Baptist Village Baxter Limited

ABN 96 006 640 544

Annual report
for the year ended 30 June 2010

Baptist Village Baxter Limited ABN 96 006 640 544
Annual report - 30 June 2010

Contents

Directors' report

Your directors present their report on Baptist Village Baxter Limited ("the Company") for the year ended 30 June 2010.

Directors
The following persons were directors of Baptist Village Baxter Limited during the whole of the financial year and up to the date of this report:

Robin Milner Kirk
Donald Ernest Valentine
Edgar Boyne Alley
Ronald Crosling

Edward Lawrence Bearn was a director from the beginning of the financial year until his resignation on 22 September 2009.

Barry McWha was appointed a director on 1 December 2009 and continues in office at the date of this report.

Principal activities
During the year the principal continuing activities of the Company, which is limited by Guarantee, consisted of operating a resident funded Retirement Village comprising Independent Living Units, a Hostel and a Nursing Home. Through the operation of these services the Company was able to provide residential accommodation, assistance and related services that have relieved poverty, sickness, suffering, distress, misfortune, destitution, disability, disadvantage or helplessness among persons who have reached retirement age.

Additionally the Company provides Community Care Services to persons of all ages throughout the Southern Metropolitan region and an on-site Day Centre to support carers in the community.

Through the provision of these services, the Village provides direct employment for over 300 staff and, through our business partners, a further 120 staff are engaged on activities associated with the Village.

Dividends - Baptist Village Baxter Limited
No dividend was paid or any dividend proposed for the current year, in accordance with the Constitution of the Company.

Review of operations
The Company reported a profit from operating activities of $978,438 in the current year compared to a profit of $2,128,715 in 2009. The current year's profit included an amount of $1,120,000 from the sale of bed licences ($3,130,000 in 2009).

Depreciation provided on property, plant and equipment amounted to $667,616, compared with $647,806 in the previous year. Capital expenditure during the year totalled $3,470,820 ($6,958,256 in the previous year).

Interest totalling $540,512 (2009: $622,503) was earned on funds on deposit, while commissions and fees paid to the Bank amounted to $5,903 (2009: $6,351) during the year.

Most Village units have been occupied at some time during the year, but 61 were vacant at June 2010 (2009: 48). There is a waiting list of 251 potential residents. The vacant units have been set aside for redevelopment.

Significant changes in the state of affairs
There were no significant changes in the Company's affairs during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:
(a) the Company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Company's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the Company and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation
The Company recognises the importance of environmental issues and occupational health and safety and is committed to high quality performance. Directors are committed to complying with all relevant legislation, regularly reviewing and improving the impact on the Company's operations on the environment and, in co-operation with all employees, enhancing the safety of the Village as a working and living environment.

Information on directors
Edgar Boyne Alley *Chairman*
Experience and expertise
Retired Vice President World Vision Int'l. Director since 24 February 2004.

Robin Milner Kirk *Deputy chairman*
Experience and expertise
Retired Manager Minenco P/L. Director since 1 July 2002.

Donald Ernest Valentine
Experience and expertise
Baptist Church Pastor. Director since 1 July 2002.

Ronald Crosling
Experience and expertise
General management experience and company owner. Director since 27 January 2009.

Barry McWha
Experience and expertise
Retired Baptist Church Pastor. Director since 1 December 2009.

Edward Lawrence Bearn
Experience and expertise
Retired General Manager. Director since 23 March 1999. Resigned on 22 September 2009.

Company secretary
The Company secretary is Mr Stuart Shaw, CPA JP. Mr Shaw was appointed to the position of Company secretary on 24 September 2002. He is also the General Manager and was appointed to that position on 20 January 1987.

Meetings of directors
The numbers of meetings of the Company’s board of directors held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

	Full meetings of directors	
	A	**B**
Barry McWha	4	4
Edward Lawrence Bearn	2	2
Robin Milner Kirk	8	8
Donald Ernest Valentine	8	8
Edgar Boyne Alley	7	8
Ronald Crosling	8	8

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

Insurance of officers
During the financial year, certain officers of the Company were provided with insurance cover by the Department of Health and Community Services under arrangements for Non-Government agencies funded by the Department. The Company qualifies for this cover through Government funding of the Day Centre under the Home and Community Care Program.

The officers of the Company covered by the insurance policy include the directors: E.L. Bearn, R.M. Kirk, D.E. Valentine, E.B. Alley, R. Crosling, B. McWha and the secretary, S. Shaw. Other officers covered by the policy include the General Manager, Sales Manager, Operations Manager, Maintenance Manager, Care Manager, Human Resources Manager and Community Care Manager.

Insurance of officers (continued)
The cover indemnifies the Company, its directors and executive officers against third party claims for wrongful acts which are in error, misstatement, misleading statement, omission, neglect or breach of duty made, committed or attempted by an insured person.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

Robin Milner Kirk
Director

Edgar Boyne Alley
Director

Melbourne
24 August 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
website: www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the audit of Baptist Village Baxter Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Baptist Village Baxter Limited during the period.

P R Lewis
Partner
PricewaterhouseCoopers

Melbourne
24 August 2010

Baptist Village Baxter Limited ABN 96 006 640 544
Annual report - 30 June 2010

Contents

These financial statements cover Baptist Village Baxter Limited as an individual entity. The financial statements are presented in the Australian currency.

Baptist Village Baxter Limited is a Company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Baptist Village Baxter Limited
8 Robinsons Road
Frankston South VIC 3199.

A description of the nature of the entity's operations and its principal activities is included in the directors' report on page 1, which is not part of this financial report.

The financial report was authorised for issue by the directors on 24 August 2010. The directors have the power to amend and reissue the financial report.

Baptist Village Baxter Limited
Statement of comprehensive income
For the year ended 30 June 2010

	Notes	2010 $	2009 $
Revenue from continuing operations	4	**14,922,916**	15,579,384
Other income	5	**1,182,529**	3,130,000
Employee benefits expense		**(8,727,270)**	(9,596,184)
Depreciation and amortisation expense	6	**(667,616)**	(647,806)
Catering		**(1,473,351)**	(1,756,219)
Domestic supplies		**(873,353)**	(992,596)
Fuel and power		**(441,375)**	(412,784)
Repairs and maintenance		**(1,544,918)**	(1,412,042)
Impairment of available for sale financial assets	9	**(134,540)**	(581,262)
Other expenses		**(1,257,003)**	(1,149,649)
Finance costs	6	**(7,581)**	(32,127)
Profit before income tax		**978,438**	2,128,715
Income tax expense		**-**	-
Profit for the year		**978,438**	2,128,715
Other comprehensive income			
Changes in fair value of available-for-sale financial assets	17(a)	**288,752**	49,587
Other comprehensive income for the year, net of tax		**288,752**	49,587
Total comprehensive income for the year		**1,267,190**	2,178,302
Profit is attributable to:			
Baptist Village Baxter Limited		**978,438**	2,128,715
Total comprehensive income for the year is attributable to:			
Baptist Village Baxter Limited		**1,267,190**	2,178,302

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	2010 $	2009 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**10,129,017**	14,051,110
Trade and other receivables	8	**497,917**	1,593,044
Available-for-sale financial asset	9	**3,976,185**	3,718,670
Total current assets		**14,603,119**	19,362,824
Non-current assets			
Property, plant and equipment	10	**12,942,878**	12,809,988
Investment properties	11	**48,981,410**	46,602,170
Intangible assets	12	**920,000**	920,000
Total non-current assets		**62,844,288**	60,332,158
Total assets		**77,447,407**	79,694,982
LIABILITIES			
Current liabilities			
Trade and other payables	13	**1,629,094**	1,955,390
Provisions	14	**1,397,057**	1,494,606
Other current liabilities	15	**53,774,799**	57,001,549
Total current liabilities		**56,800,950**	60,451,545
Non-current liabilities			
Provisions	16	**645,422**	509,592
Total non-current liabilities		**645,422**	509,592
Total liabilities		**57,446,372**	60,961,137
Net assets		**20,001,035**	18,733,845
EQUITY			
Reserves	17(a)	**4,673,141**	4,384,389
Retained earnings	17(b)	**15,327,894**	14,349,456
Total equity		**20,001,035**	18,733,845

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

Baptist Village Baxter Limited
Statement of changes in equity
For the year ended 30 June 2010

	Notes	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2008		**4,334,802**	**12,220,741**	**16,555,543**
Total comprehensive income for the year		49,587	2,128,715	2,178,302
Balance at 30 June 2009		**4,384,389**	**14,349,456**	**18,733,845**
Balance at 1 July 2009		**4,384,389**	**14,349,456**	**18,733,845**
Total comprehensive income for the year		**288,752**	**978,438**	**1,267,190**
Balance at 30 June 2010		**4,673,141**	**15,327,894**	**20,001,035**

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

	Notes	**2010** **$**	2009 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**12,622,067**	12,746,956
Payments to suppliers and employees (inclusive of goods and services tax)		**(14,370,227)**	(16,321,729)
		(1,748,160)	(3,574,773)
Proceeds from ingoing contributions by residents		**5,615,156**	13,321,884
Repayment of liabilities - departed residents		**(7,219,661)**	(3,294,837)
Interest received	6	**406,794**	622,503
Dividends received		**206,898**	140,479
Trust distributions received		**89,368**	178,815
Interest paid		**(7,581)**	(32,127)
Net cash inflow (outflow) from operating activities	23	**(2,657,186)**	7,361,944
Cash flows from investing activities			
Payments for property, plant and equipment	10	**(393,736)**	(396,086)
Payments for investment property		**(3,333,944)**	(6,960,877)
Payments for available-for-sale financial assets		**(347,516)**	(391,271)
Proceeds from sale of intangible assets		**2,300,000**	2,450,000
Proceeds from sale of property, plant and equipment		**30,500**	-
Proceeds from sale of available-for-sale financial assets		**182,663**	335,959
Proceeds from sale of investment property		**297,126**	-
Net cash inflow (outflow) from investing activities		**(1,264,907)**	(4,962,275)
Cash flows from financing activities			
Net cash inflow (outflow) from financing activities		**-**	-
Net increase (decrease) in cash and cash equivalents		**(3,922,093)**	2,399,669
Cash and cash equivalents at the beginning of the financial year		**14,051,110**	11,651,441
Cash and cash equivalents at end of year	7	**10,129,017**	14,051,110

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with Australian Accounting Standards - Reduced Disclosure Requirements
The financial statements of the Baptist Village Baxter Limited also comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Early adoption of standards
The Company has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2009:

- AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The adoption of AASB 1053 and AASB 2010-2 allowed the entity to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Financial statement presentation
The Company has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Company had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Positive statement on going concern
The balance sheet of the Company reflects negative net current assets (equal to current assets less current liabilities) of $42,197,831 (2009: $41,088,721). The directors are satisfied that they will be able to pay debts as and when they fall due because:

(i) as noted in note 15 resident liabilities are classified as current liabilities. However, the expected demand for repayments will be spread over future years, and

(ii) when a resident departs the Village and repayment of the resident liability is required, the Company retains the right to resell the Independent Living Unit first, before repaying the resident liability. The directors are confident that, in view of the waiting list of 251 potential residents and rising prices for the Independent Living Units, the resulting cash flows from incoming residents will exceed the obligations of the outgoing residents.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the board.

1 Summary of significant accounting policies (continued)

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, and duties and taxes paid. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised for the major business activities as follows:

(i) Independent Living Units
Deferred management fees ("DMFs"), refurbishment fees and service fees are earned in accordance with the conditions of the lease between the resident and the Village. DMF revenue, refurbishment fee and service fee revenue is recognised over the average length of stay of a resident, estimated at 10 years.

(ii) Hostel
Hostel residents have signed residents' agreements and lodge a means tested accommodation bond. Retentions from bonds and interest on any unpaid bond balances are brought to account as income on a monthly basis. The daily resident accommodation fees charged to each resident are bought to account monthly, as are government subsidies received.

(iii) Nursing Home
No capital sums are received from residents, but accommodation bonds may be maintained by residents transferring from the Hostel to the Nursing Home. Daily accommodation charges and residents' accommodation fees are brought to account monthly. Government subsidies are brought to account monthly.

(iv) Government Grants
Government grants are fully recognised as revenue in the financial year in which they are received from the Government, including grants received in advance relating to future periods.

When the conditions of the grants have not been fulfilled at the end of the financial year and it is probable that the grant funds received, or a proportion of these funds, will be required to be repaid, a liability and expense is recognised at the end of the financial year to the extent the amount of the liability can be reliably measured.

(v) Interest income
Interest income is recognised on a time proportion basis taking into account the interest rate applicable to the financial assets.

(d) Income tax

The Deputy Commissioner of Taxation has confirmed that the Company is considered to be exempt from Income Tax under Subdivision 50-5 of the Income Tax Assessment Act 1997.

(e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

1 Summary of significant accounting policies (continued)

(g) Trade receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

Interest receivable on financing and investment activities is accrued in accordance with the terms and conditions of the underlying financial instrument.

Residents who defer payment of their entry contribution or accommodation bond are recognised as debtors. All fees are recognised as amounts receivable immediately they are due for payment.

(h) Investments and other financial assets

Classification
The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

(i.i) Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are reclassified to statement of comprehensive income as gains and losses from investment securities.

(i.ii) Subsequent measurement
Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in statement of comprehensive income, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

(i.iii) Fair value
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1 Summary of significant accounting policies (continued)

(i.iv) Impairment
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of comprehensive income as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through statement of comprehensive income.

(i) Property, plant and equipment

Land, buildings and plant and equipment (except for investment properties - refer to note 1(j)) are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings and plant and equipment. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Motor vehicles are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in reserve in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	2.5% - 10%
Plant, equipment, fixtures and fittings	10% - 50%
Motor vehicles	20% - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(e)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(j) Investment property

Investment property, comprising of Independent Living Units, is held for long-term capital income yields and is not occupied by the Company. Investment property is carried at fair value, representing open-market value determined by external valuers at least every 3 years. Annual assessments are made by the directors. Changes in fair values are recorded in profit or loss as part of other income.

(k) Intangible assets

(i) Bed Licences
All bed licences are assessed as having an indefinite useful life and are therefore not subject to amortisation and are tested annually (at the same time every year) for impairment in accordance with the AASB 136 *Impairment of Assets.* These licences are issued by the Federal Government to approved providers. Holders of bed licences receive Federal Government funding in accordance with predetermined rates. Bed licences are recorded at cost and not revalued. Recognition of bed licences received as part of Federal Government approval rounds occurs at fair value.

1 Summary of significant accounting policies (continued)

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Accommodation bonds

Accommodation bonds are recorded initially at face value, at an amount equal to the bond received by the Village. These bonds are adjusted for retentions recognised over the average length of stay of a resident.

Accommodation bonds are classified as a current liability due to the Village not having unconditional rights to defer settlement for at least 12 months after the end of the reporting period.

(n) Independent Living Units - resident liabilities and deferred income

Resident liabilities are recorded initially at face value, at an amount equal to the entry contribution received by the Village. This liability is adjusted for the deferred income expected to be recognised over the average length of stay of a resident estimated at 10 years.

Resident liabilities are classified as a current liability due to the Village not having unconditional rights to defer settlement for at least 12 months after the end of the reporting period.

(o) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

(p) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are 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. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Employee benefits

(i) Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables and provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1 Summary of significant accounting policies (continued)

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Calculation of deferred management fees (DMF's)
The DMF's have been calculated using the following assumptions:

- A 10 year average length of stay for Independent Living Units; and
- A 3-4% per annum average property growth rate over the average length of stay.

The DMF receivable is then calculated by reference to current tenure of each resident. DMF income is recognised on a progressive annual basis over the average length of stay. Differences in cash received and the DMF receivable on re-licence of a unit or apartment are taken to the statement of comprehensive income.

(ii) Estimates of fair value of investment properties
As referred to in note 1(j) and note 11, independent valuations of properties are prepared at least triannually. At each reporting date the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The Company determines a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available the Company considers information from a variety of sources including:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- Discounted cash flow projections based on reliable estimates of future cash flows; and
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from analysis of market evidence.

At reporting date the key assumptions used by the Company in determining fair value of the Company's Independent Living Units properties were as follows:

- Discount rate of 12% (2009: 12%);
- Capital expenditure of $7,000 per turnover with $35,000 for one major refurbishment approximately 22 years since year of construction escalated at 3.39% per annum;
- Average rate of resales per year of 9.22% (2009: 9.22%); and
- Income growth rate of 3.58% (2009: 3.58%).

All the above key assumptions have been taken from the last independent valuation report for the assets in the portfolio.

3 Segment information

(a) Description of segments

The Company operates predominantly in the retirement village industry. Management has determined the operating segments based on the reports reviewed by the board that are used to make decisions. The board considers the business from both a operation and a geographic perspective and has identified six reportable segments. The operating segments are Independent Living Units, a Hostel, a Nursing Home, Day Centre, Community Care services and Administration.

3 Segment information (continued)

(b) Primary reporting format - business segments

2010	I. L. U. $	Hostel $	Manor $	Day Centre $	Homecare $	Admin/ Sales $	Total 2010 $
Segment revenue							
Resident fees	1,898,062	1,274,918	848,660	22,604	1,837,039	-	5,881,283
Government grants and subsidies	-	1,812,069	3,373,436	243,999	33,968	-	5,463,472
Tenancy sales income	1,766,145	-	-	-	-	-	1,766,145
Other operating revenue and meals	91,643	13,109	3,056	1,459	170	591,863	701,300
	3,755,850	**3,100,096**	**4,225,152**	**268,062**	**1,871,177**	**591,863**	**13,812,200**
Expenditures							
Salaries	1,019,960	2,564,367	2,803,156	183,032	1,486,817	663,307	8,720,638
Food supplies	(9,832)	893,479	546,144	13,675	29,156	729	1,473,351
Domestic expenses	142,046	407,902	314,830	2,142	856	5,577	873,353
Fuel/power	29,598	83,813	52,797	2,627	-	272,540	441,375
Repairs/maintenance	457,078	160,804	85,304	11,330	1,005	62,626	778,147
Administration	499,208	350,770	301,761	53,524	101,376	(50,151)	1,256,488
Refurbishment costs	736,728	27,576	1,974	-	-	494	766,772
	2,874,786	**4,488,711**	**4,105,965**	**266,330**	**1,619,209**	**955,122**	**14,310,123**
Net profit/(loss)	**881,064**	**(1,388,615)**	**119,187**	**1,732**	**251,968**	**(363,259)**	**(497,923)**
Accommodation bond retentions/charges	-	170,096	93,842	-	-	-	263,938
Depreciation	(57,462)	(303,219)	(289,828)	(6,252)	(285)	(10,569)	**(667,616)**
Net profit/(loss)	**823,601**	**(1,521,738)**	**(76,799)**	**(4,521)**	**251,683**	**(373,828)**	**(901,601)**
Increase in fair value of investment properties	43,700	-	-	-	-	-	43,700
Profit/(loss) on disposal of intangible assets	-	1,120,000	-	-	-	-	1,120,000
Profit/(loss) on disposal of property, plant and equipment	-	-	-	-	-	(7,147)	(7,147)
Capital donations	10,000	-	-	-	-	-	10,000
Interest income	-	-	-	-	-	540,512	540,512
Trust income	-	-	-	-	-	89,368	89,368
Dividend income	-	-	-	-	-	206,898	206,898
Bank commission & interest paid	-	-	-	-	-	(7,581)	(7,581)
Impairment of available for sale financial assets	-	-	-	-	-	(134,540)	(134,540)
Net gain/(loss) on sale of available for sale financial assets	-	-	-	-	-	18,829	18,829
Net operating profit/(loss)	**877,301**	**(401,738)**	**(76,799)**	**(4,521)**	**251,683**	**332,511**	**978,438**
Segment assets and liabilities							
Current assets	89,387	-	-	-	18,990	14,494,742	14,603,119
Non current assets	48,823,505	7,986,892	4,897,013	154,615	931,011	51,252	62,844,288
Segment assets	**48,912,892**	**7,986,892**	**4,897,013**	**154,615**	**950,001**	**14,545,994**	**77,447,407**
Current liabilities	46,587,121	5,595,741	2,195,687	-	-	2,422,401	56,800,950
Non current liabilities	-	-	-	-	-	645,422	645,422
Segment liabilities	**46,587,121**	**5,595,741**	**2,195,687**	**-**	**-**	**3,067,823**	**57,446,372**
Net Assets	**2,325,771**	**2,391,151**	**2,701,326**	**154,615**	**950,001**	**11,478,171**	**20,001,035**

3 Segment information (continued)

2009	I. L. U. $	Hostel $	Manor $	Day Centre $	Homecare $	Admin/ Sales $	Total 2009 $
Segment revenue							
Resident fees	1,722,182	1,790,604	801,979	23,612	1,806,749	-	6,145,126
Government grants and subsidies	-	2,624,631	2,939,927	239,363	28,969	-	5,832,890
Tenancy sales income	1,771,910	-	-	-	-	-	1,771,910
Other operating revenue and meals	133,746	24,547	2,644	-	-	376,124	537,061
	3,627,838	**4,439,782**	**3,744,550**	**262,975**	**1,835,718**	**376,124**	**14,286,987**
Expenditures							
Salaries	909,024	3,366,013	2,848,913	177,900	1,508,095	775,835	9,585,780
Food supplies	2,434	1,239,608	472,240	14,037	25,565	2,335	1,756,219
Domestic expenses	122,001	574,534	285,828	1,331	964	7,938	992,596
Fuel/power	24,141	110,883	34,154	2,121	-	241,485	412,784
Repairs/maintenance	488,136	169,175	107,327	9,689	-	24,281	798,608
Administration	480,647	462,674	266,399	54,842	124,250	(237,671)	1,151,141
Refurbishment costs	521,678	83,084	8,672	-	-	-	613,434
	2,548,061	**6,005,971**	**4,023,533**	**259,920**	**1,658,874**	**814,203**	**15,310,562**
Net profit/(loss)	**1,079,777**	**(1,566,189)**	**(278,983)**	**3,055**	**176,844**	**(438,079)**	**(1,023,575)**
Accommodation bond retentions/charges	-	305,318	45,282	-	-	-	350,600
Depreciation	(10,311)	(317,856)	(304,791)	(5,946)	**(129)**	**(8,773)**	**(647,806)**
Net profit/(loss)	**1,069,466**	**(1,578,727)**	**(538,492)**	**(2,891)**	**176,715**	**(446,852)**	**(1,320,781)**
Increase in fair value of investment properties	-	-	-	-	-	-	-
Profit/(loss) on disposal of intangible assets	-	3,130,000	-	-	-	-	3,130,000
Capital donations	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	622,503	622,503
Trust income	-	-	-	-	-	178,815	178,815
Dividend income	-	-	-	-	-	140,479	140,479
Bank commission & interest paid	-	-	-	-	-	(32,127)	(32,127)
Impairment of available for sale financial assets	-	-	-	-	-	(581,262)	(581,262)
Net gain/(loss) on sale of available for sale financial assets	-	-	-	-	-	(8,912)	(8,912)
Net operating profit/(loss)	**1,069,466**	**1,551,273**	**(538,492)**	**(2,891)**	**176,715**	**(127,356)**	**2,128,715**
Segment assets and liabilities							
Current assets	17,741	1,180,000	-	-	258,789	17,906,294	19,362,824
Non current assets	46,636,968	6,766,383	5,758,129	165,761	931,296	73,621	60,332,158
Segment assets	**46,654,709**	**7,946,383**	**5,758,129**	**165,761**	**1,190,085**	**17,979,915**	**79,694,982**
Current liabilities	46,298,585	8,777,915	2,935,249	-	-	2,439,796	60,451,545
Non current liabilities	-	-	-	-	-	509,592	509,592
Segment liabilities	**46,298,585**	**8,777,915**	**2,935,249**	**-**	**-**	**2,949,388**	**60,961,137**
Net Assets	**356,124**	**(831,532)**	**2,822,880**	**165,761**	**1,190,085**	**15,030,527**	**18,733,845**

4 Revenue

	2010 $	2009 $
From continuing operations		
Sales revenue		
Resident fees	**5,881,283**	6,145,126
Government grants & subsidies	**5,463,472**	5,832,890
Independent Living Unit income	**1,766,145**	1,771,910
Other operating revenue	**701,300**	537,061
	13,812,200	14,286,987
Other revenue		
Accommodation charges	**52,742**	88,148
Accommodation bond retentions	**211,196**	262,452
Interest	**540,512**	622,503
Capital donations	**10,000**	-
Trust income	**89,368**	178,815
Dividend income	**206,898**	140,479
	1,110,716	1,292,397
	14,922,916	15,579,384

5 Other income

	2010 $	2009 $
Net gain on intangible assets	**1,120,000**	3,130,000
Net gain on sale of available-for-sale financial assets	**18,829**	-
Net gain on sale of investment property	**43,700**	-
	1,182,529	3,130,000

6 Expenses

	2010 $	2009 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**458,434**	450,036
Plant and equipment	**186,078**	172,159
Motor vehicles	**23,104**	25,611
Total depreciation	**667,616**	647,806
Finance costs		
Interest and finance charges paid/payable	**7,581**	32,127
Defined contribution superannuation expense	**673,532**	697,827
Loss on disposal of available for sale financial assets	**-**	8,912
Loss on disposal of property, plant and equipment	**7,147**	-

7 Current assets - Cash and cash equivalents

	2010 **$**	2009 $
Cash at bank and on hand	**929,728**	5,109,203
Deposit and commercial bills	**9,199,289**	8,941,907
	10,129,017	14,051,110

The decrease in the total cash and cash equivalents is primarily due to the closure of one of the villages' facility, which was the Grange. This lead to an abnormal increase in repayment of resident liabilities during the year. Refer to Statement of cash flows on page 9 for reconciliation of movement in cash.

(a) Cash at bank and on hand

The cash is bearing a floating interest rate between 0.40% pa and 2.25% pa (2009: 0.25% pa and 1.25% pa).

(b) Deposits and commercial bills

The deposits and commercial bills bear fixed interest rates between 5.2% pa and 6% pa (2009: 3.5% pa and 4% pa).

8 Current assets - Trade and other receivables

	2010 **$**	2009 $
Homecare debtors	**18,990**	258,789
Bank interest on commercial bills and deposits	**198,620**	67,902
Accommodation bonds	**89,387**	17,741
Franking credit receivable	**39,432**	-
Prepayments	**151,488**	68,612
Receivable on sale of bed licences	**-**	1,180,000
	497,917	1,593,044

(a) Accommodation bonds

In accordance with Commonwealth legislation, the payment by residents of their accommodation bond balances may be deferred by the resident until they exit the Village. The balance owing is offset by the accommodation bond liability recognised in current liabilities. Interest is charged on the balance owing once it has been outstanding for greater than six months.

9 Current assets - Available for sale financial asset

	2010 $	2009 $
Listed securities		
Equity securities	**1,959,496**	1,837,569
Preference shares	**1,901,125**	1,690,411
	3,860,621	3,527,980
Unlisted securities		
Managed fund securities	**59,162**	139,566
Other securities	**56,402**	51,124
	115,564	190,690
	3,976,185	3,718,670

Impairment and risk exposure
Given the decline below cost of the fair value of the equity securities held by the Company, in the current year an impairment charge of $134,540 (2009: $581,262) has been recognised.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1, as defined by the accounting standards.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cashflows, are used to determine fair value for the remaining financial instruments.

10 Non-current assets - Property, plant and equipment

	Freehold land $	Freehold buildings $	Plant and equipment $	Motor vehicles $	Total $
At 30 June 2009					
Cost	-	-	-	411,488	411,488
Valuation	2,250,000	11,266,842	2,826,120	-	16,342,962
Accumulated depreciation	-	(2,716,107)	(959,964)	(268,391)	(3,944,462)
Net book amount	2,250,000	8,550,735	1,866,156	143,097	12,809,988
Year 30 June 2010					
Opening net book amount	2,250,000	8,550,735	1,866,156	143,097	12,809,988
Additions	-	128,153	233,958	31,625	393,736
Disposals	-	-	-	(37,647)	(37,647)
Transfers	-	854,577	(410,160)	-	444,417
Depreciation charge	-	(458,434)	(186,078)	(23,104)	(667,616)
Closing net book amount	2,250,000	9,075,031	1,503,876	113,971	12,942,878
At 30 June 2010					
Cost	-	-	-	199,939	199,939
Valuation	2,250,000	10,981,486	2,273,311	-	15,504,797
Accumulated depreciation	-	(1,906,455)	(769,435)	(85,968)	(2,761,858)
Net book amount	2,250,000	9,075,031	1,503,876	113,971	12,942,878

(a) Valuations of land, buildings and plant and equipment

The basis of the valuation of land, buildings and plant and equipment (excluding motor vehicles) is fair value being the amounts for which the assets could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties in the same location and condition. These valuations have been made by the directors. The directors have based their valuations on independent assessments. The last independent assessment by Colliers International Consultancy and Valuation Pty Limited was at 30 June 2008. This valuation was for the entire Village (incorporating the Retirement Village and Aged care facilities) and therefore included a market value for bed licences and the Independent Living Units.

11 Non-current assets - Investment properties

	2010 $	2009 $
At fair value		
Opening balance at 1 July - Independent Living Units	**46,602,170**	40,040,000
Additions	**3,077,083**	6,562,170
Transfers	**(444,417)**	-
Disposals	**(253,426)**	-
Closing balance at 30 June - Independent Living Units	**48,981,410**	46,602,170

(a) Valuation basis

The Independent Living Units are carried at fair value. The directors have based their valuations on independent assessments. The last independent assessment by Colliers International Consultancy and Valuation Pty Limited was at 30 June 2008. The valuations are calculated on a discounted cash flow basis being the amounts for which the assets could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties in the same location and condition. However, the present value of existing resident liabilities has been removed from this valuation as required under AIFRS.

12 Non-current assets - Intangible assets

	Bed licences $	Total $
At 30 June 2009		
Cost	920,000	920,000
Net book amount	920,000	920,000
Year 30 June 2010		
Opening net book amount	920,000	920,000
Additions	-	-
Amortisation	-	-
Closing net book amount	920,000	920,000
At 30 June 2010		
Cost	920,000	920,000
Accumulated amortisation and impairment	-	-
Net book amount	920,000	920,000

As per the accounting policy note 1(k), bed licences are recorded at cost and not revalued. The Village receives bed licences under Government grants at no cost. Recognition of these bed licences takes place at fair value. The directors attached a fair value of $920,000 at the date of recognition to bed licences acquired under Government grants. Revaluations of intangible assets, such as bed licences, can be made only by reference to the fair value determined in an active market as per AASB 138 paragraph 75 *Intangible Assets.* The directors' view as per AASB 138 *Intangible Assets*, is that currently an active market does not exist for bed licences and therefore they are not revalued.

However, the directors' are of the view that, based on current sales evidence, the valuation of bed licences at market value at the 30 June 2010 amounts to $7,040,000 (2009: $9,800,000), including 116 low care bed licences (2009: 136) and 60 high care licences (2009: 60).

13 Current liabilities - Trade and other payables

	2010 $	2009 $
Trade payables	**675,439**	911,587
Accrued audit fees	**39,800**	40,000
Waiting list deposits - potential residents	**472,500**	508,500
Resident payouts due	**131,250**	501,700
Other payables	**310,105**	(6,397)
	1,629,094	1,955,390

14 Current liabilities - Provisions

	2010 $	2009 $
Employee benefits - annual leave	**873,852**	863,398
Employee benefits - long service leave	**523,205**	631,208
	1,397,057	1,494,606

15 Current liabilities - Other current liabilities

	2010 **$**	2009 $
Hostel residents' payouts - pre 1997 scheme	**75,476**	131,175
Accommodation bonds	**7,715,952**	11,581,989
Independent Living Unit - resident liabilities	**36,901,936**	36,079,960
Independent Living Unit - deferred income	**9,081,435**	9,208,425
	53,774,799	57,001,549

(a) Accommodation Bonds

(i) All residents' bond balances required to be paid during the year were repaid in accordance with the *Aged Care Act.*
(ii) The Baptist Village Baxter has the capacity to repay all outstanding bond balances that can be expected to fall within the next financial year, and
(iii) Throughout the year, insurance coverage of $5,000,000 has been maintained to cover losses arising from fraud, loss of earnings, fire, flood, or other reasonably insurable events that may impact upon the Company's ability to refund bond balances.

Accommodation Bonds and Independent Living Unit resident liabilities

Under AIFRS, as per AASB 139 *Financial Instruments: Recognition and Measurement,* accommodation bonds and Independent Living Units resident liabilities have been classified as a current liability due to the Village not having unconditional rights to defer settlement for at least 12 months after the end of the reporting period. However, the directors have undertaken a review of past payment history patterns over the last 20 years of these liabilities. This review indicates that on average an amount less than $4 million is paid out during a financial year to the residents.

16 Non-current liabilities - Provisions

	2010 **$**	2009 $
Employee benefits - long service leave	**645,422**	509,592

17 Reserves and retained earnings

	2010 **$**	2009 $
(a) Reserves		
Asset revaluation reserve	**4,334,802**	4,334,802
Available-for-sale investments revaluation reserve	**338,339**	49,587
	4,673,141	4,384,389
Movements:		
Asset revaluation reserve		
Balance 1 July	**4,334,802**	4,334,802
Revaluation increment (note 10)	**-**	-
Balance 30 June	**4,334,802**	4,334,802

17 Reserves and retained earnings (continued)

Movements:

Available-for-sale investments revaluation reserve		
Balance 1 July	**49,587**	-
Revaluation increment	**288,752**	49,587
Balance 30 June	**338,339**	49,587

(b) Retained earnings

Movements in retained earnings were as follows:

	2010 **$**	2009 $
Balance 1 July	**14,349,456**	12,220,741
Profit for the year	**978,438**	2,128,715
Balance 30 June	**15,327,894**	14,349,456

(c) Nature and purpose of reserves

(i) Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(i).

(ii) Available-for-sale investments revaluation reserve
Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income, as described in note 1(h) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

18 Key management personnel disclosures

(a) Key management personnel compensation

	2010 **$**	2009 $
Short-term employee benefits	**272,644**	293,826
Post-employment benefits	**23,685**	25,106
	296,329	318,932

19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2010 **$**	2009 $
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	**44,900**	36,900
Other assurance services		
Audit of Independent Living Units' special purpose report and Prudential Compliance Statement	**6,000**	5,400
Audit of CACP Program Annual Statement	**2,000**	1,900
Compilation of financial statements	**6,000**	6,000
Total remuneration for audit and other assurance services	**58,900**	50,200
Other services		
ACFI review	**117,795**	-
Total other services	**117,795**	-
Total remuneration of PricewaterhouseCoopers Australia	**176,695**	50,200

20 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2010 **$**	2009 $
Property, plant and equipment		
Payable:		
Within one year	**-**	1,364,573
	-	1,364,573

21 Related party transactions

(a) Directors

The names of persons who were directors of the Company at any time during the financial year are as follows:

Edward Lawrence Bearn
Robin Milner Kirk
Donald Ernest Valentine
Edgar Boyne Alley
Ronald Crosling
Barry McWha

(b) Key management personnel

Key management personnel compensation, which includes the directors' allowances, for the years ended 30 June 2010 and 2009 is set out below.

	Short-term benefits $	Post-employment benefits $	Total $
2010	272,644	23,685	296,329
2009	293,826	25,106	318,932

22 Events occurring after the reporting period

No matter or circumstance has arisen since 30 June 2010, which has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 30 June 2010.

23 Reconciliation of profit after income tax to net cash inflow from operating activities

	2010 **$**	2009 $
Profit for the year	**978,438**	2,128,715
Depreciation	**667,616**	647,806
Impairment of available-for-sale financial assets	**134,540**	581,262
Net (gain) on sale of intangible assets	**(1,120,000)**	(3,130,000)
Net loss/(gain) on sale of investment property	**(43,700)**	-
Net loss/(gain) on sale of property, plant and equipment	**7,147**	-
Net loss/(gain) on sale of available-for-sale financial assets	**(18,829)**	8,913
Change in operating assets and liabilities		
Decrease (increase) in trade debtors	**(84,873)**	309,546
(Decrease) increase in trade creditors	**20,713**	148,715
Decrease (increase) in resident payouts due	**143,722**	431,700
Decrease (increase) in accommodation bonds	**(3,866,037)**	(880,641)
Decrease (increase) in hostel entry contributions	**(55,699)**	(272,920)
(Decrease) increase in Independent Living Units liabilities	**694,986**	7,521,440
(Decrease) increase in provision for annual leave and long service leave	**38,281**	216,459
(Decrease) increase in other payables and accruals	**(153,491)**	(349,051)
Net cash inflow (outflow) from operating activities	**(2,657,186)**	7,361,944

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 28 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company 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 directors.

Robin Milner Kirk
Director

Edgar Boyne Alley
Director

Melbourne
24 August 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
website: www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

Independent auditor's report to the members of Baptist Village Baxter Limited

Report on the financial report

We have audited the accompanying financial statements of Baptist Village Baxter Limited (the Company), which comprise the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Baptist Village Baxter Limited.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing 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 and fair presentation of the financial report 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 directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Independent auditor's report to the members of Baptist Village Baxter Limited (continued)

Auditor's opinion

In our opinion, the financial report of Baptist Village Baxter Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Baptist Village Baxter Limited (the company) for the year ended 30 June 2010 included on Baptist Village Baxter Limited web site. The company's directors are responsible for the integrity of the Baptist Village Baxter Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

P R Lewis
Partner

Melbourne
24 August 2010