Baptist Village Baxter Limited

ABN 006 640 544

Annual report
for the year ended 30 June 2006

Baptist Village Baxter Limited ACN 006 640 544
Annual report - 30 June 2006

Contents

Directors' report

Your directors present their report on the Company for the year ended 30 June 2006.

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:

Kenneth John Ball
Baden Andrew Baxter
Edward Lawrence Bearn
William Charles McFarlane
Robin Milner Kirk
Donald Ernest Valentine
Edgar Boyne Alley

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, a Nursing Home, a Day Centre and Community Care Services.

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 $657,081 in the current year compared to a profit of $1,444,471 in 2005. Further details are disclosed in the Segment Information note 3.

Depreciation provided on property, plant and equipment amounted to $644,644, compared with $555,702 in the previous year. Capital expenditure during the year totalled $1,720,204 ($803,683 in the previous year).

Interest totalling $789,564 (2005: $627,782) was earned on funds on deposit, while commissions and fees paid to the Bank amounted to $3,456 (2005: $7,086) during the year.

Most Village units have been occupied at some time during the year, but 9 were vacant at June 2006. There is a waiting list of 371 potential residents.

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 2006 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
Construction of 36 additional independent units is being planned as an extension to our existing services. These units are unlikely to be available for sale until the 2007/2008 financial year. Apart from this development, the directors have no reason to believe that the results of 2007 will be substantially different from the current financial year.

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

Kenneth John Ball *Chairman*
Experience and expertise
Retired Company Secretary/Treasurer. Director since 27 September 1988.

Baden Andrew Baxter
Experience and expertise
Retired Secondary College Principal. Director since 12 November 1996.

Edward Lawrence Bearn *Deputy Chairman*
Experience and expertise
Retired General Manager. Director since 23 March 1999.

William Charles McFarlane
Experience and expertise
Baptist Church Pastor. Director since 17 June 1997.

Robin Milner Kirk
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.

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

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 2006, and the numbers of meetings attended by each director were:

	Full meetings of directors	
	A	**B**
Kenneth John Ball	10	10
Baden Andrew Baxter	8	10
Edward Lawrence Bearn	9	10
William Charles McFarlane	8	10
Robin Milner Kirk	9	10
Donald Ernest Valentine	9	10
Edgar Boyne Alley	6	10

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: K.J. Ball, B.A. Baxter, E.L. Bearn, W.C. McFarlane, R.M. Kirk, D.E. Valentine, E.B. Alley 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.

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.

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.

Kenneth John Ball
Director

Edward L Bearn

Edward Lawrence Bearn
Director

Melbourne
22 August 2006

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Baptist Village Baxter Limited for the year ended 30 June 2006, 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.

Paul Lewis

P R Lewis
Partner
PricewaterhouseCoopers

Melbourne
22 August 2006

Liability limited by a scheme approved under Professional Standards Legislation

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This financial report covers Baptist Village Baxter Limited as an individual entity. The financial report is 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.

	Notes	**2006** **$**	2005 $
Revenue from continuing operations	4	**14,246,701**	13,571,535
Other income	5	**-**	470,421
Employee benefits expense		**(7,479,874)**	(7,972,742)
Depreciation and amortisation expense	6	**(644,644)**	(555,702)
Other expenses		**(901,334)**	(806,016)
Catering		**(1,784,840)**	(748,239)
Domestic supplies		**(867,652)**	(712,186)
Fuel and power		**(216,844)**	(224,382)
Repairs and maintenance		**(1,690,976)**	(1,571,132)
Finance costs	6	**(3,456)**	(7,086)
Profit before income tax		**657,081**	1,444,471
Income tax expense		**-**	-
Profit for the year		**657,081**	1,444,471

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

	Notes	**2006** $	2005 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**17,268,264**	15,037,316
Trade and other receivables	8	**1,661,815**	302,539
Total current assets		**18,930,079**	15,339,855
Non-current assets			
Property, plant and equipment	9	**11,372,031**	10,296,471
Investment properties	10	**25,547,000**	25,547,000
Intangible assets	11	**1,420,000**	1,420,000
Total non-current assets		**38,339,031**	37,263,471
Total assets		**57,269,110**	52,603,326
LIABILITIES			
Current liabilities			
Trade and other payables	12	**1,438,031**	2,172,398
Provisions	13	**1,099,237**	1,012,399
Other current liabilities	14	**50,534,144**	45,958,661
Total current liabilities		**53,071,412**	49,143,458
Non-current liabilities			
Provisions	15	**520,501**	439,752
Total non-current liabilities		**520,501**	439,752
Total liabilities		**53,591,913**	49,583,210
Net assets		**3,677,197**	3,020,116
EQUITY			
Reserves	16(a)	**3,163,070**	3,163,070
Retained profits/(Accumulated losses)	16(b)	**514,127**	(142,954)
Total equity		**3,677,197**	3,020,116

The above balance sheet should be read in conjunction with the accompanying notes.

	Notes	**2006** **$**	2005 $
Total equity at the beginning of the financial year		**3,020,116**	439,550
Gain on revaluation of land and buildings	16	**-**	1,136,095
Net income recognised directly in equity		**-**	1,136,095
Profit for the year		**657,081**	1,444,471
Total recognised income and expense for the year		**657,081**	2,580,566
Total equity at the end of the financial year		**3,677,197**	3,020,116

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

	Notes	2006 $	2005 $
Cash flows from operating activities			
Receipts from resident fees, government subsidies and other income		**12,905,488**	10,878,491
Payments to suppliers and employees (inclusive of goods and services tax)		**(17,921,383)**	(12,037,042)
		(5,015,895)	(1,158,551)
Proceeds from ingoing contributions by residents		**12,023,545**	11,497,492
Repayment of liabilities - departed residents		**(3,842,606)**	(5,033,970)
Donations received for buildings and equipment		**-**	304,802
Interest received		**789,564**	627,781
Commission and interest paid		**(3,456)**	(7,086)
Net cash (outflow) inflow from operating activities	21	**3,951,152**	6,230,468
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,720,204)**	(803,683)
Proceeds from sale of property, plant and equipment		**-**	121,648
Net cash (outflow) inflow from investing activities		**(1,720,204)**	(682,035)
Cash flows from financing activities			
Net cash inflow (outflow) from financing activities		**-**	-
Net increase (decrease) in cash and cash equivalents		**2,230,948**	5,548,433
Cash and cash equivalents at the beginning of the financial year		**15,037,316**	9,488,883
Cash and cash equivalents at end of year	7	**17,268,264**	15,037,316

The above cash flow statement 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 report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for Baptist Village Baxter Limited as an individual entity.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Statement of Compliance
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes of Baptist Village Baxter Limited comply with International Financial Reporting Standards (IFRSs).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
These financial statements are the first Baptist Village Baxter Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Baptist Village Baxter Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Baptist Village Baxter Limited 2006 financial statements, management has amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Company's equity and its net income are given in note 22.

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 in conformity with AIFRS 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. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

New accounting standards and UIG interpretations
Management assessment indicates that there are no new Australian Accounting Standards or interpretations that have been issued but are not yet effective with an expected material impact on the Company's financial report in the period of initial application.

Positive statement on going concern
The balance sheet of the Company, reflects negative net current assets of $34,141,333 (2005: $33,803,603). The directors are satisfied that they will be able to pay debts as and when they fall due because:

(i) as noted in note 14, 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 371 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

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

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. 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 lodged accommodation bonds which have been brought to account. Retentions from bonds and interest on any unpaid bond balances have been brought to account as income on a monthly basis. Government subsidies are brought to account monthly.

(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 as receivables. Government subsidies are brought to account monthly.

(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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 flows (cash generating units).

(f) Cash and cash equivalents

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.

(g) Trade 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) Inventories

No material inventories are held by the Company.

(i) Property, plant and equipment

Land and buildings (except for investment properties - refer to note j) are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. 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. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

1 Summary of significant accounting policies (continued)

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 income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to other reserves in shareholders' 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 the income statement.

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 balance sheet date.

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 the income statement. 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 the income statement 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.

(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 balance sheet date.

1 Summary of significant accounting policies (continued)

(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 balance sheet date.

(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) 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) Long service leave
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 reporting date 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.

(iii) Retirement benefit obligations
Some employees of the Company are entitled, after serving a qualifying period, to benefits on retirement, disability or death from the BVB Superannuation Fund. The fund provides accumulated benefits based on contributions by employer and employees. Employees contribute to the fund at rates of 5% or more of their wages and salaries. The Company also contributed to the fund at 9% of wages and salaries. Future nomination to the B.V.B. Superannuation Fund will not be available to employees covered by occupational superannuation schemes. The Company also contributes to occupational superannuation schemes in respect of employees whose industrial awards provide this benefit. Most employees are covered by Health Employees Superannuation Trust (HESTA) and carpenters are covered by Allied Construction Employees (ACE) Superannuation Scheme. These contributions are legally enforceable.

(q) 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 balance sheet.

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 flow.

2 Financial risk management

The Company's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the General Manager under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and investing excess liquidity.

(a) Market risk

(i) Fair value interest rate risk
Refer to (d) below.

(b) Credit risk

The Company has no significant concentrations of credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. The General Manager maintains flexibility in funding by managing various deposits and commercial bill arrangements.

(d) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are not materially exposed to changes in market interest rates.

3 Segment information

(a) Description of segments

Business segments
The Company operates predominantly in the retirement village industry. The principal activities of the Company are the operations and management of Independent Living Units, a Hostel, a Nursing Home, Day Centre and Community Care services.

Geographical segments
The Company operates in one geographical area, being Victoria.

3 Segment information (continued)

(b) Primary reporting format - business segment

	I.L.U.	Hostel	Manor	Admin / Sales	Day Centre	Homecare	Total 2006	Total 2,005
Income								
Resident Fees	1,566,021	2,119,152	711,074	0	15,379	1,196,587	5,608,213	5,217,881
Government Grants and Subsidies	0	2,841,630	2,719,113	0	222,095	0	5,782,838	5,443,579
Other Operating Revenue and Meals	69,935	11,094	3,272	104,630	925	100	189,956	170,321
Independent Living Units Income	1,361,650	0	0	0	0	0	1,361,650	1,331,385
	2,997,606	**4,971,876**	**3,433,459**	**104,630**	**238,399**	**1,196,687**	**12,942,657**	12,163,166
Expenditure								
Salaries	768,548	2,539,598	2,469,169	576,639	157,020	968,900	7,479,874	7,972,742
Food Supplies	468	1,222,753	385,994	134,091	12,920	28,614	1,784,840	748,239
Domestic Expenses	62,381	551,706	245,357	5,673	1,675	860	867,652	712,186
Fuel / Power	27,330	117,673	62,391	7,093	2,357	0	216,844	224,382
Repairs / Maintenance	353,667	249,364	75,851	17,460	13,877	696	710,915	598,706
Administration	395,616	458,595	213,898	-285,300	49,122	69,403	901,334	806,016
Refurbishment Costs	762,788	217,273	0	0	0	0	980,061	972,426
	2,370,798	**5,356,962**	**3,452,660**	**455,656**	**236,971**	**1,068,473**	**12,941,520**	12,034,697
Net Trading Profit / (Loss)	**626,808**	**-385,086**	**-19,201**	**-351,026**	**1,428**	**128,214**	**1,137**	**128,469**
Accommodation Bond Retentions / Charges	0	458,431	56,049	0	0	0	514,480	475,784
Depreciation	-203,917	-234,571	-189,805	-11,263	-5,088	0	-644,644	-555,702
Net Profit / (Loss)	**422,891**	**-161,226**	**-152,957**	**-362,289**	**-3,660**	**128,214**	**-129,027**	**48,551**
Increase in Fair Value of Investment properties	0	0	0	0	0	0	0	470,000
Profit/Loss on Disposal of Assets	0	0	0	0	0	0	0	421
Capital Donations	0	0	0	0	0	0	0	304,803
Bank Interest Received	0	0	0	789,564	0	0	789,564	627,782
Bank Commission & Interest Paid	0	0	0	-3,456	0	0	-3,456	-7,086
NET OPERATING PROFIT /(LOSS)	**422,891**	**-161,226**	**-152,957**	**423,819**	**-3,660**	**128,214**	**657,081**	**1,444,471**

BALANCE SHEET SUMMARY

	I.L.U.	Hostel	Manor	Admin / Sales	Day Centre	Homecare	Total 2006	Total 2,005
Current Assets	-31,339	1,417,594	1,050	17,440,482	0	102,292	18,930,079	15,339,855
Non Current Assets	25,547,000	7,470,131	4,160,377	357,754	79,910	723,860	38,339,031	37,263,471
Total Assets	**25,515,661**	**8,887,725**	**4,161,427**	**17,798,236**	**79,910**	**826,152**	**57,269,110**	52,603,326
Current Liabilities	35,648,511	15,320,137	59,834	2,014,137	3,762	25,031	53,071,412	49,143,458
Non Current Liabilities	0	0	0	520,501	0	0	520,501	439,752
Total Liabilities	**35,648,511**	**15,320,137**	**59,834**	**2,534,638**	**3,762**	**25,031**	**53,591,913**	49,583,210
Net Assets	**-10,132,850**	**-6,432,413**	**4,101,593**	**15,263,598**	**76,148**	**801,121**	**3,677,197**	3,020,116
Accumulated Profits and reserves	**-10,132,850**	**-6,432,413**	**4,101,593**	**15,263,598**	**76,148**	**801,121**	**3,677,197**	3,020,116

4 Revenue

	2006 $	2005 $
From continuing operations		
Sales revenue		
Resident fees	**5,608,213**	5,217,881
Government grants & subsidies	**5,782,838**	5,443,579
Meals	**62,061**	58,303
Other operating revenue	**127,895**	112,018
Independent Living Unit income	**1,361,650**	1,331,385
	12,942,657	12,163,166
Other revenue		
Accommodation charges	**56,049**	68,209
Accommodation bond retentions	**458,431**	407,575
Interest	**789,564**	627,782
Capital donations	**-**	304,803
	1,304,044	1,408,369
	14,246,701	13,571,535

5 Other income

	2006 $	2005 $
Net gain on disposal of property, plant and equipment	**-**	421
Fair value adjustment to investment property (note 10)	**-**	470,000
	-	470,421

6 Expenses

	2006 $	2005 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**464,831**	405,454
Plant and equipment	**163,790**	130,187
Motor vehicles	**16,023**	20,061
Total depreciation	**644,644**	555,702
Finance costs		
Interest and finance charges paid/payable	**3,456**	7,086
Defined contribution superannuation expense	**548,193**	659,199

7 Current assets - Cash and cash equivalents

	2006 $	2005 $
Cash at bank and in hand	**5,640,423**	4,029,107
Deposit and commercial bills	**11,627,841**	11,008,209
	17,268,264	15,037,316

(a) Cash at bank and on hand

The cash is bearing a floating interest rate of 2.5% pa (2005: 2.6% pa).

(b) Deposits and commercial bills

The deposits and commercial bills bear fixed interest rates between 4.35% pa and 5.83% pa (2005: 5% pa and 5.38% pa).

8 Current assets - Trade and other receivables

	2006 $	2005 $
Bank interest on commercial bills and deposits	**47,574**	41,852
Homecare debtors	**102,292**	90,334
Accommodation bonds	**1,430,220**	157,410
Prepayments	**81,729**	12,943
	1,661,815	302,539

(a) Credit risk

The Company has no significant concentrations of credit risk.

9 Non-current assets - Property, plant and equipment

	Freehold land $	Freehold buildings $	Plant and equipment $	Motor vehicles $	Total $
At 1 July 2004					
- Cost	-	-	-	281,617	281,617
- Valuation	2,000,000	5,891,579	1,037,173	-	8,928,752
Accumulated depreciation	-	-	-	(176,747)	(176,747)
Net book amount	2,000,000	5,891,579	1,037,173	104,870	9,033,622
Year ended 30 June 2005					
Opening net book amount	2,000,000	5,891,579	1,037,173	104,870	9,033,622
Revaluation surplus	250,000	886,095	-	-	1,136,095
Additions	-	360,050	297,910	145,723	803,683
Disposals	-	-	-	(121,227)	(121,227)
Depreciation charge	-	(405,454)	(130,187)	(20,061)	(555,702)
Closing net book amount	2,250,000	6,732,270	1,204,896	109,305	10,296,471
At 30 June 2005					
- Cost	-	-	-	300,623	300,623
- Valuation	2,250,000	6,732,270	1,204,896	-	10,187,166
Accumulated depreciation	-	-	-	(191,318)	(191,318)
Net book amount	2,250,000	6,732,270	1,204,896	109,305	10,296,471

	Freehold land $	Freehold buildings $	Plant and equipment $	Motor vehicles $	Total $
Year ended 30 June 2006					
Opening net book amount	2,250,000	6,732,270	1,204,896	109,305	10,296,471
Revaluation surplus	-	-	-	-	-
Additions	-	1,409,706	224,506	85,992	1,720,204
Transfers	-	(69,772)	69,772	-	-
Depreciation charge	-	(464,831)	(163,790)	(16,023)	(644,644)
Closing net book amount	2,250,000	7,607,373	1,335,384	179,274	11,372,031
At 30 June 2006					
- Cost	-	-	-	386,615	386,615
- Valuation	2,250,000	7,607,373	1,335,384	-	11,192,757
Accumulated depreciation	-	-	-	(207,341)	(207,341)
Net book amount	2,250,000	7,607,373	1,335,384	179,274	11,372,031

(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 Moschione and Associates Pty Ltd was at 30 June 2005. 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.

Under previous AGAAP, the June 2005 financial statements recorded a valuation of $27,030,166 for the Village under Property, plant and equipment. Under AIFRS, see note 22(4)(a) and (b), Independent Living Units have been reclassified to Investment properties with the present value of resident liabilities removed from the valuation and bed licences have been reclassfied to intangible assets and recorded at cost.

10 Non-current assets - Investment properties

	2006 $	2005 $
At fair value		
Opening balance at 1 July - Independent Living Units	**25,547,000**	25,077,000
Net gain (loss) from fair value adjustment	**-**	470,000
Closing balance at 30 June - Independent Living Units	**25,547,000**	25,547,000

(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 Moschione and Associates Pty Ltd was at 30 June 2005. 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 resident liabilities has been removed from this valuation as required under AIFRS (see note 22(4)(a)), to allow for the separate disclosure for resident loans and deferred income as a current liability (see note 22(4)(d)).

11 Non-current assets - Intangible assets

	Bed licences $	**Total** $
At 1 July 2004		
Cost	1,420,000	1,420,000
Net book amount	1,420,000	1,420,000
At 30 June 2005		
Cost	1,420,000	1,420,000
Net book amount	1,420,000	1,420,000

	Bed licences $	**Total** $
At 30 June 2006		
Cost	1,420,000	1,420,000
Net book amount	1,420,000	1,420,000

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 $1,420,000 at the date of recognition to bed licences acquired under government grants. See note 22(4)(b) for a breakdown of this calculation. 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 valuation of bed licences at market value at the 30 June 2006, based on current sales evidence, amounts to $10,296,000 to include 204 low care bed licences and 60 high care licences.

For further disclosure information, see note 22(4)(b).

12 Current liabilities - Trade and other payables

	2006 $	2005 $
Trade payables	**562,950**	319,856
Accrued audit fees	**54,500**	33,500
Waiting list deposits - potential residents	**698,500**	652,800
Resident payouts due	**-**	932,208
Other payables	**122,081**	234,034
	1,438,031	2,172,398

13 Current liabilities - Provisions

	2006 $	2005 $
Employee benefits - annual leave	**749,237**	662,399
Employee benefits - long service leave	**350,000**	350,000
	1,099,237	1,012,399

14 Current liabilities - Other current liabilities

	2006 $	2005 $
Hostel residents' payouts - pre 1997 scheme	**595,160**	783,410
Accommodation bonds	**14,290,473**	10,938,346
Independent Living Unit - resident liabilities	**28,510,885**	27,528,480
Independent Living Unit - deferred income	**7,137,626**	6,708,425
	50,534,144	45,958,661

(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 Balance Sheet date (See22(4)(c)(d) and (f)) 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.

15 Non-current liabilities - Provisions

	2006 $	2005 $
Employee benefits - long service leave	**520,501**	439,752

16 Reserves and retained profits/(accumulated losses)

	2006 **$**	2005 $
(a) Reserves		
Asset revaluation reserve	**3,163,070**	3,163,070
Movements:		
Asset revaluation reserve		
Balance 1 July	**3,163,070**	2,026,975
Revaluation increment (note 9)	**-**	1,136,095
Balance 30 June	**3,163,070**	3,163,070

(b) Retained profits/(Accumulated losses)

Movements in retained profits/(accumulated losses) were as follows:

	2006 **$**	2005 $
Balance 1 July	**(142,954)**	(1,587,425)
Profit for the year	**657,081**	1,444,471
Balance 30 June	**514,127**	(142,954)

(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).

17 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor:

	2006 **$**	2005 $
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit of financial report under the *Corporations Act 2001*	**32,500**	30,000
Other assurance services		
PricewaterhouseCoopers Australian firm		
AIFRS services	**16,000**	2,500
Compilation of financial statements	**5,000**	-
Other services	**3,500**	3,500
Total remuneration for other assurance services	**24,500**	6,000
Total remuneration for assurance services	**57,000**	36,000

18 Commitments

(a) Capital commitments

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

	2006 **$**	2005 $
Property, plant and equipment		
Payable:		
Within one year	**148,000**	25,500
	148,000	25,500

19 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:

Kenneth John Ball
Baden Andrew Baxter
Edward Lawrence Bearn
William Charles McFarlane
Robin Milner Kirk
Donald Ernest Valentine
Edgar Boyne Alley

(b) Key management and personnel compensation

Key management personnel compensation, which includes the directors' allowances, for the years ended 30 June 2006 and 2005 is set out below.

	Short-term benefits $	Post-employment benefits $	Total $
2006	**253,983**	**19,844**	**273,827**
2005	239,259	18,782	258,041

20 Events occurring after the balance sheet date

No matter or circumstance has arisen since 30 June 2006, 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 2006.

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

	2006	2005
	$	$
Profit for the year	**657,081**	1,444,471
Depreciation and amortisation	**644,644**	555,702
Net (gain) loss on sale of non-current assets	**-**	(421)
Fair value adjustment to investment property	**-**	(470,000)
Change in operating assets and liabilities		
(Increase) decrease in trade debtors	**(1,347,318)**	(20,644)
(Decrease) increase in trade creditors	**152,141**	69,733
(Increase) decrease in resident payouts due	**(944,166)**	(71,748)
(Increase) decrease in accommodation bonds	**3,352,127**	354,006
Decrease in hostel entry contributions	**(188,250)**	(122,000)
Increase in Independent Living Units	**1,411,606**	4,523,380
Increase in provision for annual leave and long service leave	**167,587**	(78,011)
Increase (decrease) in other provisions	**45,700**	46,000
Net cash (outflow) inflow from operating activities	**3,951,152**	6,230,468

22 Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
ASSETS				
Current assets				
Cash and cash equivalents		9,488,883	-	9,488,883
Trade and other receivables		286,973	-	286,973
Total current assets		9,775,856	-	9,775,856
Non-current assets				
Property, plant and equipment	(a),(b)	23,300,622	(14,267,000)	9,033,622
Investment properties	(a)	-	25,077,000	25,077,000
Intangible assets	(b)	-	1,420,000	1,420,000
Total non-current assets		23,300,622	12,230,000	35,530,622
Total assets		33,076,478	12,230,000	45,306,478
LIABILITIES				
Current liabilities				
Trade and other payables		2,133,491	-	2,133,491
Provisions	(f)	1,322,758	(400,000)	922,758
Other current liabilities	(c)(d)(f)	-	41,203,275	41,203,275
Total current liabilities		3,456,249	40,803,275	44,259,524
Non-current liabilities				
Provisions	(c)(f)	11,697,154	(11,089,750)	607,404
Total non-current liabilities		11,697,154	(11,089,750)	607,404
Total liabilities		15,153,403	29,713,525	44,866,928
Net assets		17,923,075	(17,483,525)	439,550
EQUITY				
Reserves	(a)(b)	5,247,560	(3,220,585)	2,026,975
Retained earnings/ (Accumulated losses)	(a)(b)(d)(g)	12,675,515	(14,262,940)	(1,587,425)
Total equity		17,923,075	(17,483,525)	439,550

22 Explanation of transition to Australian equivalents to IFRSs (continued)

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
ASSETS				
Current assets				
Cash and cash equivalents		15,037,316	-	15,037,316
Trade and other receivables		302,539	-	302,539
Total current assets		15,339,855	-	15,339,855
Non-current assets				
Property, plant and equipment	(a)(b)	27,139,471	(16,843,000)	10,296,471
Investment properties	(a)	-	25,547,000	25,547,000
Intangible assets	(b)	-	1,420,000	1,420,000
Total non-current assets		27,139,471	10,124,000	37,263,471
Total assets		42,479,326	10,124,000	52,603,326
LIABILITIES				
Current liabilities				
Trade and other payables		2,172,398	-	2,172,398
Provisions	(f)	1,312,399	(300,000)	1,012,399
Other current liabilities	(c)(d)(f)	-	45,958,661	45,958,661
Total current liabilities		3,484,797	45,658,661	49,143,458
Non-current liabilities				
Provisions	(c)(f)	11,861,508	(11,421,756)	439,752
Total non-current liabilities		11,861,508	(11,421,756)	439,752
Total liabilities		15,346,305	34,236,905	49,583,210
Net assets		27,133,021	(24,112,905)	3,020,116
EQUITY				
Reserves	(a)(b)	8,959,655	(5,796,585)	3,163,070
Retained earnings/ (Accumulated losses)	(a)(b)(d)(g)	18,173,366	(18,316,320)	(142,954)
Total equity		27,133,021	(24,112,905)	3,020,116

22 Explanation of transition to Australian equivalents to IFRSs (continued)

(2) Reconciliation of profit for the year ended 30 June 2005

	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
Revenue	(d)(e)	18,216,142	(4,644,607)	13,571,535
Other income	(a)(e)	-	470,421	470,421
Employee benefits expense		(7,972,742)	-	(7,972,742)
Depreciation and amortisation expense		(555,702)	-	(555,702)
Other expenses	(e)	(926,822)	120,806	(806,016)
Catering		(748,239)	-	(748,239)
Domestic supplies		(712,186)	-	(712,186)
Fuel and power		(224,382)	-	(224,382)
Repairs and maintenance		(1,571,132)	-	(1,571,132)
Finance costs - net		(7,086)	-	(7,086)
Profit before income tax		5,497,851	(4,053,380)	1,444,471
Income tax expense		-	-	-
Profit for the year		5,497,851	(4,053,380)	1,444,471
Profit attributable to members of Baptist Village Baxter Limited		5,497,851	(4,053,380)	1,444,471

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations

(a) Investment property

Under AIFRS, an accounting standard dealing specifically with investment property (AASB 140 *Investment Property)* has been introduced. The standard requires those properties that are held to earn capital income and appreciation are held as investment properties. Accordingly, the Company regards its Independent Living Units to be investment properties and these are held at valuation on a discounted cash flow basis. This valuation of the Independent Living Units has been adjusted for the separate disclosure of resident liabilities as a current liability and deferred income; this is achieved by removing the net present value of the resident liabilities from the Independent Living Unit valuation. Changes in fair value of the Independent Living Units are included in the Income Statement as part of other income. Under previous AGAAP, the Independent Living Units were classified as property, plant and equipment held at valuation on a discounted cash flow basis. Any increase or decrease in valuation was taken to the Asset Revaluation Reserve, however decreases that exceeded previous increments to the asset revaluation reserve were charged to profits.

(i) At 1 July 2004
Independent Living Units at a valuation of $6,077,000 have been reclassfied from property, plant and equipment to investment properties.

The net present value of resident liabilities included in the valuation of $19 million have been removed by increasing investment properties by $19 million and increasing retained profits of $19 million.

The Asset Revaluation Reserve relating to Independent Living Units of $1,370,585 has been reclassified from the Asset Revaluation Reserve to retained profits.

(ii) At 30 June 2005
The increase in fair value of the Independent Living Units of $470,000 which was booked to the Asset Revaluation Reserve has been reclassified from this reserve to other income.

22 Explanation of transition to Australian equivalents to IFRSs (continued)

(iii) For the year ended 30 June 2005
For the Company other income for the year has increased by $470,000.

(b) Bed licences

Under AIFRS, as per AASB 138 *Intangible Assets* bed licences should be classified as intangible assets with an indefinite useful life. Bed licences are recorded at cost and not revalued. 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. 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 carried 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. Previously under AGAAP, the valuation of the Village incorporated the market value of bed licences. As at 30 June 2005, the Village had 204 low care bed licences and 60 high care licences. The directors valued these bed licences with a market value of $10,296,000 in the 2005 financial statements. As at 30 June 2006, the directors valuation is unchanged.

(i) At 1 July 2004
Bed licences of $8,190,000 have been reclassified from property, plant and equipment to intangible assets and remeasured at cost, being the fair value at the date they were granted. For the Company there has been a decrease in the value of bed licences of $6,770,000. Retained earnings has decreased by the corresponding amount.

At 1 July 2004, the asset revaluation reserve relating to bed licences of $1,850,000 which is not permitted under AIFRS has been reclassified to retained earnings.

The fair value of bed licences received under government grants and shown under intangible assets is $1,420,000.

The directors have attached a fair value of $1,420,000 at the date of recognition to bed licences acquired under government grants. The directors have based this fair value calculation on sales evidence available surrounding the date of acquisition of these bed licences. This calculation is broken down as follows:

Date acquired	Number of licences	Type of licences	Cost = Fair value at acquisition	Total
1999	2	High Care	$35,000	$ 70,000
2002	15	High Care	$40,000	$ 600,000
2004	30	Low Care	$25,000	$ 750,000
Total	**47**			**$1,420,000**

A cost has not been attached to 43 high care licences and 174 low care licences, which were acquired before 1992, as no reliable sales evidence was available.

(ii) At 30 June 2005
Bed licences at 1 July 2004 were reclassified from property, plant and equipment to intangible assets and remeasured at fair value at the date they were granted. A revaluation of bed licences of $2,106,000 that occurred at the 30 June 2005 is not permitted under AIFRS and has been reversed, therefore reducing property, plant and equipment and the asset revaluation reserve by the corresponding amount recognised under AGAAP.

(iii) For the year ended 30 June 2005
There is no effect on the Company.

(c) Accommodation bonds

Under AIFRS, as per AASB 139 *Financial Instruments: Recognition and Measurement,* accommodation bonds 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 Balance Sheet date.

(i) At 1 July 2004
Accommodation bonds of $10,584,340 were reclassified from non-current liabilities to current liabilities. There was no impact on retained earnings.

(ii) At 30 June 2005
Accommodation bonds of $10,938,346 were reclassified from non-current liabilities to current liabilities. There was no impact on retained earnings.

22 Explanation of transition to Australian equivalents to IFRSs (continued)

(iii) For the year ended 30 June 2005
There is no effect on the Company.

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

Under AIFRS, the Independent Living Units resident liabilities should be booked as a current liability due to the Village not having unconditional rights to defer settlement for at least 12 months after the Balance Sheet date. AASB 117 *Leases* stipulates that lease income should be recognised on a straight line basis with no discounting. Deferred revenue has been recognised over the average length of stay of the resident estimated at 10 years. Under AGAAP, the present value of the Independent Living Unit resident liabilities was included in the valuation.

(i) At 1 July 2004
Resident liabilities of $24,454,105 and deferred income of $5,259,420 have been booked under current liabilities and retained profits have decreased by the corresponding amount.

(ii) At 30 June 2005
There have been an increase in current liabilities of resident liabilities of $3,074,375 and deferred income of $1,449,005.

(iii) For the year ended 30 June 2005
The revenue relating to Independent Living Unit income (DMF) has decreased by $4,523,380 as previously recorded under AGAAP.

(e) Proceeds on sale of non-current assets

Under previous AGAAP, proceeds from the sale of non-current assets were included in revenue and the book value of the assets sold was included in other expense. Under AIFRS, net gain on the sale of assets are presented in other income. The effect of this is:

(i) At 1 July 2004 and 30 June 2005
There is no effect on the Company.

(ii) For the year ended 30 June 2005
For the Company, revenue has decreased by $121,227 and other income has increased by $421 and other expenses have decreased by $120,806. There is no effect on profit for the year.

(f) Reclassification of provision for hostel residents' payouts

Under AIFRS, as per AASB 139 *Financial Instruments: Recognition and Measurement,* hostel residents' payouts 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 Balance Sheet date.

(i) At 1 July 2004
Provision for hostel residents' payouts of $400,000 were reclassfied from current provisions and $505,410 were reclassified from non current provision to other current liabilities. There was no impact on retained earnings.

(ii) At 30 June 2005
Provision for hostel residents' payouts of $300,000 were reclassified from current provisions and $483,410 were reclassified from non current provision to other current liabilities. There was no impact on retained earnings.

(iii) For the year ended 30 June 2005
There is no effect on the Company.

22 Explanation of transition to Australian equivalents to IFRSs (continued)

(g) Retained earnings

The effect on retained earnings of the changes set out above are as follows:

	Notes	1 July 2004 $	30 June 2005 $
Investment property - removing the net present value of resident liabilities	(a)	19,000,000	19,000,000
Re-classification of revaluation reserves - relating to Independent Living Units	(a)	1,370,585	1,840,585
Bed Licences - remeasuring bed licences at fair value at acquisition	(b)	(6,770,000)	(6,770,000)
Re-classification of revaluation reserves - relating to bed licences	(b)	1,850,000	1,850,000
Independent Living Units - recognising current resident liabilities and deferred income	(d)	(29,713,525)	(34,236,905)
Total adjustment		(14,262,940)	(18,316,320)

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 30 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 consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, 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; and

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

Kenneth John Ball
Director

Edward Lawrence Bearn
Director

Melbourne
22 August 2006

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Independent audit report to the members of Baptist Village Baxter Limited

Audit opinion

In our opinion

1. the financial report of Baptist Village Baxter Limited:
   - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Baptist Village Baxter Limited as at 30 June 2006, and of its performance for the year ended on that date, and
   - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001.*

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility
The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Baptist Village Baxter Limited (the Company) for the year ended 30 June 2006.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001.* This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement.The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001,* Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

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Independent audit report to the members of Baptist Village Baxter Limited (continued)

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

P R Lewis
Partner

Melbourne
22 August 2006

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