

Churches of Christ Life Care Inc.

Income Statement For The Financial Year Ended 30 June 2011

	<i>Notes</i>	2011 \$	2010 \$
Revenue from continuing operations			
Residents contributions		7,215,008	6,819,707
Government contributions		23,647,946	21,700,851
Retentions		1,321,885	1,388,869
Donations and legacies		14,795	10,870
Interest & Dividends (from Cash, Investments)		1,878,134	1,390,870
Other	3.14	264,987	222,373
Total revenue from continuing operations		34,342,755	31,533,540
Expenses from continuing operations			
Staffing costs		23,117,448	21,882,425
Domestic costs		2,263,178	2,217,784
Property costs		1,937,453	1,907,312
Depreciation		1,344,488	1,856,158
Other		2,397,837	2,293,499
Total expenses from continuing operations		31,060,404	30,157,178
Profit for the year from continuing operations		3,282,351	1,376,362
Profit/(Loss) from sale of Plant & Equipment		35,632	12,195
PROFIT FOR THE YEAR		3,317,983	1,388,557

The above Income Statement should be read in conjunction with the accompanying notes

Churches of Christ Life Care Inc.

Statement of Comprehensive Income
For The Financial Year Ended
30 June 2011

	Notes	2011 \$	2010 \$
PROFIT FOR THE YEAR		3,317,983	1,388,557
Other Comprehensive Income	12		
Gain/(loss) arising on revaluation of properties		426,941	15,685,626
Gain/(loss) arising on revaluation of investments		90,369	(75,351)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,835,293	16,998,832

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

Churches of Christ Life Care Inc.

Statement of Financial Position

As At
30 June 2011

	<i>Notes</i>	2011 \$	2010 \$
Current assets			
Cash and bank balances	4	10,727,695	8,602,930
Development Fund	3.8	19,223	19,223
Trade and other receivables	5	646,415	576,788
Investments	6	8,849,736	11,138,947
Prepayments		246,449	10,736
Total current assets		20,489,518	20,348,624
Non-current assets			
Property	7	101,992,289	98,932,152
Plant & equipment	7	3,660,641	3,407,714
Work in progress	7	6,832,649	871,553
Total non-current assets		112,485,579	103,211,419
Total assets		132,975,097	123,560,043
Current liabilities			
Trade and other payables	8	2,241,935	2,095,943
Provisions	9	1,072,233	1,032,142
Resident occupancy rights	10	61,290,867	56,063,005
Total current liabilities		64,605,035	59,191,090
Non-current liabilities			
Development fund	3.8	19,223	19,223
Provisions	11	943,114	777,298
Total non-current liabilities		962,337	796,521
Total liabilities		65,567,372	59,987,611
Net assets		67,407,725	63,572,432
Equity			
Retained earnings		29,150,969	25,833,089
Reserves	12	38,256,756	37,739,343
Total equity		67,407,725	63,572,432

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Churches of Christ Life Care Inc.

Statement of Changes in Equity For The Financial Year Ended 30 June 2011

<i>Notes</i>	Retained Earnings \$	Properties Revaluation Reserve \$	RCM Reserve \$	Investment Revaluation Reserve \$	Total \$
Balance at 1 July 2009	24,445,805	22,218,114	23,990	(114,309)	46,573,600
Profit or Loss for the year	1,388,557				1,388,557
Other Comprehensive Income for the year	-	15,685,626		(75,351)	15,610,275
Transfer of Income for the year	(1,273)		1,273		-
Total Comprehensive Income for the year	1,387,284	15,685,626	1,273	(75,351)	16,998,832
Balance at 30 June 2010	25,833,089	37,903,740	25,263	(189,660)	63,572,432
Profit or Loss for the year	3,317,983				3,317,983
Other Comprehensive Income for the year	-	426,941		90,369	517,310
Transfer of Income for the year	(103)		103		-
Total Comprehensive Income for the year	3,317,880	426,941	103	90,369	3,835,293
Balance at 30 June 2011	29,150,969	38,330,681	25,366	(99,291)	67,407,725

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Churches of Christ Life Care Inc.

Statement of Cash Flows For The Financial Year Ended 30 June 2011

	Notes	2011 \$	2010 \$
Cash flows from operating activities			
Payments			
Payments to suppliers and employees		(29,691,488)	(30,315,198)
Receipts			
Residents contributions		7,215,007	6,819,707
Government contributions		23,902,362	21,753,337
Interest and dividends		1,503,489	1,166,070
Other		422,143	1,496,602
Net cash inflow from operating activities	13	3,351,513	920,518
Cash flows from investing activities			
Payments for Investment		(970,615)	-
Proceeds on redemption of deposit		3,000,000	-
Proceeds from the sale of Investments		351,219	-
Payment for purchase of property, plant and equipment		(10,061,767)	-
Proceeds from sale of property, plant and equipment		241,845	-
Net payment for property, plant and equipment and other investments		-	(10,428,588)
Net cash outflow from investing activities		(7,439,318)	(10,428,588)
Cash flows from financing activities			
Repayments of Resident occupancy rights		(10,403,788)	-
Proceeds from new resident occupancy rights		16,616,358	-
Net receipts from resident loans		-	6,708,750
Net cash inflow from financing activities		6,212,570	6,708,750
Net Increase/(Decrease) in cash held		2,124,765	(2,799,320)
Cash at the beginning of the financial year		8,622,153	11,421,473
Cash at the end of the financial year	14	10,746,918	8,622,153

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

CHURCHES OF CHRIST LIFE CARE INC.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

1 **General information**

Churches of Christ Life Care Inc. is a not-for profit organisation operating aged care services in and around Adelaide. The registered office and principal place of business is 263 Melbourne Street, North Adelaide in the State of South Australia. The principal services offered by Churches of Christ Life Care Inc are all aged care related and include residential aged care facilities, community programs, carers respite services, day therapy services and retirement villages.

2 **Application of new and revised Accounting Standards**

2.1 **Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)**

The following new and revised Standards and Interpretations have been adopted in the current period. None of these affect the reporting results or financial position.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure' (adopted in advance of effective date 1 January 2011)

The amendments (part of AASB 2010 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

Amendments to AASB 101 'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011)

The amendments (part of AASB 2010-4 'Further amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

Amendments to AASB 107 'Statement of Cash Flows'

The amendments (part of AASB 2009-5 ' further Amendments to Australian Accounting Standards arising from Annual Improvements Project;) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flow.

2.2 **Standard and Interpretations in issue not yet adopted**

The issue of these Standards and Interpretations do not affect the present policies and operations. The directors anticipate that the adoption of these Standards and Interpretations in future periods, will not materially affect the amounts recognised in the financial statements, but may change the disclosure presently made in the financial statements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 124 'Related party disclosures' (revised December 2009), AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB9' and AASB 2010-7 'Amendments Australian Accounting standards arising from AASB9 (December 2010)'	1 January 2013	30 June 2014

3 **Significant Accounting Policies**

3.1 **Statement of Compliance**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the South Australian Associations Incorporations Act.

The financial statements were authorised for issue by the directors on 26 September 2011

3.2 **Basis of accounting**

The financial statements have been prepared on the accrual basis of accounting using historical cost accounting and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the considerations given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

3.3 **Income tax**

Churches of Christ Life Care Inc. is an income tax exempt charitable entity under subdivision 50B of the Income Tax Assessment Act 1997.

3.4 **Non-current assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Assets which satisfy the criteria in AASB5 as assets held for sale will be transferred to current assets, disclosed separately in the Statement of Financial Position and measured at the lower of carrying amount and fair value less costs to sell.

Property includes land, buildings and leasehold interest (including allocation for bonds). It does not include bed licences.

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property (excluding land), motor vehicles, and furniture and fittings over its expected useful life to the organisation.

Major depreciation periods are:

Buildings	50 years
Plant and Equipment	
- Motor Vehicles	4-5 years
- Furniture & Fittings	3-10 years

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation relating to that asset are transferred to retained earnings.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If such an indication exists and where the carrying values exceed the recoverable amount, the asset is written down to the recoverable amount and is expensed to the Income Statement.

Revaluation increments are credited directly to the property revaluation reserve, except that, where the increment increases a liability to a resident, resident occupancy rights are increased (refer note 3.12), or to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, where the decrement decreases a liability to a resident, resident occupancy rights are decreased (refer note 3.12), or to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Revaluations do not result in the carrying value of properties exceeding their recoverable amount.

3.5 **Trade and other Receivables**

Trade and other receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables with the recognition of interest would be immaterial.

3.6 **Trade and other Payables**

Payables are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

3.7 **Maintenance and Repairs**

Plant of the entity is required to be overhauled on a regular basis. This is managed as part of an ongoing cyclical maintenance program. With the exception of maintenance provided for under the provision for long term maintenance (refer note 3.11), the costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 3.4. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

3.8 **Development Fund**

The development fund represents funds lodged with Churches of Christ Life Care Inc by residents who wish to lodge funds in a non-interest bearing non deeming account. These funds are held in a separate bank account in trust by Churches of Christ Life Care Inc. on behalf of residents. The balance of the bank account as at reporting date is shown both as a current asset and a non-current liability in the Statement of Financial Position.

3.9 **Fees held in trust**

Residents who wish may lodge cash with Churches of Christ Life Care Inc. for drawing down as and when the resident requires. Cash raised by religious congregations operating at aged care facilities may also be lodged in this manner for drawing down as and when the congregation requires. All such funds are held as cash and shown in the accounts both as a current asset under Cash and bank balances (refer note 3) and as a current liability under Trade and other payables (refer note 8).

3.10 **Employee Benefits**

(i) *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries and annual leave are expected to be settled within 12 months of the reporting date and are recognised in Trade and other payables and provisions respectively for employees services rendered up to the reporting date. Liabilities are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) *Value estimation*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(iii) Employee benefit on-costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

3.11 Provision for Long Term Maintenance

Amounts related to future maintenance of the Retirement Village Units and Serviced Apartments have been set aside as required under the Retirement Villages Act (RVA). The apportionment of the provision into Current and Non-Current liabilities is based on historical trends.

3.12 Resident Occupancy Rights

(i) Liabilities

Churches of Christ Life Care Inc. enters into Right to Occupy Agreements with Independent Living Unit and Aged Care Facility residents who pay a bond. The rights of the resident to occupy are recognised in the Statement of Financial Position as a liability under Resident Occupancy Rights in accordance with AASB139. The liabilities are held at fair value and are considered to be current in accordance with AASB101 as Churches of Christ Life Care Inc. does not have an unconditional right to defer settlement of the liability for at least 12 months after Statement of Financial Position date. The obligation to settle could occur at any time. (Refer Note 10)

(ii) Revenue

Independent Living Unit (ILU) and Serviced Apartment (SA) revenue has been recognised in accordance with the specific terms of the individual resident occupancy agreements. The amount that may be retained by Churches of Christ Life Care Inc. as revenue and that repayable to residents is adjusted based on a combination of fair values of the property occupied and years of occupancy in accordance with individual resident occupancy agreements.

3.13 Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

3.14 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The net gain or loss of non-current asset sales are included as income at the date control passes to the buyer and is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Revenue from donations is recognised when the monies are received. In kind donations or donations of assets are recorded at fair value.

Revenue from grants is recognised when control of the contribution or right to receive the contribution is obtained. Government grants are reported in the Income Statement under Revenue from ordinary activities- Government Contributions and grants received from other sources are reported in the Income Statement under Revenue from ordinary activities-other.

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable the economic benefits will flow to the Association and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Association and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.15 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Trade and other receivables and Trade and other payables on the Statement of Financial Position are shown inclusive of GST.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.16 Investments

Investments are classified under AASB139 as financial instruments "available for sale". Investments are measured at fair value and represent the amount for which the asset could be exchanged between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Subsequent to the initial recognition as assets at cost value, the revaluation model is used for measuring the fair value of Investments. The investments are carried at fair value less, where applicable, any impairment losses.

Revaluation increments and decrements of Investments are applied directly to the investment revaluation reserve. Upon realisation or permanent impairment of an investment, the increment or decrement is recognised immediately in the Statement of Comprehensive Income. To the extent that a credit or debit balance exists in the investment revaluation reserve in respect of the same class of assets, the revaluation reserve will be increased or decreased accordingly.

Bills of exchange and debentures with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

3.17 Government Grants

Government grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attached to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the entity should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no further related costs are recognised in profit or loss in the period in which they become receivable.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

3.18 Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.19 Key Sources of Estimation Uncertainty

In the application of the accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4	<u>Current assets-Cash and Bank Balances</u>	2011	2010	
		\$	\$	
	Cash at bank(1)	5,149,366	6,309,922	
	Cash on hand	23,414	23,068	
	COC Mutual Fund	23,814	23,092	
	Deductible Gift Account	659	659	
	Cash Management Trust	324,032	105,040	
	Deposits on commercial money market	5,206,410	2,141,149	
	<u>10,727,695</u>	<u>8,602,930</u>		
	(1) Includes fees in trust (note 3.9 for this period of \$76,935 (\$118,557))			
5	<u>Current Assets-Trade and Other Receivables</u>	2011	2010	
		\$	\$	
	GST recoverable	216,963	146,413	
	Interest receivable	136,035	96,278	
	Work cover recoveries	53,251	150,364	
	Other	240,166	183,733	
	<u>646,415</u>	<u>576,788</u>		
6	<u>Current Assets-Investments</u>	2011	2010	
		\$	\$	
	Held to maturity investments at amortised cost	4,000,000	7,000,000	
	Share Investment at fair value	2,396,887	1,732,328	
	Hybrid Investment at fair value	1,369,407	1,386,773	
	Managed Funds at fair value	1,083,442	1,019,846	
	<u>8,849,736</u>	<u>11,138,947</u>		
7	<u>Non-current Assets-Property, Plant and Equipment</u>			
	Carrying Amounts of:	2011	2010	2009
		\$	\$	\$
	Freehold Land	32,271,226	30,259,152	25,114,000
	Buildings & Leasehold Interest	69,721,063	68,673,000	55,183,644
	Work in Progress	6,832,649	871,553	602,096
	Plant and Equipment	3,660,641	3,407,714	3,086,094
	Equipment under finance lease	-	-	-
		<u>112,485,579</u>	<u>103,211,419</u>	<u>83,985,834</u>

	Freehold land at fair value	Buildings at fair value	Work in Progress at cost	Plant and Equipment at cost	Equipment under finance lease at cost	Total
Cost or Valuation						
Balance at 1st July 2009	25,114,000	55,183,644	602,096	3,086,094	-	83,985,834
Additions	1,727,623	-	1,969,054	1,123,506	-	4,820,183
Transfers	-	1,699,597	(1,699,597)	-	-	-
Disposals	-	-	-	(101,614)	-	(101,614)
Revaluation increase / decrease	3,417,529	12,945,645	-	-	-	16,363,174
Depreciation expense	-	(1,155,886)	-	(700,272)	-	-
Other	-	-	-	-	-	-
Balance at 30th June 2010	30,259,152	68,673,000	871,553	3,407,714	-	103,211,419
Additions	1,930,527	158,670	6,839,658	1,167,907	-	10,096,762
Transfers	-	878,562	(878,562)	-	-	-
Disposals	-	-	-	(207,237)	-	(207,237)
Revaluation increase / decrease	81,547	647,574	-	-	-	729,121
Depreciation expense	-	(636,743)	-	(707,743)	-	(1,344,486)
Other	-	-	-	-	-	-
Balance at 30th June 2011	32,271,226	69,721,063	6,832,649	3,660,641	-	112,485,579

Valuations of Property

The basis of valuation of property is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction.

The estimated valuation of properties at 30 June 2011 has been based on known factors relating to specific properties, general increments reflecting relevant CPI measures as agreed by management and an independent valuation of all properties performed by Egan National Valuers (SA) to determine the fair value of the properties at 30 June 2010. The valuation conformed to International Valuation Standards.

The valuation conducted at 30 June 2010 included a current valuation of bed licenses for the Aged Care Facilities. These values have not been included as an asset as described in note 3.4. The value of bed licenses as at 30 June 2010 was \$17,640,000.

Had the properties been measured on a historical cost basis, their carrying value would have been as follows:

	2011	2010
	\$	\$
Freehold land and Buildings values at historical cost	64,298,353	61,028,412

8 Current Liabilities-Trade and Other Payables

	2011	2010
	\$	\$
Creditors (Unsecured)	1,796,064	1,616,055
Accruals	123,840	171,537
Fees received in advance	201,871	164,352
Fees in Trust(1)	84,978	128,339
Other	35,182	15,660
	<u>2,241,935</u>	<u>2,095,943</u>

(1) Refer note 3.9

the average credit period on purchases is 30 days. No interest is charged on the trade payables. Life Care has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

9 Current Liabilities-Provisions

	2011	2010
	\$	\$
Employee benefits (note 3.10)	1,038,129	1,029,869
Long term maintenance	34,104	2,273
	<u>1,072,233</u>	<u>1,032,142</u>

Movements:

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	2011	2010
	\$	\$
<i>Long Term Maintenance</i>		
Carrying amount at start of year	2,273	48,326
Additional provisions recognised	36,318	-
Payments from provisions	(4,487)	(46,053)
Carrying amount at end of year	<u>34,104</u>	<u>2,273</u>

10 Current Liabilities-Resident Occupancy Rights

Resident loans (Residential Care and Retirement Village) are controlled by individual contracts and government legislation, both of which require repayment of the loan balance within a short period of time of the resident leaving the residential site. The Australian Government guarantees the repayment of Residential Care loans.

To recognise this repayment requirement all resident loans are recorded as a current liability. However, it is not expected that all resident loans will be required to be repaid within the next year. During the year ended 30 June 2011 the repayments of resident loans was \$10,403,788 (2010 \$9,737,101, 2009 \$4,442,167, 2008 \$5,074,308). Refer note 3.12.

	2011	2010
	\$	\$
Retirement Village unit contributions	20,457,352	20,798,400
Accommodation bonds	40,642,115	35,073,205
Entry contributions	191,400	191,400
	<u>61,290,867</u>	<u>56,063,005</u>

11 **Non-Current Liabilities-Provisions**

	2011	2010
	\$	\$
Employee benefits (note 3.10)	854,530	663,020
Long term maintenance	88,584	114,278
	<u>943,114</u>	<u>777,298</u>

Movements:

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	2011	2010
	\$	\$
<i>Long Term Maintenance</i>		
Carrying amount at start of year	114,278	98,595
Additional provisions recognised	558	37,776
Payments from provisions	(26,252)	(22,093)
Carrying amount at end of year	<u>88,584</u>	<u>114,278</u>

12 **Nature and Purpose of Reserves**

(i) **Properties revaluation reserve**

The properties revaluation reserve is used to record increments and decrements on the revaluation of properties, as described in note 3.4.

(ii) **RCM (Residential Care Manager) reserve**

Individual aged care facility sites may conduct fund-raising events. Any funds raised at a site in this way are reserved for site-specific expenditure by that site. Funds raised in this manner, and expenditure of these funds, are passed into the reserve via the Statement of Comprehensive Income.

(iii) **Investment revaluation reserve**

The investment revaluation reserve is used to record increments and decrements on the revaluation of investments, as described in note 3.16.

13 **Reconciliation of surplus from ordinary activities to net cash inflow from operating activities**

	2011	2010
	\$	\$
Operating surplus	3,317,983	1,388,557
Depreciation	1,344,488	1,856,158
Retentions	(1,321,885)	(1,388,869)
(Surplus) / Loss on disposal of assets	(35,632)	(12,195)
<i>Movement in operating assets and liabilities</i>		
Decrease/(Increase) in Trade and other	(305,340)	(67,927)
(Decrease)/Increase in provisions	205,907	(125,954)
(Decrease)/Increase in Trade and other payables	145,992	(729,252)
Net cash inflow from operating activities	<u>3,351,513</u>	<u>920,518</u>

14 **Reconciliation of Cash**

	2011	2010
	\$	\$
Cash at Bank and on Hand & Development Fund	10,746,918	8,622,153
Cash at the end of the financial year	<u>10,746,918</u>	<u>8,622,153</u>

15 **Finance Arrangements**

Unrestricted access was available at balance date.

	2011	2010
	\$	\$
Total Facility Fully Drawn Advance	2,450,000	2,450,000
Used at balance date	-	-
Unused at balance date	<u>2,450,000</u>	<u>2,450,000</u>

16 **Segment Information**

Churches of Christ Life Care Inc. is a not-for-profit entity and is therefore not required to provide segment information to comply with current accounting standards.

However, to meet the additional requirements for financial reports specified in the *Residential Care Subsidy Principles 1997* and remain eligible for 'Conditional Adjustment Payment' funding from the Government, this report must include residential aged care as a reportable segment within the meaning of the accounting standard relating to segment reporting that applies to the relevant financial year and in accordance with the principals (unless an exemption to segment reporting has been obtained).

Segment information is prepared in conformity with the accounting policies of Churches of Christ Life Care Inc. as disclosed in note 3.1 and accounting standard AASB8 *Segment Reporting*.

Segment revenue reported below represents revenue generated from external customers. There were no intersegment sales in the current year (2010:Nil). The accounting policies of the reportable segments are the same as the accounting policies described in note 3. Segment profit represents the profit earned by each segment with allocation of central administration costs and investment income. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments; All assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of revenue's earned by individual segments; and All liabilities are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Segment revenue and results	Segment Revenue		Segment Profit	
	Year ended 30/06/2011	Year ended 30/06/2010	Year ended 30/06/2011	Year ended 30/06/2010
Revenue from Operations				
Residential Aged Care Facilities	26,616,459	24,655,580	2,601,799	776,693
Retirement Villages	649,916	633,035	633,440	615,895
Community Programs	2,556,859	2,335,444	82,746	(4,031)
Other	49,320	39,764	-	-
Other Revenue				
Residential Aged Care Facilities	3,188,557	2,481,335	-	-
Retirement Villages	1,246,853	1,133,488	-	-
Community Programs	-	-	-	-
Other	34,793	254,894	-	-
	34,342,757	31,533,540	3,317,985	1,388,557
Unallocated revenue less unallocated expenses			-	-
Profit for the year			3,317,985	-
			<u>30/06/2011</u>	<u>30/06/2010</u>
Segment assets				
Residential Aged Care Facilities			87,737,089	65,362,786
Retirement Villages			38,367,472	33,079,161
Community Programs			1,502,246	83,213
Other			-	-
Total Segment Assets			127,606,807	98,525,160
Unallocated assets (Corporate Services)			5,368,290	25,034,883
Total Assets			132,975,097	123,560,043
			<u>30/06/2011</u>	<u>30/06/2010</u>
Segment liabilities				
Residential Aged Care Facilities			43,872,029	27,404,457
Retirement Villages			21,462,583	20,970,666
Community Programs			232,757	211,044
Other			-	-
Total Segment liabilities			65,567,369	48,586,167
Unallocated Liabilities			-	11,401,444
Total Liabilities			65,567,369	59,987,611
			<u>30/06/2011</u>	<u>30/06/2010</u>
Other segment information				
	<u>Depreciation and Amortisation</u>		<u>Additions to Non-current Assets</u>	
	Year ended 30/06/2011	Year ended 30/06/2010	Year ended 30/06/2011	Year ended 30/06/2010
Residential Aged Care Facilities	629,423	1,196,440	5,218,681	1,851,653
Retirement Villages	422,235	413,676	4,047,256	2,191,251
Community Programs	46,351	44,669	34,766	17,399
Other	246,479	201,373	796,059	759,880
	1,344,488	1,856,158	10,096,762	4,820,183

17 Commitments for Capital Expenditure

Commitments for capital expenditure contracted for at the reporting date but not recognised as liabilities, payable:

	2011	2010
	\$	\$
<i>Within one year</i>		
Retirement Living Development - Finnis Street	619,323	1,463,000
Retirement Living Development - Uplands Drive	507,510	2,038,767
Glenrose Court Building upgrade	1,400,524	4,889,556
Implementation of Clinical Software	193,764	95,040
Security upgrade	146,227	-
	2,867,348	8,486,363

18 Related Party Information

Mr A Candy, Chief Executive Officer from 13 July 2011, was a full-time staff member of Churches of Christ Life Care Inc. and received payments of salary and other benefits by way of employment. Mr A Harris and Ms A LeCornu who were joint acting Chief Executive Officers to 13 July 2011 were also full-time staff members of Churches of Christ Life Care Inc. and received payments of salary and other benefits by way of employment. All other Board Directors act on a voluntary basis and receive only minor reimbursements of costs.

Board Directors

2011

Mr John Stock OAM	Chairperson
Mr Mark Butler	State Minister & Deputy Chairperson
Mr Graeme Murley	Treasurer
Mr Allen Candy	Chief Executive Officer (from 13 July 2010)
Mr Mark Johnson	(to 24 January 2011)
Mrs Barbara Gear	
Ms Anne Lawson	
Mr Malcolm May	
Ms Rebecca Halkett	
Mr Alan Young	

Attendees by invitation

Mr Andrew Harris	Joint Acting Chief Executive Officer (to 13 July 2010)
Ms Anthea LeCornu	Joint Acting Chief Executive Officer (to 13 July 2010)
Ms Katherine Clark	Minute Secretary (to 14 August 2010)
Ms Angela Roth	Minute Secretary (from 15 August 2010 to 29 August 2010)
Ms Lara Hough	Minute Secretary (from 30 August 2010 to 30 May 2011)
Ms Jess O'Neil	Minute Secretary (from 30 May 2011)

Any services provided to Board Directors were on terms and conditions no more favourable than those available to the general community.

19	Auditors' Remuneration	2011	2010
	Remuneration	\$	\$
	(i) Auditing or reviewing the financial report	26,150	24,150
	(ii) Other Services	-	-
		<u>26,150</u>	<u>24,150</u>

- 20 **Subsequent Events**
The Board of Management believes that no item, transaction or event of a material or unusual nature has arisen since the balance date that is likely to substantially affect:-
- (i) the operations of Churches of Christ Life Care Inc.
 - (ii) the results of those operations.
 - (iii) the State of Affairs of Churches of Christ Life Care Inc. in the financial years subsequent to 30 June 2010.

- 21 **Contingent Liabilities and Contingent Assets**
The Board of Management are not aware of any contingencies requiring disclosure in the financial statements.

22	Employee Benefits	2011	2010
	Employee benefits and related on-costs liabilities	\$	\$
	Provision for employee benefits-current (note 9)	1,038,129	1,029,869
	Provision for employee benefits-non-current (note 11)	854,530	663,020
		<u>1,892,659</u>	<u>1,692,889</u>

23 **Financial Instruments****(a) Credit Risk**

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness. Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the committee has otherwise cleared as being financially sound.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount as disclosed in the Statement of Financial Position and notes to the financial statements. There is no collateral held by the association securing trade and other receivables and there are no material or significant receivables past due dates.

(b) Net Fair Value of Financial Assets and Liabilities*On-Statement of Financial Position*

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and liabilities of the economic entity approximate their carrying value.

(c) Interest Rate Risk

The association is not exposed to any significant interest rate risk since cash balances are maintained at variable rates and borrowings of the association are not considered significant. A sensitivity analysis on interest earnings has been performed based on the financial position as at 30 June 2011 which has not identified a material risk.

The exposure to interest rate risk, the effective weighted average interest rate and the maturity date for each class of financial assets and financial liabilities is set out in the table below.

(d) Liquidity Risk

Liquidity risk arises from the possibility that the association might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The association manages this risk through the following mechanisms:

- (i) preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- (ii) only investing surplus cash with major financial institutions;
- (iii) preparing and maintaining a cash management policy; and
- (iv) in respect of Resident Occupancy Rights, preparing and maintaining a liquidity management strategy (Refer Note 10).

(e) Derivative Financial Instruments

This entity does not use derivative financial instruments

2011	Note	Floating Interest Rate	< 1 Year	1>5 Years	5 years >	Non Interest Bearing	Total
		\$	\$	\$	\$	\$	\$
Financial Assets							
Cash	4	5,703,622	5,000,000	-	-	24,073	10,727,695
Trade and other receivables	5	-	-	-	-	646,415	646,415
Investments	6	-	4,000,000	-	-	4,849,736	8,849,736
Development fund		19,223	-	-	-	-	19,223
		5,722,845	9,000,000	-	-	5,520,224	20,243,069
Weighted Avg I.R.		4.91%	5.82%	-	-		
Financial Liabilities							
Trade and other payables	8	-	-	-	-	2,241,935	2,241,935
Development Fund		-	-	-	-	19,223	19,223
Resident occupancy right	10	-	-	-	-	61,290,867	61,290,867
		-	-	-	-	63,552,025	63,552,025
Weighted Avg I.R.		-	-	-	-		
Net Financial Assets		5,722,845	9,000,000	-	-	(58,031,801)	(43,308,956)
2010							
Financial Assets							
Cash	2	6,449,203	2,130,000	-	-	23,727	8,602,930
Trade and other receivables	3	-	-	-	-	576,788	576,788
Investments	4	-	7,000,000	-	-	4,138,947	11,138,947
Development fund		19,223	-	-	-	-	19,223
		6,468,426	9,130,000	-	-	4,739,462	20,337,888
Weighted Avg I.R.		4.72%	5.70%	-	-		
Financial Liabilities							
Trade and other payables	8	-	-	-	-	2,095,943	2,095,943
Development Fund		-	-	-	-	19,223	19,223
Resident occupancy right	10	-	-	-	-	56,063,005	56,063,005
		-	-	-	-	58,178,171	58,178,171
Weighted Avg I.R.		-	-	-	-		
Net Financial Assets		6,468,426	9,130,000	-	-	(53,438,709)	(37,840,283)

(f) **Fair value measurements recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2011	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value				
<u>Investments</u>				
Share Investment at market value	2,396,887	-	-	2,396,887
Hybrid Investment at fair value	1,369,407	-	-	1,369,407
Managed Funds at fair value	1,083,442	-	-	1,083,442
	4,849,736	-	-	4,849,736
Financial Liabilities at Fair Value				
Retirement Village unit contributions	-	-	20,457,352	20,457,352
	-	-	20,457,352	20,457,352

2010	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value				
<u>Investments</u>				
Share Investment at market value	1,732,328			1,732,328
Hybrid Investment at fair value	1,386,773			1,386,773
Managed Funds at fair value	1,019,846			1,019,846
	<u>4,138,947</u>	-	-	<u>4,138,947</u>
Financial Liabilities at Fair Value				
Retirement Village unit contributions			20,798,400	20,798,400
	-	-	<u>20,798,400</u>	<u>20,798,400</u>

Reconciliation of Level 3 fair value measurements of financial assets

Opening Balance		20,798,400
Purchases		972,000
Revaluation of properties		302,177
Retentions		(726,175)
Settlements		(889,050)
Unpaid purchase		-
Closing Balance		<u>20,457,352</u>

STATEMENT BY THE BOARD OF CHURCHES OF CHRIST LIFE CARE INC.

In the opinion of the directors of the Board the financial report as set out on pages 1 to 15:

1. Presents a true and fair view of the financial position of Churches of Christ Life Care Inc. as at 30 June 2011 and its performance for the year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board.
2. At the date of this statement, there are reasonable grounds to believe that Churches of Christ Life Care Inc. will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board and is signed on behalf of the Board by:


Chairperson


Treasurer

Signed this 26th day of September 2011

REPORT BY DIRECTORS OF THE BOARD

Your Board submits the financial report of Churches of Christ Life Care Inc. for the financial year ended 30 June 2011.

1 Board Directors

The names of board directors throughout the year and at the date of this report are:

Mr John Stock OAM	Chairperson
Mr Mark Butler	State Minister & Deputy Chairperson
Mr Graeme Murley	Treasurer
Mr Allen Candy	Chief Executive Officer (from 13 July 2010)
Mr Mark Johnson	(to 24 January 2011)
Mrs Barbara Grear	
Ms Anne Lawson	
Mr Malcolm May	
Ms Rebecca Halkett	
Mr Alan Young	

2 Principal Activities

The principal activities of Churches of Christ Life Care Inc. during the financial year were to provide services in the aged care sector. No significant change in the nature of these activities occurred during the year.

3 Operating Result

The operating surplus for the year was \$ 3,317,983

4 Statutory

In accordance with Section 35(5) of the Associations Incorporation Act 1985 the Board hereby states that during the financial year ended 30 June 2011:

(a) Since the end of the previous financial year,

(i) no director of Churches of Christ Life Care Inc,

(ii) no firm of which a director is a member, and

(iii) no body corporate in which a director has a substantial financial interest,

has received or become entitled to receive a benefit as a result of a contract between the director, firm or body corporate and Churches of Christ Life Care Inc.; and

(b) No director of Churches of Christ Life Care Inc. has received directly or indirectly from Churches of Christ Life Care Inc. any payment or other benefit of a pecuniary value except for those who have been employed by or provided services to the association on terms and conditions no more favourable than those available to the general community.

Signed in accordance with a resolution of the Board.



Chairperson



Treasurer

Signed this

26th day of September 2011

Independent Auditor's Report to the Directors of Churches of Christ Life Care Inc.

We have audited the accompanying financial report of Churches of Christ Life Care Inc, which comprises the statement of financial position as at 30 June 2011, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and statement by the Board as set out on pages 1 to 15.

Director's Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Association Incorporation Act 1985*. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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.

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

Opinion

In our opinion, the financial report of Churches of Christ Life Care Inc presents fairly, in all material respects, the entity's financial position as at 30 June 2011 and its financial performance for the year then ended in accordance with Australian Accounting Standards and the *Association Incorporation Act 1985*.

We have obtained all the information and explanations that we require from Churches of Christ Life Care Inc.



DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants
Adelaide, 27 September 2011