

Baptist Village Baxter Limited

ACN 006 640 544

Annual report for the year ended 30 June 2007

Baptist Village Baxter Limited ACN 006 640 544
Annual report - 30 June 2007

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Directors' report

Your directors present their report on the Company for the year ended 30 June 2007.

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:

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

Phillip Edward McCallum was appointed a director on 24 September 2006 and continues in office at the date of this report.

Kenneth John Ball was a director from the beginning of the financial year until his resignation on 26 September 2006.

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 \$1,855,577 in the current year compared to a profit of \$657,081 in 2006.

Depreciation provided on property, plant and equipment amounted to \$537,712, compared with \$644,644 in the previous year. Capital expenditure during the year totaled \$540,682 (\$1,720,204 in the previous year).

Interest totalling \$1,052,096 (2006: \$789,564) was earned on funds on deposit, while commissions and fees paid to the Bank amounted to \$6,221 (2006: \$3,456) during the year.

Most Village units have been occupied at some time during the year, but 24 were vacant at June 2007 (2006: 9). There is a waiting list of 330 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 2007 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

Edward Lawrence Bearn *Chairman*

Experience and expertise

Retired General Manager. Director since 23 March 1999.

Robin Milner Kirk *Deputy chairman*

Experience and expertise

Retired Manager Minenco P/L. Director since 1 July 2002.

Baden Andrew Baxter

Experience and expertise

Retired Secondary College Principal. Director since 12 November 1996.

William Charles McFarlane

Experience and expertise

Baptist Church Pastor. Director since 17 June 1997.

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.

Phillip Edward McCallum

Experience and expertise

Baptist Union of Victoria Audit and Finance Committee Member. Director since 24 September 2006.

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 2007, and the numbers of meetings attended by each director were:

	Full meetings of directors	
	A	B
Kenneth John Ball	1	1
Baden Andrew Baxter	10	11
Edward Lawrence Bearn	10	11
William Charles McFarlane	10	11
Robin Milner Kirk	11	11
Donald Ernest Valentine	10	11
Edgar Boyne Alley	9	11
Phillip Edward McCallum	8	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, P.E. McCallum 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.



Edward Lawrence Bearn
Director



Robin Milner Kirk
Director

Melbourne
Date: 28/8/07

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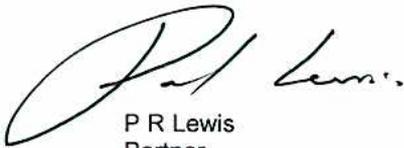
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Auditor's Independence Declaration

As lead auditor for the audit of Baptist Village Baxter Limited for the year ended 30 June 2007, 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
Date: 28/08/07

Baptist Village Baxter Limited ACN 006 640 544

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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.

Baptist Village Baxter Limited
Income statement
For the year ended 30 June 2007

	Notes	2007 \$	2006 \$
Revenue from continuing operations	4	16,229,445	14,246,701
Other income	5	<u>989</u>	-
Total revenue		16,230,434	14,246,701
Expenditure from continuing operations			
Employee benefits expense		(8,180,991)	(7,479,874)
Depreciation and amortisation expense	6	(537,712)	(644,644)
Other expenses		(892,945)	(901,333)
Catering		(1,760,902)	(1,784,840)
Domestic supplies		(951,669)	(867,652)
Fuel and power		(446,995)	(216,844)
Repairs and maintenance		(1,597,422)	(1,690,977)
Finance costs	6	<u>(6,221)</u>	<u>(3,456)</u>
Total expenditure		(14,374,857)	(13,589,620)
Profit before income tax		1,855,577	657,081
Income tax expense		<u>-</u>	<u>-</u>
Profit for the year		<u>1,855,577</u>	<u>657,081</u>

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

Baptist Village Baxter Limited
Balance sheet
As at 30 June 2007

	Notes	2007 \$	2006 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	16,803,152	17,268,264
Trade and other receivables	8	450,819	1,661,815
Available-for-sale financial asset	9	<u>3,525,831</u>	<u>-</u>
Total current assets		<u>20,779,802</u>	<u>18,930,079</u>
Non-current assets			
Property, plant and equipment	10	11,421,521	11,372,031
Investment properties	11	26,441,649	25,547,000
Intangible assets	12	<u>1,420,000</u>	<u>1,420,000</u>
Total non-current assets		<u>39,283,170</u>	<u>38,339,031</u>
Total assets		<u>60,062,972</u>	<u>57,269,110</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	1,400,298	1,438,031
Provisions	14	1,089,320	1,099,237
Other current liabilities	15	<u>51,440,079</u>	<u>50,534,144</u>
Total current liabilities		<u>53,929,697</u>	<u>53,071,412</u>
Non-current liabilities			
Provisions	16	<u>600,501</u>	<u>520,501</u>
Total non-current liabilities		<u>600,501</u>	<u>520,501</u>
Total liabilities		<u>54,530,198</u>	<u>53,591,913</u>
Net assets		<u>5,532,774</u>	<u>3,677,197</u>
EQUITY			
Reserves	17(a)	3,163,070	3,163,070
Retained profits	17(b)	<u>2,369,704</u>	<u>514,127</u>
Total equity		<u>5,532,774</u>	<u>3,677,197</u>

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

Baptist Village Baxter Limited
Statement of changes in equity
For the year ended 30 June 2007

	2007	2006
Notes	\$	\$
Total equity at the beginning of the financial year	<u>3,677,197</u>	<u>3,020,116</u>
Profit for the year	<u>1,855,577</u>	<u>657,081</u>
Total recognised income and expense for the year	<u>1,855,577</u>	<u>657,081</u>
Total equity at the end of the financial year	<u>5,532,774</u>	<u>3,677,197</u>

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

Baptist Village Baxter Limited
Cash flow statement
For the year ended 30 June 2007

	Notes	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from resident fees, Government subsidies and other income		13,398,091	12,905,488
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(16,315,018)</u>	<u>(17,921,383)</u>
		(2,916,927)	(5,015,895)
Proceeds from ingoing contributions by residents		11,149,913	12,023,545
Repayment of liabilities - departed residents		(4,737,280)	(3,842,606)
Interest received	4	1,052,096	789,564
Commission and interest paid	6	<u>(6,221)</u>	<u>(3,456)</u>
Net cash inflow from operating activities	22	<u>4,541,581</u>	<u>3,951,152</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(646,033)	(1,720,204)
Payments for investment property		(894,649)	-
Payments for available-for-sale financial assets		(3,525,831)	-
Proceeds from sale of property, plant and equipment		<u>59,820</u>	<u>-</u>
Net cash (outflow) from investing activities		<u>(5,006,693)</u>	<u>(1,720,204)</u>
Cash flows from financing activities			
Net cash inflow (outflow) from financing activities		<u>-</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents		(465,112)	2,230,948
Cash and cash equivalents at the beginning of the financial year		<u>17,268,264</u>	<u>15,037,316</u>
Cash and cash equivalents at end of year	7	<u>16,803,152</u>	<u>17,268,264</u>

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

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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.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, 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).

Early adoption of standards

The Company has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- Revised AASB 101 *Presentation of Financial Statements* (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

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.

Positive statement on going concern

The balance sheet of the Company, reflects negative net current assets of \$36,674,093 (2006: \$34,141,333). 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 330 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 identified for 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 identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(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.

1 Summary of significant accounting policies (continued)

(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 are 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

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 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) Available for sale financial asset

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 the income statement. 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 included in the income statement as gains and losses from investment securities.

1 Summary of significant accounting policies (continued)

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 profit or loss, 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.

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.

Impairment

The Company assesses at each balance date 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 income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(j) Property, plant and equipment

Land and buildings (except for investment properties - refer to note 1(k)) 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.

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.

(k) 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.

1 Summary of significant accounting policies (continued)

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(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) 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.

1 Summary of significant accounting policies (continued)

(r) Contributed equity

Ordinary shares are classified as equity.

(s) 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.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]* AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

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.

(b) Primary reporting format - business segments

2007	I. L. U.	Hostel	Manor	Day Centre	Homecare	Admin/ Sales	Total 2007	Total 2006
Segment revenue								
Resident fees	1,601,672	2,321,192	751,227	18,046	1,288,627	-	5,980,764	5,608,213
Government grants and subsidies	-	3,671,244	2,777,832	225,479	-	-	6,674,555	5,782,838
Tenancy sales income	1,224,325	-	-	-	-	-	1,224,325	-
Other operating revenue and meals	80,611	4,885	2,694	1,370	100	284,793	374,453	189,956
Independent Living Units income	-	-	-	-	-	-	-	1,361,650
	2,906,608	5,997,321	3,531,753	244,895	1,288,727	284,793	14,254,097	12,942,657
Expenditures								
Salaries	831,123	2,962,568	2,464,330	156,532	1,046,630	700,422	8,161,605	7,479,874
Food supplies	415	1,302,942	384,965	10,465	21,490	40,626	1,760,903	1,784,840
Domestic expenses	80,889	611,061	249,520	2,061	832	7,307	951,670	867,652
Fuel/ power	13,536	160,051	38,280	2,110	-	233,018	446,995	216,844
Repairs/ maintenance	431,606	301,184	55,691	16,997	861	23,949	830,288	710,915
Administration	435,808	447,829	239,665	56,332	73,562	(340,864)	912,332	901,334
Refurbishment costs	564,610	202,489	-	-	-	32	767,131	980,061
	2,357,987	5,988,124	3,432,451	244,497	1,143,375	664,490	13,830,924	12,941,520
Net trading profit/ (loss)	548,621	9,197	99,302	398	145,352	(379,697)	423,173	1,137
Accommodation bond retentions/ charges	-	485,619	53,714	-	-	-	539,333	514,480
Depreciation	(15,861)	(271,225)	(224,582)	(5,394)	-	(20,651)	(537,713)	(644,644)
Net profit/ (loss)	532,760	223,591	(71,566)	(4,996)	145,352	(400,348)	424,793	(129,027)
Increase in fair value of investment properties	-	-	-	-	-	-	-	-
Profit/ loss on disposal of assets	-	-	-	-	-	989	989	-
Capital donations	-	383,920	-	-	-	-	383,920	-
Bank interest received	-	-	-	-	-	1,052,096	1,052,096	789,564
Bank commission & interest paid	-	-	-	-	-	(6,221)	(6,221)	(3,456)
Net operating profit/ (loss)	532,760	607,511	(71,566)	(4,996)	145,352	646,516	1,855,577	657,081
Segment assets and liabilities								
Current assets	43,990	149,910	-	-	121,630	20,464,272	20,779,802	18,930,079
Non current assets	26,456,613	6,507,063	5,051,959	74,514	723,860	469,161	39,283,170	38,339,032
Segment assets	26,500,603	6,656,973	5,051,959	74,514	845,490	20,933,433	60,062,972	57,269,110
Current liabilities	37,386,436	14,796,043	-	-	-	1,747,218	53,929,697	53,071,412
Non current liabilities	-	-	-	-	-	600,501	600,501	520,501
Segment liabilities	37,386,436	14,796,043	-	-	-	2,347,719	54,530,198	53,591,913
Net Assets	(10,885,833)	(8,139,070)	5,051,959	74,514	845,490	18,585,714	5,532,774	3,677,197
Accumulated profits and reserves	(10,885,833)	(8,139,070)	5,051,959	74,514	845,490	18,585,714	5,532,774	3,677,197

3 Segment information (continued)

2006	I.L.U \$	Hostel \$	Manor \$	Day Centre \$	Homecare \$	Admin/ Sales \$	Total 2006 \$	Total 2005 \$
Segment revenue								
Resident fees	1,566,021	2,119,152	711,074	15,379	1,196,587	-	5,608,213	5,217,881
Government grants and subsidies	-	2,841,630	2,719,113	222,095	-	-	5,782,838	5,443,579
Other operating revenue and meals	69,935	11,094	3,272	925	100	104,630	189,956	170,321
Independent Living Units income	<u>1,361,650</u>	-	-	-	-	-	<u>1,361,650</u>	<u>1,331,385</u>
	2,997,606	4,971,876	3,433,459	238,399	1,196,687	104,630	12,942,657	12,163,166
Expenditure								
Salaries	768,548	2,539,598	2,469,169	157,020	968,900	576,639	7,479,874	7,972,742
Food supplies	468	1,222,753	385,994	12,920	28,614	134,091	1,784,840	748,239
Domestic expenses	62,381	551,706	245,357	1,675	860	5,673	867,652	712,186
Fuel/ power	27,330	117,673	62,391	2,357	-	7,093	216,844	224,382
Repairs/ maintenance	353,667	249,364	75,851	13,877	696	17,460	710,915	598,706
Administration	395,616	458,595	213,898	49,122	69,403	(285,300)	901,334	806,016
Refurbishment costs	<u>762,788</u>	<u>217,273</u>	-	-	-	-	<u>980,061</u>	<u>972,426</u>
	2,370,798	5,356,962	3,452,660	236,971	1,068,473	455,656	12,941,520	12,034,697
Net trading profit/ (loss)								
	626,808	(385,086)	(19,021)	1,428	128,214	(351,026)	1,317	128,469
Accommodation bond retentions/ charges	-	458,431	56,049	-	-	-	514,480	475,784
Depreciation	<u>(203,917)</u>	<u>(234,571)</u>	<u>(189,805)</u>	<u>(5,088)</u>	-	<u>(11,263)</u>	<u>(644,644)</u>	<u>(555,702)</u>
Net profit/ (loss)	422,891	(161,226)	(152,957)	(3,660)	128,214	(362,289)	(129,027)	48,551
Increase in fair value of investment properties								
	-	-	-	-	-	-	-	470,000
Profit/ loss on disposal of assets	-	-	-	-	-	-	-	421
Capital donations	-	-	-	-	-	-	-	304,803
Bank interest received	-	-	-	-	-	789,564	789,564	627,782
Bank commission & interest paid	-	-	-	-	-	(3,456)	(3,456)	(7,086)
Net operating profit/ (loss)	<u>422,891</u>	<u>(161,226)</u>	<u>(152,957)</u>	<u>(3,660)</u>	<u>128,214</u>	<u>423,819</u>	<u>657,081</u>	<u>(7,086)</u>
Segment assets and liabilities								
Current assets	(31,339)	1,417,594	1,050	-	102,292	17,440,482	18,930,079	15,339,855
Non current assets	<u>25,547,000</u>	<u>7,470,131</u>	<u>4,160,377</u>	<u>79,910</u>	<u>723,860</u>	<u>357,753</u>	<u>38,339,031</u>	<u>37,263,471</u>
Segment assets	25,515,661	8,887,725	4,161,427	79,910	826,152	17,798,235	57,269,110	52,603,326
Current liabilities	35,648,511	15,320,137	59,834	3,762	25,031	2,014,137	53,071,412	49,143,458
Non current liabilities	-	-	-	-	-	520,501	520,501	439,752
Segment liabilities	35,648,511	15,320,137	59,834	3,762	25,031	2,534,638	53,591,913	49,583,210
Net assets	<u>(10,132,850)</u>	<u>(6,432,413)</u>	<u>4,101,593</u>	<u>76,149</u>	<u>801,121</u>	<u>15,263,597</u>	<u>3,677,197</u>	<u>3,020,116</u>
Accumulated profits and reserves	<u>(10,132,850)</u>	<u>(6,432,413)</u>	<u>4,101,593</u>	<u>76,149</u>	<u>801,121</u>	<u>15,263,597</u>	<u>3,677,197</u>	<u>3,020,116</u>

4 Revenue

	2007 \$	2006 \$
From continuing operations		
<i>Sales revenue</i>		
Resident fees	5,980,764	5,608,213
Government grants & subsidies	6,674,554	5,782,838
Meals	22,778	62,061
Other operating revenue	351,675	127,895
Independent Living Unit income	<u>1,224,325</u>	<u>1,361,650</u>
	<u>14,254,096</u>	<u>12,942,657</u>
 <i>Other revenue</i>		
Accommodation charges	53,714	56,049
Accommodation bond retentions	485,619	458,431
Interest	1,052,096	789,564
Capital donations	<u>383,920</u>	<u>-</u>
	<u>1,975,349</u>	<u>1,304,044</u>
	<u>16,229,445</u>	<u>14,246,701</u>

5 Other income

	2007 \$	2006 \$
Net gain on disposal of property, plant and equipment	<u>989</u>	<u>-</u>

6 Expenses

	2007 \$	2006 \$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	352,206	464,831
Plant and equipment	156,242	163,790
Motor vehicles	<u>29,264</u>	<u>16,023</u>
Total depreciation	<u>537,712</u>	<u>644,644</u>
 <i>Finance costs</i>		
Interest and finance charges paid/payable	-	-
 <i>Defined contribution superannuation expense</i>	 614,878	 548,193

7 Current assets - Cash and cash equivalents

	2007	2006
	\$	\$
Cash at bank and on hand	7,265,625	5,640,423
Deposit and commercial bills	<u>9,537,527</u>	<u>11,627,841</u>
	<u>16,803,152</u>	<u>17,268,264</u>

(a) Cash at bank and on hand

The cash is bearing a floating interest rate between 1.85% pa and 4.5% pa (2006: 2.5% pa).

(b) Deposits and commercial bills

The deposits and commercial bills bear fixed interest rates between 6.28% pa and 6.36% pa (2006: 4.35% pa and 5.83% pa).

8 Current assets - Trade and other receivables

	2007	2006
	\$	\$
Bank interest on commercial bills and deposits	47,574	47,574
Homecare debtors	143,763	102,292
Accommodation bonds	193,900	1,430,220
Prepayments	<u>65,582</u>	<u>81,729</u>
	<u>450,819</u>	<u>1,661,815</u>

(a) Credit risk

The Company has no significant concentrations of credit risk.

9 Current assets - Available for sale financial asset

	2007	2006
	\$	\$
At beginning of year	-	-
Additions	<u>3,525,831</u>	<u>-</u>
At end of year	<u>3,525,831</u>	<u>-</u>

10 Non-current assets - Property, plant and equipment

	Freehold land	Freehold buildings	Plant and equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$
At 1 July 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	<u>2,250,000</u>	<u>6,732,270</u>	<u>1,204,896</u>	<u>109,305</u>	<u>10,296,471</u>
Year ended 30 June 2006					
Opening net book amount	2,250,000	6,732,270	1,204,896	109,305	10,296,471
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	<u>2,250,000</u>	<u>7,607,373</u>	<u>1,335,384</u>	<u>179,274</u>	<u>11,372,031</u>
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	<u>2,250,000</u>	<u>7,607,373</u>	<u>1,335,384</u>	<u>179,274</u>	<u>11,372,031</u>
	Freehold land	Freehold buildings	Plant and equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2007					
Opening net book amount	2,250,000	7,607,373	1,335,384	179,274	11,372,031
Additions	-	407,446	143,237	95,350	646,033
Disposals	-	-	-	(58,831)	(58,831)
Depreciation charge	-	(352,206)	(156,242)	(29,264)	(537,712)
Closing net book amount	<u>2,250,000</u>	<u>7,662,613</u>	<u>1,322,379</u>	<u>186,529</u>	<u>11,421,521</u>
At 30 June 2007					
Cost	-	-	-	408,791	408,791
Valuation	2,250,000	7,662,613	1,322,379	-	11,234,992
Accumulated depreciation	-	-	-	(222,262)	(222,262)
Net book amount	<u>2,250,000</u>	<u>7,662,613</u>	<u>1,322,379</u>	<u>186,529</u>	<u>11,421,521</u>

12 Non-current assets - Intangible assets (continued)

As per the accounting policy note 1(I)), 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. 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 2007, based on current sales evidence, amounts to \$10,296,000 (2006: \$10,296,000) to include 196 low care bed licences (2006: 204) and 60 high care licences (2006: 60).

13 Current liabilities - Trade and other payables

	2007 \$	2006 \$
Trade payables	407,638	562,950
Accrued audit fees	45,375	54,500
Waiting list deposits - potential residents	638,500	698,500
Resident payouts due	103,900	-
Other payables	204,885	122,081
	<u>1,400,298</u>	<u>1,438,031</u>

14 Current liabilities - Provisions

	2007 \$	2006 \$
Employee benefits - annual leave	739,320	749,237
Employee benefits - long service leave	350,000	350,000
	<u>1,089,320</u>	<u>1,099,237</u>

15 Current liabilities - Other current liabilities

	2007 \$	2006 \$
Hostel residents' payouts - pre 1997 scheme	431,995	595,160
Accommodation bonds	14,364,048	14,290,473
Independent Living Unit - resident liabilities	29,423,735	28,510,885
Independent Living Unit - deferred income	7,220,301	7,137,626
	<u>51,440,079</u>	<u>50,534,144</u>

(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.

15 Current liabilities - Other current liabilities (continued)

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. 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

	2007 \$	2006 \$
Employee benefits - long service leave	<u>600,501</u>	<u>520,501</u>

17 Reserves and retained profits

	2007 \$	2006 \$
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(a) Reserves

Asset revaluation reserve	<u>3,163,070</u>	<u>3,163,070</u>
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Movements:

<i>Asset revaluation reserve</i>		
Balance 1 July	<u>3,163,070</u>	<u>3,163,070</u>
Balance 30 June	<u>3,163,070</u>	<u>3,163,070</u>

(b) Retained profits

Movements in retained profits were as follows:

	2007 \$	2006 \$
Balance 1 July	514,127	(142,954)
Profit for the year	<u>1,855,577</u>	<u>657,081</u>
Balance 30 June	<u>2,369,704</u>	<u>514,127</u>

(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(j).

18 Remuneration of auditors

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

	2007	2006
	\$	\$
(a) Assurance services		
<i>Audit services</i>		
PricewaterhouseCoopers Australian firm		
Audit of financial report under the <i>Corporations Act 2001</i>	<u>38,750</u>	<u>32,500</u>
Total remuneration for audit services	<u>38,750</u>	<u>32,500</u>
<i>Other assurance services</i>		
PricewaterhouseCoopers Australian firm		
AIFRS services	-	16,000
Compilation of financial statements	2,500	5,000
Other services	-	3,500
Total remuneration for other assurance services	<u>2,500</u>	<u>24,500</u>
Total remuneration for assurance services	<u>41,250</u>	<u>57,000</u>

19 Commitments

(a) Capital commitments

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

	2007	2006
	\$	\$
<i>Property, plant and equipment</i>		
Payable:		
Within one year	<u>148,000</u>	<u>148,000</u>
	<u>148,000</u>	<u>148,000</u>

20 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

Phillip Edward McCallum

20 Related party transactions (continued)

(b) Key management and personnel compensation

Key management personnel compensation, which includes the directors' allowances, for the years ended 30 June 2007 and 2006 is set out below.

	Short-term benefits \$	Post- employment benefits \$	Total \$
2007	295,000	22,747	317,747
2006	253,983	19,844	273,827

21 Events occurring after the balance sheet date

No matter or circumstance has arisen since 30 June 2007, 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 2007.

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

	2007 \$	2006 \$
Profit for the year	1,855,577	657,081
Depreciation	537,712	644,644
Net (gain) on sale of property, plant and equipment	(989)	-
Change in operating assets and liabilities		
(Increase) decrease in trade debtors	1,210,996	(1,347,318)
(Decrease) increase in trade creditors	(155,312)	152,141
Decrease (increase) in resident payouts due	103,900	(944,166)
Decrease in accommodation bonds	73,575	3,352,127
(Increase) in hostel entry contributions	(163,165)	(188,250)
Increase in Independent Living Units	995,525	1,411,606
Increase in provision for annual leave and long service leave	70,083	167,587
Increase in other liabilities and provisions	13,679	45,700
Net cash inflow from operating activities	<u>4,541,581</u>	<u>3,951,152</u>

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 25 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 entity's financial position as at 30 June 2007 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.



Edward Lawrence Bearn
Director



Robin Milner Kirk
Director

Melbourne
Date: 28/08/07



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

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Baptist Village Baxter Limited for the financial year ended 30 June 2007 included on Baptist Village Baxter Limited's 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 audit report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. 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.

Report on the financial report

We have audited the accompanying financial report of Baptist Village Baxter Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement 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 (the Company).

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.

In note 1(a) the directors also state, in accordance with AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

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

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

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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 opinions.

Independence

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

Auditor's opinion

the directors also state, in accordance with AASB 101

- (a) the financial report of Baptist Village Baxter Limited is in accordance with the *Corporations Act 2001*, including
- (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).



PricewaterhouseCoopers



P R Lewis
Partner

Melbourne
Date: 28/08/07