Baptist Village Baxter Limited

ACN 006 640 544

Annual report
for the year ended 30 June 2008

Baptist Village Baxter Limited ACN 006 640 544
Annual report - 30 June 2008

Contents

Directors' report

Your directors present their report on the Company for the year ended 30 June 2008.

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:

Edward Lawrence Bearn
William Charles McFarlane
Robin Milner Kirk
Donald Ernest Valentine
Edgar Boyne Alley
Phillip Edward McCallum

Baden Andrew Baxter was a director from the beginning of the financial year until his resignation on 22 April 2008.

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 $9,851,037 in the current year compared to a profit of $1,855,577 in 2007.

Depreciation provided on property, plant and equipment amounted to $578,034, compared with $537,712 in the previous year. Capital expenditure during the year totaled $5,011,458 ($1,540,682 in the previous year).

Interest totalling $1,000,477 (2007: $1,052,096) was earned on funds on deposit, while commissions and fees paid to the Bank amounted to $8,228 (2007: $6,221) during the year.

Most Village units have been occupied at some time during the year, but 35 were vacant at June 2008 (2007: 24). There is a waiting list of 307 potential residents. The vacant units have been set aside for redevelopment.

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2008 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.

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

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

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

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 Administration Manager and Secretary. 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 2008, and the numbers of meetings attended by each director were:

	Full meetings of directors	
	A	**B**
Baden Andrew Baxter	3	9
Edward Lawrence Bearn	11	11
William Charles McFarlane	3	11
Robin Milner Kirk	10	11
Donald Ernest Valentine	9	11
Edgar Boyne Alley	10	11
Phillip Edward McCallum	11	11

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: 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.

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 L Bearn

Edward Lawrence Bearn
Director

Robin Milner Kirk
Director

Melbourne
Date: 19th August 2008

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 2008, 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
Date: 19 August 2008

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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.

The financial report was authorised for issue by the directors on 19 August 2008. The directors have the power to amend and reissue the financial report.

Baptist Village Baxter Limited
Income statement
For the year ended 30 June 2008

	Notes	**2008** **$**	2007 $
Revenue from continuing operations	4	**16,518,130**	16,229,445
Other income	5	**9,709,344**	989
Employee benefits expense		**(9,037,616)**	(8,166,991)
Depreciation and amortisation expense	6	**(578,034)**	(537,712)
Catering		**(1,856,151)**	(1,760,902)
Domestic supplies		**(1,012,849)**	(951,669)
Fuel and power		**(398,087)**	(446,995)
Repairs and maintenance		**(1,468,578)**	(1,597,422)
Impairment of available for sale financial assets	9	**(994,485)**	-
Finance costs	6	**(8,228)**	(6,221)
Other expenses		**(1,022,409)**	(906,945)
Profit before income tax		**9,851,037**	1,855,577
Income tax expense		**-**	-
Profit for the year		**9,851,037**	1,855,577

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

Baptist Village Baxter Limited
Balance sheet
As at 30 June 2008

	Notes	**2008** **$**	2007 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**11,651,441**	16,803,152
Trade and other receivables	8	**722,590**	450,820
Available-for-sale financial asset	9	**4,203,945**	3,525,831
Total current assets		**16,577,976**	20,779,803
Non-current assets			
Property, plant and equipment	10	**13,061,708**	11,421,521
Investment properties	11	**40,040,000**	26,441,649
Intangible assets	12	**1,420,000**	1,420,000
Total non-current assets		**54,521,708**	39,283,170
Total assets		**71,099,684**	60,062,973
LIABILITIES			
Current liabilities			
Trade and other payables	13	**2,122,732**	1,400,299
Provisions	14	**1,178,778**	1,089,320
Other current liabilities	15	**50,633,670**	51,440,079
Total current liabilities		**53,935,180**	53,929,698
Non-current liabilities			
Provisions	16	**608,961**	600,501
Total non-current liabilities		**608,961**	600,501
Total liabilities		**54,544,141**	54,530,199
Net assets		**16,555,543**	5,532,774
EQUITY			
Reserves	17(a)	**4,334,802**	3,163,070
Retained profits	17(b)	**12,220,741**	2,369,704
Total equity		**16,555,543**	5,532,774

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

	Notes	**2008 $**	2007 $
Total equity at the beginning of the financial year		**5,532,774**	3,677,197
Gain on revaluation of property, plant and equipment	17	**1,171,732**	-
Net loss recognised directly in equity		**1,171,732**	-
Profit for the year		**9,851,037**	1,855,577
Total recognised income and expense for the year		**11,022,769**	1,855,577
Total equity at the end of the financial year		**16,555,543**	5,532,774

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 2008

	Notes	2008 $	2007 $
Cash flows from operating activities			
Receipts from resident fees, Government subsidies and other income		**13,886,794**	13,398,091
Payments to suppliers and employees (inclusive of goods and services tax)		**(15,157,854)**	(16,315,018)
		(1,271,060)	(2,916,927)
Proceeds from ingoing contributions by residents		**6,683,781**	11,149,913
Repayment of liabilities - departed residents		**(5,759,279)**	(4,737,280)
Interest received	4	**980,149**	1,052,096
Dividends received		**139,369**	-
Trust distributions received		**51,169**	-
Income taxes paid		**-**	-
Interest paid		**(8,228)**	(6,221)
Net cash (outflow) inflow from operating activities	22	**815,901**	4,541,581
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,101,120)**	(646,033)
Payments for investment property		**(3,254,770)**	(894,649)
Payments for available-for-sale financial assets		**(1,836,052)**	(3,525,831)
Proceeds from sale of property, plant and equipment		**39,546**	59,820
Proceeds from sale of available-for-sale financial assets		**184,784**	-
Net cash (outflow) inflow from investing activities		**(5,967,612)**	(5,006,693)
Cash flows from financing activities			
Net cash inflow (outflow) from financing activities		**-**	-
Net (decrease) increase in cash and cash equivalents		**(5,151,711)**	(465,112)
Cash and cash equivalents at the beginning of the financial year		**16,803,152**	17,268,264
Cash and cash equivalents at end of year	7	**11,651,441**	16,803,152

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.

(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.*

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

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 (equal to current assets less current liabilities) of $37,357,204 (2007: $33,149,895). 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 307 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.

(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.

1 Summary of significant accounting policies (continued)

(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.

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.

1 Summary of significant accounting policies (continued)

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, 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) 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 flows.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*
A revised AASB 101 was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. Had the revised standard been applied in the current period, there would have been no significant impact on the financial statements.

(ii) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements. Had the revised standard been applied in the current period, there would have been no significant impact on the financial statements.

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 investment of excess liquidity.

(a) Market risk

(i) Price risk
The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified on the balance sheet as available-for-sale.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio in accordance with the limits set by the Company. All of the Company's equity investments are publicly traded and are included in the ASX 200 Index. Analysis of the sensitivity of the market value of the equities fluctuating by +/- 10% indicates the following potential impact on profit and equity, where the sensitivity is assessed against the fair value of the investments held, as identified in the Balance Sheet.

	Impact on profit		**Impact on equity**	
	2008 $	2007 $	**2008 $**	2007 $
Listed securities	**(420,395)**	-	**420,395**	352,583

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Risk control involves assessment of credit quality of the customer, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying amount of financial assets.

2 Financial risk management (continued)

(c) Liquidity risk

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

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2008	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying Amount (assets)/ liabilities**
	$	$	$	$	$	$
Non-derivatives						
Non-interest bearing	52,809	-	-	-	52,809	52,720
Variable rate	-	-	-	-	-	-
Fixed rate	70	-	-	-	70	70
Total non-derivatives	52,879	-	-	-	52,879	52,790
At 30 June 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	$	$	$	$	$	$
Non-derivatives						
Non-interest bearing	52,820	-	-	-	52,820	52,840
Variable rate	-	-	-	-	-	-
Fixed rate	104	-	-	-	104	103
Total non-derivatives	52,924	-	-	-	52,924	52,943

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets is based on the quoted market prices at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to their short term nature.

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 segments

2008	I. L. U.	Hostel	Manor	Day Centre	Homecare	Admin/ Sales	Total 2008
Segment revenue							
Resident fees	1,641,855	2,332,241	797,652	21,297	1,699,986	-	6,493,031
Government grants and subsidies	-	3,619,782	2,862,214	232,728	20,010	-	6,734,734
Tenancy sales income	1,176,457	-	-	-	-	-	1,176,457
Other operating revenue and meals	73,368	18,981	9,512	144	75	303,455	405,535
	2,891,680	**5,971,004**	**3,669,378**	**254,169**	**1,720,071**	**303,455**	**14,809,757**
Expenditures							
Salaries	877,079	3,196,772	2,720,296	155,835	1,339,434	733,338	9,022,754
Food supplies	2,290	1,391,082	422,962	13,886	23,930	2,001	1,856,151
Domestic expenses	102,212	647,307	252,632	2,190	1,557	6,950	1,012,848
Fuel/power	19,724	129,758	38,782	2,748	-	207,075	398,087
Repairs/maintenance	400,725	226,078	71,535	8,493	177	19,625	726,633
Administration	432,816	477,528	245,543	54,025	77,960	(265,686)	1,022,186
Refurbishment costs	576,734	165,212	-	-	-	-	741,946
	2,411,580	**6,233,737**	**3,751,750**	**237,177**	**1,443,058**	**703,303**	**14,780,605**
Net profit/(loss)	**480,100**	**(262,733)**	**(82,372)**	**16,992**	**277,013**	**(399,848)**	**29,152**
Accomodation bond retentions/charges	-	411,438	98,599	-	-	-	510,037
Depreciation	(24,878)	(304,797)	(227,271)	(5,394)	-	(15,694)	**(578,034)**
Net profit/(loss)	**455,222**	**(156,092)**	**(211,044)**	**11,598**	**277,013**	**(415,542)**	**(38,845)**
Increase in fair value of investment properties	9,688,013	-	-	-	-	-	9,688,013
Profit/(loss) on disposal of assets	-	-	-	-	-	(15,085)	(15,085)
Capital donations	4,091	3,230	-	-	-	-	7,321
Bank interest received	-	-	-	-	-	1,000,477	1,000,477
Trust income	-	-	-	-	-	51,169	51,169
Dividend income	-	-	-	-	-	139,369	139,369
Bank commission & interest paid	-	-	-	-	-	(8,228)	(8,228)
Impairment of available for sale financial assets	-	-	-	-	-	(994,485)	(994,485)
Net gain/(loss) on sale of available for sale financial assets	-	-	-	-	-	21,331	21,331
Net operating profit/(loss)	**10,147,326**	**(152,862)**	**(211,044)**	**11,598**	**277,013**	**(220,994)**	**9,851,037**
Segment assets and liabilities							
Current assets	33,990	360,000	-	-	138,584	16,045,402	16,577,976
Non current assets	40,085,108	7,357,911	5,920,470	155,581	930,000	72,638	54,521,708
Segment assets	**40,119,098**	**7,717,911**	**5,920,470**	**155,581**	**1,068,584**	**16,118,040**	**71,099,684**
Current liabilities	37,766,945	9,771,487	3,095,238	-	-	3,301,510	53,935,180
Non current liabilities	-	-	-	-	-	608,961	608,961
Segment liabilities	**37,766,945**	**9,771,487**	**3,095,238**	**-**	**-**	**3,910,471**	**54,544,141**
Net Assets	**2,352,153**	**(2,053,576)**	**2,825,232**	**155,581**	**1,068,584**	**12,207,569**	**16,555,543**
Other segment information							
Acquisitions of property, plant and equipment and other non-current segment assets	4,530,977	286,431	124,157	-	-	69,893	5,011,458

3 Segment information (continued)

2007	I. L. U.	Hostel	Manor	Day Centre	Homecare	Admin/ Sales	Total 2007
Segment revenue							
Resident fees	1,601,672	2,321,192	751,227	18,046	1,288,627	-	5,980,764
Government grants and subsidies	-	3,671,244	2,777,832	225,479	-	-	6,674,555
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
Independent Living Units income	-	-	-	-	-	-	-
	2,906,608	**5,997,321**	**3,531,753**	**244,895**	**1,288,727**	**284,793**	**14,254,097**
Expenditures							
Salaries	831,123	2,962,568	2,464,330	156,532	1,046,630	700,422	8,161,605
Food supplies	415	1,302,942	384,965	10,465	21,490	40,626	1,760,903
Domestic expenses	80,889	611,061	249,520	2,061	832	7,307	951,670
Fuel/power	13,536	160,051	38,280	2,110	-	233,018	446,995
Repairs/maintenance	431,606	301,184	55,691	16,997	861	23,949	830,288
Administration	435,808	447,829	239,665	56,332	73,562	(340,864)	912,332
Refurbishment costs	564,610	202,489	-	-	-	32	767,131
	2,357,987	**5,988,124**	**3,432,451**	**244,497**	**1,143,375**	**664,490**	**13,830,924**
Net profit/(loss)	**548,621**	**9,197**	**99,302**	**398**	**145,352**	**(379,697)**	**423,173**
Accomodation bond retentions/charges	-	485,619	53,714	-	-	-	539,333
Depreciation	(15,861)	(271,225)	(224,582)	(5,394)	**-**	**(20,651)**	**(537,713)**
Net profit/(loss)	**532,760**	**223,591**	**(71,566)**	**(4,996)**	**145,352**	**(400,348)**	**424,793**
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
Bank commission & interest paid	-	-	-	-	-	(6,221)	(6,221)
Net operating profit/(loss)	**532,760**	**607,511**	**(71,566)**	**(4,996)**	**145,352**	**646,516**	**1,855,577**
Segment assets and liabilities							
Current assets	43,990	149,910	-	-	121,630	20,464,272	20,779,802
Non current assets	26,456,613	6,507,063	5,051,959	74,514	723,860	469,161	39,283,170
Segment assets	**26,500,603**	**6,656,973**	**5,051,959**	**74,514**	**845,490**	**20,933,433**	**60,062,972**
Current liabilities	37,386,436	14,796,043	-	-	-	1,747,218	53,929,697
Non current liabilities	-	-	-	-	-	600,501	600,501
Segment liabilities	**37,386,436**	**14,796,043**	**-**	**-**	**-**	**2,347,719**	**54,530,198**
Net Assets	**(10,885,833)**	**(8,139,070)**	**5,051,959**	**74,514**	**845,490**	**18,585,714**	**5,532,774**
Other segment information							
Acquisitions of property, plant and equipment and other non-current segment assets	1,008,210	288,751	182,147	-	-	61,574	1,540,682

4 Revenue

	2008 $	2007 $
From continuing operations		
Sales revenue		
Resident fees	**6,493,031**	5,980,764
Government grants & subsidies	**6,734,734**	6,674,554
Independent Living Unit income	**1,176,457**	1,224,325
Other operating revenue	**405,535**	374,453
	14,809,757	14,254,096
Other revenue		
Accommodation charges	**62,766**	53,714
Accommodation bond retentions	**447,271**	485,619
Interest	**1,000,477**	1,052,096
Capital donations	**7,321**	383,920
Trust income	**51,169**	-
Dividend income	**139,369**	-
	1,708,373	1,975,349
	16,518,130	16,229,445

5 Other income

	2008 $	2007 $
Net gain on disposal of property, plant and equipment	**-**	989
Net gain on sale of available-for-sale financial assets (note 9)	**21,331**	-
Fair value adjustment to investment property (note 11)	**9,688,013**	-
	9,709,344	989

6 Expenses

	2008 $	2007 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**373,338**	352,206
Plant and equipment	**184,179**	156,242
Motor vehicles	**20,517**	29,264
Total depreciation	**578,034**	537,712
Finance costs		
Interest and finance charges paid/payable	**8,228**	6,221
Net loss on disposal of property, plant and equipment	**15,085**	-
Defined contribution superannuation expense	**673,829**	614,878

7 Current assets - Cash and cash equivalents

	2008 $	2007 $
Cash at bank and on hand	**788,865**	7,265,625
Deposit and commercial bills	**10,862,576**	9,537,527
	11,651,441	16,803,152

(a) Cash at bank and on hand

The cash is bearing a floating interest rate between 2% pa and 6.97% pa (2007: 1.85% pa and 4.5% pa).

(b) Deposits and commercial bills

The deposits and commercial bills bear fixed interest rates between 7.6% pa and 7.7% pa (2007: 6.28% pa and 6.36% pa).

8 Current assets - Trade and other receivables

	2008 $	2007 $
Homecare debtors	**138,584**	131,837
Bank interest on commercial bills and deposits	**67,902**	47,574
Accommodation bonds	**408,483**	205,827
Franking credit receivable	**41,088**	-
Prepayments	**66,533**	65,582
	722,590	450,820

(a) Impaired homecare debtors

As at 30 June 2008 current homecare debtors of the Company with a nominal value of $nil (2007 - $nil) were impaired.

(b) Past due but not impaired

As of 30 June 2008, homecare debtors of $nil (2007 - $nil) were past due but not impaired.

(c) Accommodation bonds

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

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Company and the credit quality of the entity's trade receivables.

9 Current assets - Available for sale financial asset

	2008 **$**	2007 $
At beginning of year	**3,525,831**	-
Additions	**1,836,052**	3,525,831
Disposals	**(163,453)**	-
Impairment losses	**(994,485)**	-
At end of year	**4,203,945**	3,525,831

Impairment and risk exposure
Given the significant decline below cost of the fair value of the equity securities held by the Company, in the current year an impairment charge of $994,485 has been recognised.

All available-for-sale financial assets are denominated in Australian currency. For an analysis of the sensitivity of available-for-sale financial assets to price risk, refer to note 2.

10 Non-current assets - Property, plant and equipment

	Freehold land $	Freehold buildings $	Plant and equipment $	Motor vehicles $	Total $
At 1 July 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
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	2,250,000	7,662,613	1,322,379	186,529	11,421,521
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	2,250,000	7,662,613	1,322,379	186,529	11,421,521

	Freehold land $	Freehold buildings $	Plant and equipment $	Motor vehicles $	Total $
Year ended 30 June 2008					
Opening net book amount	2,250,000	7,662,613	1,322,379	186,529	11,421,521
Revaluation increment	-	1,171,732	-	-	1,171,732
Additions	-	342,732	701,061	57,327	1,101,120
Disposals	-	-	-	(54,631)	(54,631)
Depreciation charge	-	(373,338)	(184,179)	(20,517)	(578,034)
Closing net book amount	2,250,000	8,803,739	1,839,261	168,708	13,061,708
At 30 June 2008					
Cost	-	-	-	411,488	411,488
Valuation	2,250,000	8,803,739	1,839,261	-	12,893,000
Accumulated depreciation	-	-	-	(242,780)	(242,780)
Net book amount	2,250,000	8,803,739	1,839,261	168,708	13,061,708

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

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

11 Non-current assets - Investment properties

	2008 $	2007 $
At fair value		
Opening balance at 1 July - Independent Living Units	**26,441,649**	25,547,000
Additions	**3,910,338**	894,649
Net gain from fair value adjustment	**9,688,013**	-
Closing balance at 30 June - Independent Living Units	**40,040,000**	26,441,649

(a) Valuation basis

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

12 Non-current assets - Intangible assets

	Bed licences $	Total $
At 1 July 2006		
Cost	1,420,000	1,420,000
Net book amount	1,420,000	1,420,000
At 30 June 2007		
Cost	1,420,000	1,420,000
Net book amount	1,420,000	1,420,000

	Bed licences $	Total $
At 30 June 2008		
Cost	1,420,000	1,420,000
Net book amount	1,420,000	1,420,000

As per the accounting policy note 1(l), 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' are of the view that, based on current sales evidence, the valuation of bed licences at market value at the 30 June 2008 amounts to $12,800,000 (2007: $10,296,000), including 196 low care bed licences (2007: 196) and 60 high care licences (2007: 60).

13 Current liabilities - Trade and other payables

	2008 $	2007 $
Trade payables	**1,161,579**	407,639
Accrued audit fees	**55,000**	45,375
Waiting list deposits - potential residents	**591,500**	638,500
Resident payouts due	**70,000**	103,900
Other payables	**244,653**	204,885
	2,122,732	1,400,299

14 Current liabilities - Provisions

	2008 $	2007 $
Employee benefits - annual leave	**778,778**	739,320
Employee benefits - long service leave	**400,000**	350,000
	1,178,778	1,089,320

15 Current liabilities - Other current liabilities

	2008 $	2007 $
Hostel residents' payouts - pre 1997 scheme	**404,095**	431,995
Accommodation bonds	**12,462,630**	14,364,048
Independent Living Unit - resident liabilities	**30,669,410**	29,423,735
Independent Living Unit - deferred income	**7,097,535**	7,220,301
	50,633,670	51,440,079

(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

	2008 **$**	2007 $
Employee benefits - long service leave	**608,961**	600,501

17 Reserves and retained profits

	2008 **$**	2007 $
(a) Reserves		
Asset revaluation reserve	**4,334,802**	3,163,070
Movements:		
Asset revaluation reserve		
Balance 1 July	**3,163,070**	3,163,070
Revaluation increment (note 10)	**1,171,732**	-
Balance 30 June	**4,334,802**	3,163,070

(b) Retained profits

Movements in retained profits were as follows:

	2008 **$**	2007 $
Balance 1 July	**2,369,704**	514,127
Profit for the year	**9,851,037**	1,855,577
Balance 30 June	**12,220,741**	2,369,704

(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 of the parent entity, its related practices and non-related audit firms:

	2008 **$**	2007 $
(a) Audit services		
PricewaterhouseCoopers Australian firm		
Audit of financial reports under the *Corporations Act 2001*	**41,900**	32,500
Total remuneration for audit services	**41,900**	32,500
Audit-related services		
PricewaterhouseCoopers Australian firm		
Compilation of financial statements	**6,000**	2,500
Audit of compliance forms	**6,750**	3,750
Total remuneration for audit-related services	**12,750**	6,250
	54,650	38,750

19 Commitments

(a) Capital commitments

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

	2008 **$**	2007 $
Property, plant and equipment		
Payable:		
Within one year	**5,717,134**	148,000
	5,717,134	148,000

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:

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 2008 and 2007 is set out below.

	Short-term benefits $	Post-employment benefits $	Total $
2008	**317,673**	**25,308**	**342,981**
2007	295,000	22,747	317,747

21 Events occurring after the balance sheet date

No matter or circumstance has arisen since 30 June 2008, 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 2008.

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

	2008 **$**	2007 $
Profit for the year	**9,851,037**	1,855,577
Depreciation	**578,034**	537,712
Impairment of available-for-sale financial assets	**994,485**	-
Net (gain)/loss on sale of property, plant and equipment	**15,085**	(989)
Fair value adjustment to investment property	**(9,688,013)**	-
Net gain on sale of available-for-sale financial assets	**(21,331)**	-
Change in operating assets and liabilities		
(Increase) decrease in trade debtors	**(271,770)**	1,210,996
(Decrease) increase in trade creditors	**98,373**	(155,312)
Decrease (increase) in resident payouts due	**(33,900)**	103,900
Decrease in accommodation bonds	**(1,901,418)**	73,575
(Increase) in hostel entry contributions	**(27,900)**	(163,165)
Increase in Independent Living Units	**1,122,909**	995,525
Increase in provision for annual leave and long service leave	**97,918**	70,083
Increase in other liabilities and provisions	**2,392**	13,679
Net cash (outflow) inflow from operating activities	**815,901**	4,541,581

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 28 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the Company's financial position as at 30 June 2008 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 L. Bearn

Edward Lawrence Bearn
Director

Robin Milner Kirk
Director

Melbourne
Date: 19th August 2008

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

Report on the financial report

We have audited the accompanying financial report of Baptist Village Baxter Limited (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

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, the directors also state, in accordance with Accounting Standard 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.

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 opinion.

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

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Baptist Village Baxter Limited (the Company) for the year ended 30 June 2008 included on Baptist Village Baxter Limited web site. The Company's directors are responsible for the integrity of the Baptist Village Baxter Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

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

Auditor's opinion on the financial report

In our opinion:

(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 2008 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* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

P R Lewis
Partner

Melbourne
Date: 19 August 2008

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