# Together

Financial Summary 2019/2020

benetas

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## Our Board of Directors

### Michael Urwin

Appointed to the Board in September 2016
Appointed as Chairman in December 2018
B.A. (Hons), Dip.Ed. (Melb), FACE

Former Brighton Grammar School Headmaster, Michael Urwin is an active member of the Anglican Church, having been a member of the Diocese of Melbourne Archbishop Council and served as the Vicar's Warden at his local parish, St Silas in Albert Park. He has also served as the Registrar of the Diocese.

During his time as Headmaster at BGS, Michael filled a number of external roles including Chair of the Associated Public Schools, Chair of the Victorian Branch of the Australian Heads of Independent Schools Association, and Trustee of the International Boys Schools Coalition.

With an aim to contribute wherever he can, Michael understands it is a demanding time to be involved in aged care and wishes to support Benetas to continue to be the best aged care provider possible. The COVID-19 pandemic has thrown up significant challenges in aged care, as has the Royal Commission. He sees these challenges leading to significant change and improvement in the sector.

Michael was blessed with a number of inspirational mentors both as a student and a teacher. He believes in the power of strong, ethical leadership on younger professionals and the importance of creating a culture that allows all staff to be valued and to developed.

### Sean Balding

Appointed to the Board in September 2017
BCom, CA, GAICD

Sean Balding is currently the Chief Operating Officer of boutique insurer Eric Insurance, with over 30 years' experience in financial consulting. He has also previously been a partner at Ernst and Young and involved in a number of significant transactions.

With significant experience in the financial sector, Sean is focused on applying that expertise at Benetas. Sean believes his experience in financial consulting and enabling business growth will be of benefit to Benetas adapting and thriving in its sector. Sean is interested to see where the changes in the aged care industry will take Benetas and the steps that the business will take to go forward in the changing environment.

Like many successful professionals, Sean believes in the wisdom of taking all opportunities presented. He accredits his career to a combination of having some great mentors as well as being an inquisitive individual with a curiosity in emerging trends. Sean enjoys following innovative companies who are seeking to transform their sectors.

### Helen Bloustein

Appointed to the Board in June 2017
B.Comm, Cert. Actuarial Techniques (IFoA), MAICD

Helen Bloustein brings broad experience in investment management, superannuation and best-practice approaches to sustainability management and reporting.

She has held positions as a fund manager and Australian equities investment analyst with Colonial and AXA Investment Management, and been a member of the executive management team at VicSuper.

Helen's public sector experience includes the Bureau of Meteorology, and EPA Victoria where she project managed the United Nations Environment Programme Finance Initiative (UNEP FI) in Australasia.

She was seconded to UNEP FI's head office in Geneva and worked with international financial institutions to integrate environmental, social and governance practices into their business processes.

## **Our Board of Directors** continued

### Susan Campbell

Appointed to the Board in December 2014

FCPA, MAICD, MBA, BCom, GradDip(SIA), Cert IV TAA

Susan brings to Benetas a range of skills in risk and finance, and many years of experience in governance, having recently retired as a long serving board member with Heritage Bank. Her consulting company was also active in training in risk and finance for financial services companies. Her previous employment has included working with global banks in Melbourne and London, corporate treasuries, CPA Australia and as a senior lecturer at RMIT University and La Trobe Graduate School.

In addition, Susan is also author of a number of books on the topic of risk and is a regular contributor of articles to professional magazines.

Susan is very proud of the way Benetas staff and residents have handled 2020. She sincerely hopes that whilst the staff have done an amazing job, we will build an even better aged care system and a stronger organisation.

Susan is also a member of the Finance, Audit & Risk Committee, and the Investment & Funds Management Committee.

### Assoc. Prof. Deirdre Fetherstonhaugh

Appointed to the Board in December 2016

Dip Appl Sci (Nursing), Renal Cert, BA, MA, PhD, RN

Deirdre is the Director of the Australian Centre for Evidence Based Aged Care (ACEBAC) at La Trobe University. Deirdre's research focuses on the translation of research evidence into aged care practice, the ethical implications of clinical practice, decision-making for people with chronic conditions such as dementia or renal failure, sexuality and dementia, measuring performance in aged care and clinical risk in residential aged care. She is also currently involved in delivering three-day education and training workshops on 'comprehensive health assessment of the older person' for enrolled and registered nurses.

Deirdre is dedicated to raising the profile of people and staff caring for older people in residential aged care, strongly believing that they deserve greater recognition and understanding of the work they do. With many years' experience in the aged care sector, Deirdre brings invaluable research skills and understanding of the environment of residential aged care, including quality and safety in aged care, to the Benetas Board.

Throughout her life, Deirdre has always been grateful for the opportunity to keep learning. She recommends to always look for opportunity and that it's more about what you can do, not what you can't do.

### Deborah Law

Appointed to the Board in July 2016

M Pol Admin, Grad Dipl Business (Health Admin), Dipl Physio (UK)

Deborah Law is a retired specialist in health service and workforce reform and policy, focusing her work on strengthening the interface between acute health, primary health and community care and aged care. She has also worked on numerous committees at a state and national level, including the promotion of primary health care development, improving aged care, and better chronic disease management and prevention.

With a strong focus on quality systems, Deborah hopes to work toward Benetas being even more inclusive of diverse opinion and backgrounds. Deborah is excited by the approaches to care that Benetas is taking. She believes that Benetas is a vibrant and energetic organisation that can continue to adapt future models of aged care for the benefit of all older generations.

Deborah feels she has been fortunate to have worked with a number of people throughout her career, who have been fearless, compassionate and courageous, with a high degree of emotional intelligence. It is these attributes that she has tried to emulate and encourages young professionals to strive for something similar and seek out every opportunity where they present themselves.

## **Our Board of Directors** continued

### Assoc. Prof. Michael Murray AM

Appointed to the Board in July 2016

M.B. B.S., MPH, FRACP, AFRACMA, Clinical Associate Professor

As the Divisional Medical Director of Continued Care, Head of Geriatric Medicine and Medical Lead of Patient Flow at Austin Health, Associate Professor Michael Murray brings to Benetas extensive experience in the health and aged care industry.

With nearly 30 years involvement in geriatric care, Michael's career highlights include extensive research in continence, public health and public policy, as well as working in education and service development and most recently, his appointment as the interim Chief Clinical Advisor to the first Aged Care Quality and Safety Commissioner. Michael holds a number of board and committee positions with a variety of health and educational institutions and is the president of the National Ageing Research Institute and President of the Continence Foundation of Australia among others. Michael was recently appointed as the Geriatrician Lead to the Victorian Aged Care Response Centre (VACRC) for COVID-19.

A key objective Michael wishes to achieve in the coming years is the improved clinical governance and care for older people in residential care. With its new approach to aged care, Michael feels that Benetas is on an exciting road of continuous quality improvement, and the delivery of person-centred care supporting independence and choice for customers.

As a former Head Scout, Michael lives by the words "Good, better, best. Never let it rest, till your good is better and your better is the best."

### The Venerable Helen Philips

Appointed to the Board in June 2017

BTheol, DipMin, CertBowenFamSystems

Helen brings over 25 years' experience in governance, management, training and leadership in the Anglican Church and educational institutions in both Victoria and Queensland.

She is currently Vicar of Morning and Mount Martha Anglican Church and Archdeacon of Frankston. Helen is passionate about training and empowering others to reach their God- given potential, especially as leaders, and loves to play a part in shaping people and organisations for a health and resilient future.

Helen's contributions to the Anglican community are many and varied, and her extensive understanding of spirituality and faith in practice plays a key role in Benetas' vision to deliver meaningful services to older people, regardless of background.

With a strong connection to the values of Benetas' Anglican foundations, Helen helps to sharpen the organisations' strategic focus within the changing context of aged care.

### Julia Pryor

Appointed to the Board in February 2019

B.A. Law, B.HIS&Classics, ExecM.A. (Leadership&Mgt)

Julia is presently the Chief Risk Officer for MLC Wealth Superannuation and Platforms, and brings over 20 years' experience in governance, risk and compliance to her role on the Benetas Board.

Julia has expertise in areas of financial and corporate governance, as well as a tactical and pragmatic approach to overcoming obstacles. Julia is passionate about the superannuation outcomes of all Australians.

She has a strong customer focused approach which fits in well with the organisation's Next Generation Strategy.

With a proven track record in leading complex change management, Julia is well equipped to be a part of the future direction of aged care for Benetas and the broader aged care sector.

She endeavours to apply the motto 'have courage and be kind' to everything she does in life.

### Company Secretary

The following person held the position of company secretary at the end of the financial year: Mr Neil Fawcett

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

# Directors' report

## Principal Activities

The company is limited by guarantee and it's principal activity during the financial year was the provision of Aged Care Services.

## Business Objective and Strategic Objectives

The company officially launched its "Next Generation Strategy 2025" document. The company's key strategic outcomes and objectives as outlined in the "Next Generation Strategy 2025" document are as follows:

**Strategic outcomes:**

1. Integrated and Exceptional Customer Experience
2. Communities of Choice
3. Great Place to Work and Volunteer
4. High Performance Organisation

**Objectives:**

1. Integrated Enterprise - enhance our organisational capabilities and employee experience to support our Customer Experience, Quality of Life outcomes and financial sustainability objectives.
2. Residential Services - implement our innovative approach to residential care to deliver the best possible experience of living and dying for every individual.
3. Home Care - enable people to live independently in their homes and to enjoy a positive and respectful experience of life in the community.
4. Retirement Living Communities - offer customers the opportunity to live their best life in our Communities of Choice and support.
5. Primary Care - meet local community needs for the provision of integrated primary care services that delivers positive outcomes.

The Board utilises a monthly and quarterly "balanced scorecard" reporting framework to measure managements progress against its strategic business objectives.

## Significant changes in State of Affairs

No significant changes in the nature of the company's activity occurred during the financial year.

## Operating Results

The net result of the company amounted to a surplus of $2,422,000 (2019 deficit of $1,437,000).

## Review of Operations

The company is a company limited by guarantee and is a not-for-profit aged care provider of community and specialist residential care services. The principal source of operating income is government grant funding and client income. Operating expenses continue to be met out of operating income. The company generates modest investment income which is used to fund strategic initiatives designed to further the objectives of the organisation and fund the various capital improvement and major project initiatives. During the year the Company put in place a range of measures to combat the impact of COVID-19. These include access to and granting of leave where required, and restrictions on discretionary spending. In addition, working from home and social distancing measures have been implemented to protect staff. There have been increased costs associated with infection control and prevention of COVID-19. These costs have been captured separately in order to claim back from government grants if applicable. There remains significant uncertainty around the breadth and duration of business disruptions related to COVID-19, however any potential impacts will continue to be closely monitored.

# Meetings
attended by Directors

## Financial year ending 30 June 2020

| | Directors meetings | | Quality and Compliance Committee | Financial Audit and Risk Management Committee | Investment Funds Management Committee | Governance Committee |
|---|---|---|---|---|---|---|
| | Meetings held (11) | | Meetings held (5) | Meetings held (9) | Meetings held (6) | Meetings held (3) |
| Current Directors | Eligible | Attended | Attended | Attended | Attended | Attended |
| Michael Urwin | 11 | 11 | 1 | 8 | 3 | 3 |
| Susan Campbell | 11 | 9 | - | 7 | 5 | - |
| Deborah Law (note 1) | 11 | 9 | 5 | - | - | 3 |
| A/Prof Michael Murray AM | 11 | 11 | 4 | - | - | - |
| A/Prof Deirdre Fetherstonhaugh | 11 | 10 | 4 | - | - | - |
| Archdeacon Helen Phillips (note 2) | 11 | 7 | 4 | - | - | 1 |
| Helen Bloustein | 11 | 10 | - | - | 6 | - |
| Sean Balding | 11 | 11 | - | 9 | - | - |
| Julia Pryor | 11 | 9 | - | 9 | - | - |
| Paul McGlinn (External Advisor) | - | - | - | - | 6 | - |
| Dr Graeme Blackman AO (External Advisor) | - | - | - | 6 | - | 2 |
| Keith Dickie (External Advisor) | - | - | - | - | 6 | - |
| Diane Pardo (External Advisor) | - | - | - | - | 4 | - |
| John McKenzie OAM (External Advisor) | - | - | - | - | - | 2 |
| David Percival (External Advisor) | - | - | - | 9 | - | - |
| Dr Therese Riley (External Advisor) (note 3) | - | - | 5 | - | - | - |
| Sandra Hills OAM (Non-Director) | - | 11 | 4 | 9 | 6 | 3 |
| Neil Fawcett (Non-Director) | - | 11 | - | 9 | 6 | 1 |

**Please note:**

1. Deborah Law was appointed to the Governance Committee on 19th July 2019.
2. Archdeacon Helen Phillips took a Leave of Absence for March 2020 and April 2020 and was therefore eligible to attend, nine (9) directors' meetings.
3. External advisors are appointed to Committees of the Board to bring relevant industry expertise to Benetas and supplement experience brought to the committees by Board Directors. External advisors are appointed annually in accordance with each board committees terms of reference. External Advisors can serve for a period of up to nine (9) years, with an option to extend for a further three (3) years. The names of each person who has been an external advisor during the year and to the date of this report are:
   - Paul McGlinn was appointed to the Investment & Funds Management Committee in June 2009.
   - Dr Graeme Blackman AO was appointed to both the Finance, Audit & Risk Management Committee and Governance
   - Keith Dickie was appointed to the Investment & Funds Management Committee in November 2017.
   - Diane Pardo was appointed to the Investment & Funds Management Committee in November 2017.
   - John McKenzie OAM was appointed to the Governance Committee in November 2017.
   - David Percival was appointed to the Finance, Audit & Risk Management Committee in December 2018.
   - Dr Therese Riley was appointed to the Quality and Compliance Committee in July 2019.

## Members Guarantee

Every member undertakes to contribute an amount not more than $50 to the property of the company if it is wound up while he or she is a member or within one year after he or she ceases to be a member for:

a. payment of the company's debts and liabilities contracted before the time he or she ceased to be a member;
b. the costs, charges and expenses of winding up; and
c. the adjustment of the rights of the contributories among themselves.

Members are the Benetas Board of Directors.

## Auditor’s independence declaration

The auditor’s independence declaration for the year ended 30 June 2020 has been received and can be found on page 11 of the financial report.

This directors’ report is signed in accordance with a resolution of the Board of Directors.

Director

Sean Balding

Director

Michael Urwin

Dated this 5th day of October 2020

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# Auditor's Independence Declaration

## To the Directors of Anglican Aged Care Services Group T/A Benetas

In accordance with the requirements of section 60-40 of the Australian Charities and Not-for profits Commission Act 2012, as lead auditor for the audit of Anglican Aged Care Services Group T/A Benetas for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 5 October 2020

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# Statement of profit or loss and other comprehensive income for the year ended 30 June 2020

| | NOTE | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|---|
| Revenue | 2 | 139,685 | 124,364 |
| Other Income | 2 | 12,677 | 9,482 |
| Total revenue and income | | 152,362 | 133,846 |
| Employee expense | 3 | (85,354) | (79,466) |
| Depreciation and amortisation expense | 3 | (10,678) | (8,993) |
| Rental expense | 3 | (563) | (1,026) |
| Repairs, maintenance and vehicle running expense | | (5,667) | (6,148) |
| Client specific expense | | (14,277) | (13,213) |
| Catering expense | | (10,257) | (9,727) |
| Cleaning expense | | (4,377) | (4,004) |
| Utilities, rates and insurance expense | | (4,101) | (3,912) |
| Other expenses | | (5,369) | (5,362) |
| Interest paid | 3 | (7,904) | (564) |
| Net result before impairment of assets and fair value of investment property | | 3,815 | 1,431 |
| Fair Value of Investment Property | 10 | (354) | (1,351) |
| Fair Value of Lease Liabilities | | (966) | (201) |
| Impairment of Property, Plant and Equipment | 7 | (73) | (1,316) |
| Net result after impairment of assets and fair value of investment property and before tax | | 2,422 | (1,437) |
| Tax expense | | - | - |
| Net result for the year | | | |
| Other comprehensive income (or loss): | | | |
| Items that will not be reclassified to profit or loss | | | |
| - Fair value movement of investments (financial assets) | | (11,836) | (1,362) |
| Total other comprehensive income (or loss) for the year | | (11,836) | (1,362) |
| Total comprehensive income (or loss) for the year | | (9,414) | (2,799) |

The accompanying notes form part of these financial statements.

# Statement of financial position as at 30 June 2020

## ASSETS

| CURRENT ASSETS | NOTE | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|---|
| Cash and cash equivalents | 4 | 45,050 | 39,397 |
| Accounts receivable and other debtors | 5 | 9,597 | 11,262 |
| Financial assets | 6 | 84,839 | 66,280 |
| Assets held for sale | 9 | 2,943 | 2,710 |
| **Total Current Assets** | | **142,429** | **119,649** |
| **NON-CURRENT ASSETS** | | | |
| Financial assets | 6 | 60,395 | 63,216 |
| Property, plant and equipment | 7 | 189,489 | 190,614 |
| Right of use assets | 19 | 3,794 | - |
| Intangible assets | 8 | 26,081 | 27,546 |
| Investment properties | 10 | 42,283 | 41,563 |
| Total Non-Current Assets | | 322,042 | 322,939 |
| **Total Assets** | | **464,471** | **442,588** |

## LIABILITIES

| CURRENT LIABILITIES | NOTE | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|---|
| Accounts payable and other payables | 11 | 238,117 | 212,471 |
| Lease liabilities | 19 | 658 | - |
| Employee provisions | 12 | 10,224 | 8,845 |
| **Total Current Liabilities** | | **248,999** | **221,316** |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 19 | 3,184 | - |
| Employee provisions | 12 | 2,895 | 2,500 |
| Total Non-Current Liabilities | | 6,079 | 2,500 |
| Total Liabilities | | 255,078 | 223,816 |
| **Net Assets** | | **209,393** | **218,772** |

## EQUITY

| | | | |
|---|---|---|---|
| Retained earnings | | 213,924 | 213,040 |
| Other Contributed Equity | | 3,793 | 3,758 |
| Reserves | | (8,324) | 1,974 |
| **Total Equity** | | **209,393** | **218,772** |

The accompanying notes form part of these financial statements.

# Statement of changes in equity for the year ended 30 June 2020

| | Retained Earnings $'000's | Other Contributed Equity $'000's | TOTAL RESERVES: Major Maintenance Fund $'000's | TOTAL RESERVES: Investment Revaluation Reserve $'000's | TOTAL RESERVES: Total Reserves $'000's | Total Equity $'000's |
|---|---|---|---|---|---|---|
| Balance at 30 June 2018 | 198,784 | - | 917 | 18,112 | 19,029 | 217,813 |
| Comprehensive Income<br>Deficit for the year | | | | | | |
| Deficit for the year attributable to members of the entity | (1,437) | | - | - | - | (1,437) |
| Other comprehensive income | | | | | | |
| Investments (financial assets) revaluation | - | - | - | (1,362) | (1,362) | (1,362) |
| Other contributed equity | - | 3,758 | - | - | - | 3,758 |
| Total comprehensive income attributable to members of the entity | (1,437) | 3,758 | - | (1,362) | (1,362) | 959 |
| Transfer from reserves | | | | | | |
| Major maintenance fund provision | (198) | - | 198 | - | 198 | - |
| Realised gain/(losses) on disposal of investments | 15,891 | - | - | (15,891) | (15,891) | - |
| Restated total transfer from reserves | 15,693 | - | 198 | (15,891) | (15,693) | - |
| Balance at 30 June 2019 | 213,040 | 3,758 | 1,115 | 859 | 1,974 | 218,772 |
| Comprehensive Income<br>Surplus for the year | | | | | | |
| Surplus for the year attributable to members of the entity | 2,422 | - | - | - | - | 2,422 |
| Other comprehensive income | | | | | | |
| Investments (financial assets) revaluation | - | - | - | (11,836) | (11,836) | (11,836) |
| Other contributed equity | - | 35 | - | - | - | 35 |
| Total comprehensive income attributable to members of the entity | 2,422 | 35 | - | (11,836) | (11,836) | (9,379) |
| Transfer from reserves | | | | | | |
| Major maintenance fund provision | (215) | - | 215 | - | 215 | - |
| Realised gain (or losses) on disposal of investments | (1,323) | - | - | 1,323 | 1,323 | - |
| Total transfer from reserves | (1,538) | - | 215 | 1,323 | 1,538 | - |
| **Balance at 30 June 2020** | **213,924** | **3,793** | **1,330** | **(9,654)** | **(8,324)** | **209,393** |

For a description of each reserve, refer to Note 18.
The accompanying notes form part of these financial statements.

# Statement of cash flows for the year ended 30 June 2020

| CASH FLOW FROM OPERATING ACTIVITIES | NOTE | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|---|
| Commonwealth, State and Local Government grants and client income | | 134,514 | 123,549 |
| Receipt from donations, bequests and raffles | | 62 | 585 |
| Payments to suppliers and employees | | (126,368) | (122,328) |
| Interest received | | 1,358 | 2,304 |
| Dividends received | | 3,255 | 5,031 |
| Finance costs | | (417) | (242) |
| Net cash generated from operating activities | | 12,404 | 8,899 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment | | 9,286 | 126 |
| Proceeds from business combinations | | - | 6,449 |
| Payments for property, plant and equipment - residential aged care | | (8,008) | (19,423) |
| Payments for property, plant and equipment - non residential aged care | | (2,655) | (7,437) |
| Proceeds from sale of investments (financial assets) | | 35,140 | 57,281 |
| Payments for investments (financial assets) | | (62,714) | (66,349) |
| Payments for intangibles | | (78) | (654) |
| Payments for investment property development | | (1,074) | (221) |
| Net cash used in investing activities | | (30,103) | (30,228) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Refunds of residential RAD's, accomodation bonds and entry contributions | | (50,781) | (43,457) |
| Refunds of non residential accomodation bonds and entry contributions | | (234) | (107) |
| Proceeds from residential RAD's, accomodation bonds and entry contributions | | 73,358 | 56,485 |
| Payments for leases | | (584) | - |
| Refunds of retirement village leases | | (4,179) | (1,075) |
| Proceeds from retirement village leases | | 5,772 | 5,439 |
| Net cash generated from financing activities | | 23,352 | 17,285 |
| Net decrease in cash held | | 5,653 | (4,044) |
| Cash and cash equivalents at beginning of the financial year | | 39,397 | 43,441 |
| **Cash and cash equivalents at end of the financial year** | 4 | **45,050** | **39,397** |

The accompanying notes form part of these financial statements.

# **Notes** to the Financial Statement

The financial statements cover ANGLICAN AGED CARE SERVICES GROUP T/A BENETAS (the 'company') as an individual entity, incorporated and domiciled in Australia. ANGLICAN AGED CARE SERVICES GROUP T/A BENETAS is a company limited by guarantee.

## Note 1: Summary of significant accounting policies

### Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and Australian Accounting Standards - Reduced Disclosure Requirements and Australian Accounting interpretations. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All financial information has been rounded to the nearest thousand unless otherwise stated.

The financial statements were authorised for issue on 5 October 2020 by the directors of the company.

### Accounting Policies

#### a. New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

**AASB 15 Revenue from contracts with customers**

The company has adopted AASB 15 from 1 July 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

**AASB 1058 Income of Not-for-Profit Entities**

The company has adopted AASB 1058 from 1 July 2019. The standard replaces AASB 1004 'Contributions' in respect to income recognition requirements for not-for-profit entities.

The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt.

Income under the standard is recognised where:

- an asset is received in a transaction, such as by way of grant, bequest or donation;
- there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and
- where the intention is to principally enable the entity to further its objectives.

Related amounts recognised may relate to:

- contributions by owners;
- AASB 15 revenue or contract liability recognized;
- lease liabilities in accordance with AASB 16;
- financial instruments in accordance with AASB 9; or
- provisions in accordance with AASB 137.

The liability is brought to account as income over the period in which the entity satisfies its performance obligation. If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately.

Where the fair value of volunteer services received can be measured, a private sector not-for-profit entity can elect to recognise the value of those services as an asset where asset recognition criteria are met or otherwise recognise the value as an expense.

**AASB 16 Leases**

The company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities.

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

On adoption of AASB 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.79%.

In applying AASB 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has elected to use the Modified Retrospective method Option 2. The lease liability was measured at the present value of the remaining lease payments discounted and the right of use asset was equal to the lease liability plus/minus any prepaid or accrued payments. The cumulative effect of the above is recognised as an opening retained earnings adjustment. There was no impact on opening retained earnings.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

## b. Revenue and Income

**Government subsidies**

Government subsidies are recognised as revenue over time as services are provided. Funding claims are submitted/updated daily and Government subsidies are usually payable within approximately one month of services having been performed.

**Resident and client fees**

Resident and client fee revenue is recognised over time as performance obligations are satisfied, which is as the services are provided. Fees received in advance of services being performed are recognised as contract liabilities.

**Bond retention fees**

Prior to adoption of AASB 15, bond retention fees payable by an aged care resident were recognised over the period of tenure of up to a maximum of five years, in line with the legislated period for charging such fees.

Under AASB 15, bond retention fees are recognised over the expected length of stay of a resident. The expected length of stay of a resident is estimated based on historical tenure data. The unearned revenue is recognised as contract liabilities.

**Deferred management fees**

Prior to adoption of AASB 15, deferred management fees were recognised over the period specified in the contract with the retirement living resident.

Under AASB 15, deferred management fees are recognised over the expected length of stay of a retirement living resident. The expected length of stay of a resident is estimated based on historical tenure data. The unearned revenue is recognised as a contract liability.

**Grant income without sufficiently specific and enforceable performance obligations**

Grant funds received by the company that do not have sufficiently specific and enforceable performance obligations are recognised as income on receipt of the funds.

**Grant revenue with sufficiently specific and enforceable performance obligations**

Grant funds received by the company that have sufficiently specific and enforceable performance obligations, in accordance with AASB 15, are recognised as a contract liability on receipt and are recognised as revenue, over time, as the company satisfies its performance obligations.

**Donations and bequests**

Donation and bequest income is recognised when the company gains control of the funds and when the funds provided do not give rise to an obligation.

**Interest income**

Interest income is recognised on an accrual basis using the effective interest method.

**Distribution income**

Dividend income is recognised when dividends are received.

## c. Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are included in the statement of financial position at fair value. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from a change in the fair value is immediately recognised in profit or loss within change in fair value of investment property.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively.

## d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost as indicated, less, where applicable, accumulated depreciation and impairment losses.

**Freehold Property**

Freehold land and buildings are shown at cost or deemed cost, less subsequent depreciation for buildings.

**Plant and Equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost are recognised at the fair value of the asset at the date it is acquired.

**Depreciation**

The depreciable amount of all fixed assets, including buildings but excluding freehold land, are depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is available for use.

The depreciation rates used for each class of depreciable assets are:

| Class of fixed asset rate | Depreciation |
|---|---|
| Buildings | 2.5%–10% |
| Plant and equipment | 10%–33% |
| Furniture and fittings | 10%–20% |
| Motor vehicles | 20% |

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss.

## e. Leases

**Leases in which the Company is a lessee**

The company leases various offices and vehicles. Rental contracts are typically made for fixed periods of 2 to 5 years, but may have extension options.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the company under residual value guarantees
- The exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

**Leases in which the Company is a lessor**

Contracts with residents includes provisions for room details, fees, charges and payments. The company has concluded that its accommodation arrangements relating to the provision of residential aged care and retirement living accommodation contains a lease, being the exclusive right to the use of an identified room/unit by a resident.

For residential aged care accommodation arrangements where the resident has elected to pay a Refundable Accommodation Deposit (RAD) or bond (prior to July 2014), the company receives a financing benefit, being non-cash consideration, in the form of an interest free loan. The fair value of this non-cash consideration is required to be recognised as income (to reflect the interest free loan financing benefit received on RADs and bonds) and corresponding interest expense (to record the financial liability associated with RADs and bonds at fair value) with no net impact on profit or loss.

This is calculated based on average RAD / accommodation bond balances, excluding any RADs/accommodation bonds awaiting refund/probate and the Maximum Permissible Interest Rate (MPIR), which is a Commonwealth Government set interest rate used to calculate the Daily Accommodation Payment (DAP) to applicable residents.

The accounting treatment for residential aged care accommodation arrangements where residents have elected to pay a DAP has not changed upon adopting AASB 16.

In accordance with AASB 16, a lessor is not required to make any adjustments on transition for leases in which it is a lessor and shall account for those leases applying AASB 16 from the date of initial application date, being 1 July 2019.

## f. Financial Instruments

In accordance with AASB 16, a lessor is not required to make any adjustments on transition for leases in which it is a lessor and shall account for those leases applying AASB 16 from the date of initial application date, being 1 July 2019.

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are recognised as expenses in profit or loss immediately.

#### Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

i. Financial assets at amortised cost

Loans, receivables and interest bearing deposits are non-derivative financial assets held within a business model whose

objective is to hold financial assets in order to collect contractual cash flows and where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Finanical assets measured at fair value through other comprehensive income

Investments in listed equity instruments:

The company made an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Both unrealised gains or losses and realised gains or losses are recognised as other comprehensive income. Dividends on these financial assets are recognised as other income in the profit or loss.

When these financial asset are derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into retained earnings.

#### Fair Value

Fair value is determined based on current bid prices for all quoted instruments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions with reference to similar instruments and option pricing models.

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

### g. Impairment of Assets

At the end of each reporting period, the company reviews
At the end of each reporting period, the company reviews
the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired, as required by Australian Accounting Standards. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the company would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an asset's class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

## h. Employee Provisions

**Short-term employee provisions**

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

**Other long-term employee provisions**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in the profit or loss as a part of employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current employee provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

## i. Cash and cash equivalents

Cash and cash equivalents includes cash, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

## j. Accounts receivable and other debtors

Accounts receivable and other debtors include amounts due from customers for accommodation payments and services provided in the ordinary course of business. An unpaid Refundable Accommodation Deposit receivable is recognised where the resident chooses a drawdown payment option or a deferred DAP payment arrangement is put into place. Receivables are expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Individual receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty may default.

## k. Goods and Services Tax (GST)

**Revenues, expenses and assets are recognised net of the amount of GST.**

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 ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

## l. Income Tax

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997.

## m. Intangibles

**Bed Licences**

Bed licences are recognised under AASB 138 as meeting the classification criteria of being both holding a future economic benefit and reliably measurable. Bed licences are identified and controlled by the company, and are recognised at deemed cost, based on fair market valuation at the time of recognition. The bed licences are also subject to annual impairment testing in line with Note 1(f) with further details of the current year calculation detailed in Note 8.

### Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.  Following initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The intangible asset is amortised on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is available for use. The amortisation rate used for this class of asset is 20% - 33%.  Amortisation has been included within depreciation and amortisation expense.

## n. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

## o. Accommodation Bonds, Refundable Accommodation Deposits and Resident Lease Liabilities

In accordance with the Aged Care Act 1997, Refundable Accommodation Deposits ("RAD's") and Accommodation Bonds may be charged to a resident on entry to an aged care facility.  RAD's and Accommodation Bonds are recognised at an amount equal to the proceeds received and are classified as a current liability due to:

- RAD's being repayable when a resident departs the facility;
- Accommodation Bonds being repayable when a resident departs the facility.

Periodical amounts (retentions) are retained from accommodation bonds received prior to 1 July 2014 in accordance with the Act and recorded as in line with the revenue accounting policy.

Resident Lease Liabilities are the refundable portion of incoming contributions made in respect of Independent Living Units subject to the Retirement Villages Act. Resident Lease Liabilities are required to be returned to tenants net of deferred management and major maintenance fund fees upon expiry of the lease or when they vacate the property.

## p. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

### Impairment

The company assesses impairment, as required by Australian Accounting Standards, at each reporting date by evaluation of conditions and events specific to the company that may be indicative of an asset's impairment. Where an impairment trigger exists the recoverable amount of the asset is determined. Fair value less costs to sell or current replacement cost calculations are performed in assessing recoverable amounts which incorporate various key assumptions.  Refer to Note 8 for assumptions in relation to impairment assessments for bed licences.

### Key Judgements

#### i. Employee benefits

For the purpose of measurement, AASB 119: Employee Benefits defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. The company expects most employees will take their annual leave entitlements within 24 months of the reporting period in which they were earned, but this will not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements.

#### ii. Investment property

The company carries investment property at fair value with changes in the fair value recognised in profit or loss. At the end of each reporting period, the Board update their assessment of the fair value of investment property, taking into account the most recent independent valuations.

#### iii. Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets as determined by the current Strategic plan (Next Generation Strategy 2025) and the implementation roadmap that is refreshed annually. Uncertainties in these estimates relate to material changes in direction or timing of these plans.

### iv. Right of use assets and lease liabilities

In applying AASB 16, the company has made the following judgements.

In determining the lease term used to ascertain total future lease payments, the company considers all facts and circumstances that create an economic benefit to exercise an extenstion option. Renewal options are only considered to be part of the lease term if the lease is reasonably certain to be extended. The company has included renewal periods as part of the lease term for all leases it is reasonably certain will be extended.

Where the company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to calculate the present value of future lease payments. The IBR is the interest rate that the company would have to pay to borrow over a similar term of each lease. To determine the IBR, the company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing, and
- Makes adjustments specific to the lease, e.g. term and security.

## q. Business Combination

The company applies the AASB 3 Business Combinations acquisition method in accounting for business combinations.

The company recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. Acquisition costs are expensed as incurred.

If the fair values of identifiable net assets exceed the consideration, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately. When the company obtains control of an acquiree without transferring consideration, the difference between the assets and liabilities acquired should be recognised as other contributed equity.

## r. Assets held for sale

The company classifies non-current assets as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use and a sale is considered highly probable in accordance with criteria specified in AASB 5 Non-current Assets Held for Sale and Discontinued Operations. Such non-current assets as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

## s. Working Capital Deficiency

The company discloses a working capital deficiency of $106,570,000 (2019: $101,667,000). The deficiency arises as a result of resident accommodation deposits, accommodation bond liabilities and resident lease liabilities of $212,855,000 (2019: $190,492,000) being classified as current liabilities on the basis they are repayable to residents when they leave the facility or unit, which can be at any time. The Board does not expect the balance to reduce significantly on an annual basis as the liabilities relating to residents who depart the facility/unit are generally replaced by resident accommodation deposits/liabilities received from new residents. The resident liabilities are therefore considered to form a part of the long term funding of the company. In addition the investments (financial assets) of $60,395,000 (2019: $63,216,000) are investments in listed corporations. While the company's investment strategy is to hold these assets for long term economic gain, these assets are highly liquid and can be sold and converted into cash inside two working days.

## NOTE 2: Revenue and other income

| REVENUE | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Revenue from (non-reciprocal) government grants and other grants | | |
| State/Federal government grants | 99,581 | 93,006 |
| Other revenue | | |
| Client service income | 32,843 | 31,358 |
| Imputed revenue on RAD and bond balances (AASB 16) | 7,261 | - |
| Total revenue | 139,685 | 124,364 |
| Other Income | | |
| Other | 1,427 | 1,490 |
| Interest received from corporations | 1,358 | 2,304 |
| Dividends received from corporations | 3,255 | 5,031 |
| Donations and bequests received | 62 | 585 |
| Gain on disposal of non-current assets | 6,575 | 72 |
| Total other Income | 12,677 | 9,482 |
| Total revenue and other income | 152,362 | 133,846 |

## NOTE 3: Expenses

| EXPENSES | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Employee benefits expense: | | |
| Contributions to defined contribution superannuation funds | 6,600 | 6,032 |
| Employee benefits expense | 78,754 | 73,434 |
| Total employee benefits expense | 85,354 | 79,466 |
| Depreciation and amortisation: | | |
| Land and buildings | 3,933 | 3,568 |
| Motor vehicle | 296 | 292 |
| Furniture and equipment | 1,768 | 1,329 |
| Software | 1,547 | 1,544 |
| Plant and equipment | 2,502 | 2,260 |
| Right of use assets (AASB 16) | 632 | - |
| Total depreciation and amortisation | 10,678 | 8,993 |
| Interest expense: | | |
| imputed interest cost on RAD and bond balance (AASB 16) | 7,261 | - |
| interest expense on lease liabilities (AASB 16) | 68 | - |
| interest expense on RAD and bond for departed residents | 575 | 564 |
| Total interest expense | 7,904 | 564 |
| Rental expense on operating leases: | | |
| short tearm lease payments - property | 493 | - |
| low-value lease payments - office equipments | 70 | - |
| lease payments - property | - | 1,026 |
| Total rental expense | 563 | 1,026 |

## NOTE 4: Cash and cash equivalents

| CURRENT | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Cash at bank—unrestricted | 34,186 | 27,473 |
| Term deposits < 3 Months | 10,864 | 11,924 |
| Total cash and cash equivalents as stated in the statement of financial position | 45,050 | 39,397 |

## NOTE 5: Accounts receivable and other debtors

| CURRENT | NOTE | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|---|
| Accounts receivable | | 1,079 | 1,603 |
| Expected credit losses | 5(a) | (56) | (62) |
| | | **1,023** | **1,541** |
| Residential redundable deposits receivable, accomodation bonds receivable and entry contributions receivable | | 5,469 | 6,160 |
| Other debtors | | 1,225 | 992 |
| Accrued Income | | 992 | 1,849 |
| Prepayments | | 888 | 720 |
| Total current accounts receivable and other debtors | | 9,597 | 11,262 |

| a) Allowance for credit losses | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Movement in the allowance for credit losses is as follows: | | |
| Allowance for credit losses as at 1 July | (62) | (150) |
| Reversal of allowance from last year | 37 | 39 |
| Charge for the year | (47) | - |
| Written off | 16 | 49 |
| Provision for doubtful debts as at 30 June | (56) | (62) |

## NOTE 6: Financial assets

| CURRENT | NOTE | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|---|
| Finanical assets at amortised cost - interest bearing deposits | 17 | 84,839 | 66,280 |
| **NON-CURRENT** | | | |
| Financial assets (fair value through other comprehensive income) | 17 | 60,395 | 63,216 |
| | | **145,234** | **129,496** |

## NOTE 7: Property, plant and equipment

| LAND AND BUILDINGS | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Freehold land at cost | 68,212 | 70,637 |
| Less accumulated impairment losses | (229) | (229) |
| Total land | 67,983 | 70,408 |
| Buildings at cost | 122,070 | 117,277 |
| Less accumulated depreciation | (27,620) | (23,981) |
| Less accumulated impairment losses | (1,122) | (1,122) |
| Total buildings | 93,328 | 92,174 |
| Assets under construction | | |
| At cost | 4,465 | 3,226 |
| Total assets under construction | 4,465 | 3,226 |
| Total land and buildings | 165,776 | 165,808 |
| PLANT AND EQUIPMENT | | |
| Plant and equipment | | |
| At cost | 32,128 | 30,332 |
| Less accumulated depreciation | (18,122) | (15,480) |
| Less accumulated impairment losses | (365) | (323) |
| | 13,641 | 14,529 |
| Furniture and fittings | | |
| At cost | 18,289 | 16,650 |
| Less accumulated depreciation | (8,793) | (7,171) |
| Less accumulated impairment losses | (53) | (21) |
| | 9,443 | 9,458 |
| Motor vehicles | | |
| At cost | 2,062 | 2,003 |
| Less accumulated depreciation | (1,433) | (1,184) |
| | 629 | 819 |
| Total plant and equipment | 23,713 | 24,806 |
| Total property, plant and equipment | 189,489 | 190,614 |

## NOTE 7: Property, plant and equipment continued

### Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| 2020 | Assets Under Construction $'000's | Freehold Land $'000's | Buildings $'000's | Plant & Equipment $'000's | Motor Vehicles $'000's | Furniture & Fittings $'000's | Total $'000's |
|---|---|---|---|---|---|---|---|
| Balance at the beginning of the year | 3,226 | 70,408 | 92,174 | 14,529 | 819 | 9,458 | 190,614 |
| Additions | 1,239 | 299 | 4,793 | 2,018 | 178 | 1,848 | 10,375 |
| Disposals | - | (741) | - | (55) | (72) | (77) | (945) |
| Impairment # | - | - | - | (42) | - | (31) | (73) |
| Transfers to assets held for sale | - | (1,983) | - | - | - | - | (1,983) |
| Depreciation expense | - | - | (3,639) | (2,809) | (296) | (1,755) | (8,499) |
| Carrying amount at end of year | 4,465 | 67,983 | 93,328 | 13,641 | 629 | 9,443 | 189,489 |

# Impairment of additional assets in residential aged care facility Hazelwood House disposed in July 2020.

| Assets under contruction will be completed: | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Residential Aged Care | | |
| not later than 12 months | - | 513 |
| later than 12 months | 2,938 | 1,422 |
| | 2,938 | 1,935 |
| Non Residential Aged Care | | |
| not later than 12 months | - | - |
| later than 12 months | 1,527 | 1,291 |
| | 1,527 | 1,291 |
| Total Assets under construction | 4,465 | 3,226 |

## NOTE 8: Intangibles

| | NOTE | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|---|
| Bed licences | 8(i) | 23,761 | 23,761 |
| Software licences | 8(ii) | 2,320 | 2,320 |
| **Carrying amount at end of year** | | **26,081** | **26,081** |

### (I) BED LICENCES

| | | |
|---|---|---|
| Carrying value | 23,761 | 23,761 |

The company's bed licences were initially recognised at fair value which was considered to be the deemed cost. On an annual basis the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to carrying value to determine whether there is any impairment. On this basis, no impairment loss has been recognised in 2020 (2019: $Nil). Fair value has been determined for operational licences and current inactive licences have been assessed with reference to value in use calculations.

### Impairment Testing

For annual impairment testing of bed licences, cash generating units are determined at the facility level. The recoverable amounts of the cash generating units were determined based on value-in-use calculations, covering a detailed one year forecast, followed by an extrapolation of expected cash flows for the units for a five year forecast period and a terminal value in perpetuity using the growth rates determined by management. The present value of the expected cash flows is determined by applying a suitable discount rate.

| | Growth Rate | Discount Rate |
|---|---|---|
| 2020 | 1.5% | 12% |

### Discount Rate

The discount rate reflects appropriate adjustments relating to market assessments of the time value of money and the risks specific to the asset.

### Cash Flow Assumptions

In preparing the cash flow forecasts management have used certain key assumptions which include:

1. Occupancy rates that are consistent with expected occupancy levels;
2. Income growth assumptions are in line with expected government funding levels and incorporates an estimate of the ongoing impact of the Governments funding reductions;
3. Wages based on current rosters and assume wage increases in accordance with current enterprise bargaining agreements;
4. Increases in expenses in line with CPI of 2.3% with the exception of certain identified expenses that are expected to increase over CPI;
5. Capital expenditure in line with expected capital maintenance programs on facilities based upon their individual life cycles.

The result is no impairment has been recognised in 2020 (2019: Nil).

Apart from the considerations described in determining the value-in-use of the cash generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

## NOTE 8: Intangibles continued

| (II) SOFTWARE LICENCES | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Opening carrying value | 3,785 | 4,675 |
| Additions at cost | 82 | 654 |
| Less amortisation | (1,547) | (1,544) |
| Closing carrying value | 2,320 | 3,785 |

## NOTE 9: Assets held for sale

| | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Opening carrying value | 2,710 | 1,750 |
| Transfer at cost from property, plant and equipment | 1,983 | 960 |
| Disposals | (1,750) | - |
| Closing carrying value | 2,943 | 2,710 |

## NOTE 10: Investment properties

| | 2019 ($'000's) | 2018 ($'000's) |
|---|---|---|
| Opening carrying value | 41,563 | 42,693 |
| Additions at cost | 1,074 | 221 |
| Fair value adjustment | (354) | (1,351) |
| Closing carrying value | 42,283 | 41,563 |

The investment properties included here are for Dalkeith Heights Retirement Village with a total 121 units.

## NOTE 11: Accounts payable and other payables

| CURRENT | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Accounts payable | 3,073 | 2,380 |
| Other current payables | 11,778 | 10,551 |
| Prepaid revenue | 10,335 | 8,980 |
| Resident trust accounts | 76 | 68 |
| Residential Entry contributions, RAD's, accommodation bonds & leases | 176,665 | 155,341 |
| Non Residential Entry contributions, accommodation bonds & leases | 36,190 | 35,151 |
| | 238,117 | 212,471 |

From 1 July 2007, pursuant to the Aged Care Act 1997, interest is paid on Refundable Accommodation Deposits ("RAD's") and Accommodation Bonds following departure (or death) of a resident. Interest is required to be paid at two different rates:

• at the base interest rate for the period between the date of the refunding event and the earlier of the date the balance is refunded and the date the legislated timeframe for the refund of the balance expires. Base interest for the year ended 30 June 2020 was 2.25% (2019: 3.75%);

• at the maximum permissible interest rate for the period after the end of the legislated time frame (or the time set out in the Formal Agreement) until the balance is refunded. Maximum permissible interest for the year ended 30 June 2020 ranged between 5.54% - 4.89% (2019: 5.94% - 5.96%).

Both interest rates are legislated on a quarterly basis.

## NOTE 12: Provisions

| CURRENT | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Short-term employee benefits | | |
| expected to be paid in 12 months | 7,361 | 6,368 |
| expected to be paid greater that 12 months | 2,863 | 2,477 |
| | 10,224 | 8,845 |
| **NON-CURRENT** | | |
| Long-term employee benefits | 2,895 | 2,500 |

### Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

## NOTE 13: Capital Commitments and Commitments for low-value and short-term leases

### a. Low-value and short-term leases Lease Commitments

| | 2020 ($'000's) |
|---|---|
| Payable – minimum lease payments | |
| short-term leases (offices on month to month leases) | 72 |
| low value leases (printers) | 129 |
| | 201 |

### b. Capital Commitments

The company has a capital commitment at balance date for the development of retirement villages.

| | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Capital Commitments - residential | | |
| Property plant and equipment | 12,496 | 2,918 |
| | 12,496 | 2,918 |

## NOTE 14: Contingent liabilities

On 20 May 2020, the full Federal Court handed down a decision in Workpac Pty Ltd v Rossato which reclassifies, as permanent, certain casual employees entitling them to "paid leave entitlements", in addition to any remuneration previously received. This ruling has the potential to have widespread impacts across all industries that utilise casual workers. Benetas, employs workers on a "casual" basis to provide care and services to our residents and clients, similar to other aged care providers. We have considered the possible impact, arising from the ruling, for any additional leave benefits at 30 June 2020. Our assessment indicates our casual employment arrangements entered into do not meet the majority of the conditions set out in Workpac Pty Ltd v Rossato. We will continue to review our policies and procedures as they relate to the use of casual workers with a particular focus on moving them over to permanent part time arrangements wherever possible.

## NOTE 15: Events after the reporting period

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in the Australian economy. During the year the company put in place a range of measures to combat the impact of COVID-19. These include access to and granting of leave where required, and restrictions on discretionary spending. In addition, working from home and social distancing measures have been implemented to protect staff. There have been increased costs associated with infection control and prevention of COVID-19. These costs have been captured separately in order to claim back from government grants if applicable. There is still significant uncertainty around the breadth and duration of business disruptions related to COVID-19. As such, the company is unable to determine if it will have a material impact to its operations going forward.

There are no other matters or circumstances that have arisen since the end of the financial year which have significantly affected, or may affect, the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

## NOTE 16: Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

The following persons were directors during the year;

- Michael Urwin
- Susan Campbell
- Deborah Law
- Associate Professor Michael Murray AM
- Associate Professor Deirdre Fetherstonhaugh
- Archdeacon Helen Phillips
- Helen Bloustein
- Sean Balding
- Julia Pryor

There have been no director related transactions during the financial year.

Key Management Personnel remuneration includes the following expenses:

| | 2020 ($'000's) | 20189 ($'000's) |
|---|---|---|
| Total Key Management Personnel remuneration | 1,751 | 1,512 |

## NOTE 17: Financial instruments

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term and long-term investments, receivables and payables, and lease liabilities.
The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| FINANCIAL ASSETS | NOTE | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|---|
| Cash and cash equivalents | 4 | 45,050 | 39,397 |
| Accounts receivable and other debtors | | 8,709 | 10,542 |
| Finanical assets at amortised cost - interest bearing deposits | 6 | 84,839 | 66,280 |
| Financial assets (fair value through other comprehensive income) | 6 | 60,395 | 63,216 |
| Total financial assets | | 198,993 | 179,435 |

| FINANCIAL LIABILITIES | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Financial liabilities at amortised cost | | |
| accounts payable and other payables | 192,040 | 169,022 |
| Total financial liabilities at amortised cost | 192,040 | 169,022 |
| Financial liabilities at fair value | | |
| Lease liability | 35,742 | 34,469 |
| Total financial liabilities at fair value | 35,742 | 34,469 |
| Total financial liabilities | 227,782 | 203,491 |

## NOTE 18: Reserves

### a. Investment Revaluation Reserve

The investment revaluation reserve of ($9,654,000) (2019: $859,000) represents revaluation increments and decrements (that do not represent impairment write-downs) that relate to financial assets that are classified as financial assets measured at fair value through other comprehensive income.

### b. Major Maintenance Fund Reserve

The Major Maintenance Fund Reserve of $1,330,000 (2019: $1,115,000) provides funding from Retirement Village residents for Major Maintenance expenditure within the Retirement Village.

| | 2020 ($'000's) | 2019 ($'000's) |
|---|---|---|
| Investment Revaluation Reserve | (9,654) | 859 |
| Major Maintenance Fund Reserve | 1,330 | 1,115 |
| Total reserves | (8,324) | 1,974 |

## NOTE 19: Leases

### a. Reconciliation of operating lease commitments to lease liabilities:

| | ($'000's) |
|---|---|
| Operating lease commitments disclosed at 30 June 2019 | 3,207 |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | (375) |
| (Less): short-term leases not recognised as a liability | (146) |
| Add/(less): contracts reassessed as lease contracts | 165 |
| Add/(less): adjustments as a result of a different treatment of extension options | 1,575 |
| Lease liability recognised at 1 July 2019 | 4,426 |
| Of which are: | |
| Current lease liabilities | 570 |
| Non-current lease liabilities | 3,856 |
| | **4,426** |

The balance sheet shows the following amounts relating to leases:

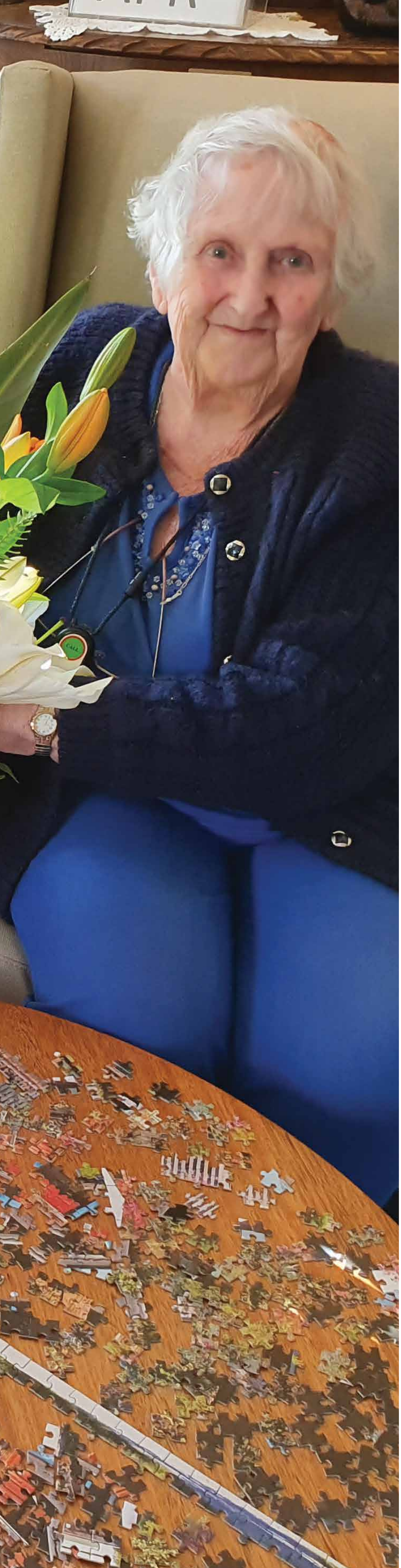
| RIGHT OF USE ASSETS | Property $'000's | Vehicles $'000's | Total $'000's |
|---|---|---|---|
| Recognised at 1 July 2019 | 4,291 | 135 | 4,426 |
| Depreciation | (572) | (60) | (632) |
| Carrying value at 30 June 2020 | 3,719 | 75 | 3,794 |

| LEASE LIABILITIES | 2020 $'000's |
|---|---|
| Current lease liabilities | 658 |
| Non-current lease liabilities | 3,184 |
| | 3,842 |

## NOTE 20: Members' Guarantee

The company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of $50 each towards meeting any outstandings and obligations of the company. At 30 June 2020 the number of members was 9. As at 30 June 2020, the total amount that members of the company are liable to contribute if the company is wound up is $450 (2019 $450).


MMER PARTY



# Director's declaration

The Directors of the Anglican Aged Care Services Group T/A Benetas declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012 and:
    a. comply with Accounting Standards- Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Act 2012; and
    b. give a true and fair view of the financial position of the company as at 30 June 2020 and its performance for the year ended on that date.
2. In the directors' opinion 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 and is signed for and on behalf of the Directors by:

Director

*Sean Balding*

Director

*Michael Urwin*

Dated this 5th day of October 2020

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# Independent Auditor's Report

## To the Members of Anglican Aged Care Services Group T/A Benetas

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Anglican Aged Care Services Group T/A Benetas (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of the Anglican Aged Care Services Group T/A Benetas has been prepared in accordance with Division 60 of the *Australian Charities* and *Not-for-profits Commission Act 2012*, including:

a giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

b complying with Australian Accounting Standards and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Information other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Company's Directors' Report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibility of the Directors 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 – Reduced Disclosure Requirements and the Australian Charities and Not for Profits Commissions Act 2012. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 5 October 2020

**Founded by the Anglican**
**Diocese of Melbourne in 1948**
Anglican Aged Care Services
Group Trading as Benetas
ABN 60082451992

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SPE-BR 2020-11