year ended 30 June 2016

30. Events after the reporting period (continued)

Restructuring

In August 2015, UnitingCare Queensland announced the commencement of the Group's *Transform Program*. The program aims to identify and implement structural and organisational changes required by the Group, to improve capacity to deliver on its mission, adapt to changes in the operating and legislative environment and further strengthen sustainability into the future.

In accordance with the accounting policy at note 1(s), a restructuring provision is recognised based on a formal plan being announced to parties affected by it. As UnitingCare Queensland progresses through the Transform Program, it is expected that further restructuring cost will be incurred and accounted for in the subsequent years.

Other than those disclosed, there were no matters subsequent to the end of the year that have come to attention that would have a material impact on the financial statements or disclosures therein.

Sale of Residential Aged Care Facilities

On 5 April 2016, the Board of UnitingCare Queensland approved a plan to dispose of two Residential Aged Care Facilities with a combined carrying value (land and buildings) of \$5.28 million (net of impairment). Settlement of these properties occurred on 30 September 2016.

The Uniting Church in Australia - Queensland Synod UnitingCare Queensland

Declaration by the Board of UnitingCare Queensland

30 June 2016

The Board of UnitingCare Queensland declares that:

- (a) the financial statements and notes set out on pages 1 to 53:
 - 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 2016 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 4th day of October 2016



Craig Barke, Chair
UnitingCare Queensland Board



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

The Chairman
UnitingCare Queensland Board
Level 5, 192 Ann Street
Brisbane
Qld 4000

4 October 2016

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 consolidated financial statements of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely


DELOITTE TOUCHE TOHMATSU


R G Saayman
Partner
Chartered Accountants

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

We have audited the accompanying financial report of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland (the “entity”), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in funds for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Board of UnitingCare Queensland’s (the “Board”) declaration of the consolidated entity, comprising the entity and the entities it controlled at the year’s end or from time to time during the financial year as set out on pages 1 to 54.

The Board's Responsibility for the Financial Report

The Board 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 *Australian Charities and Not-for-profits Commission Act 2012 (Cth)* (the ACNC Act) and for such internal control as the Board determines 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity’s preparation of the financial report that gives a true and fair view, 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report.

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

Opinion

In our opinion, the financial report of The Uniting Church in Australia – Queensland Synod, UnitingCare Queensland is in accordance with Division 60 of the ACNC Act, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



R. G. Saayman
Partner

Chartered Accountants
Brisbane, 4 October 2016