Churches of Christ in Queensland

CONSOLIDATED FINANCIAL REPORT

30 JUNE 2018

ARBN 147 481 436 (incorporated in Queensland)

Bringing the light of Christ into communities

Contents

The year in review

$276 MILLION

TOTAL REVENUE (OPERATING AND NON-OPERATING)
FOR THE YEAR ENDED 30 JUNE 2018

$86 MILLION

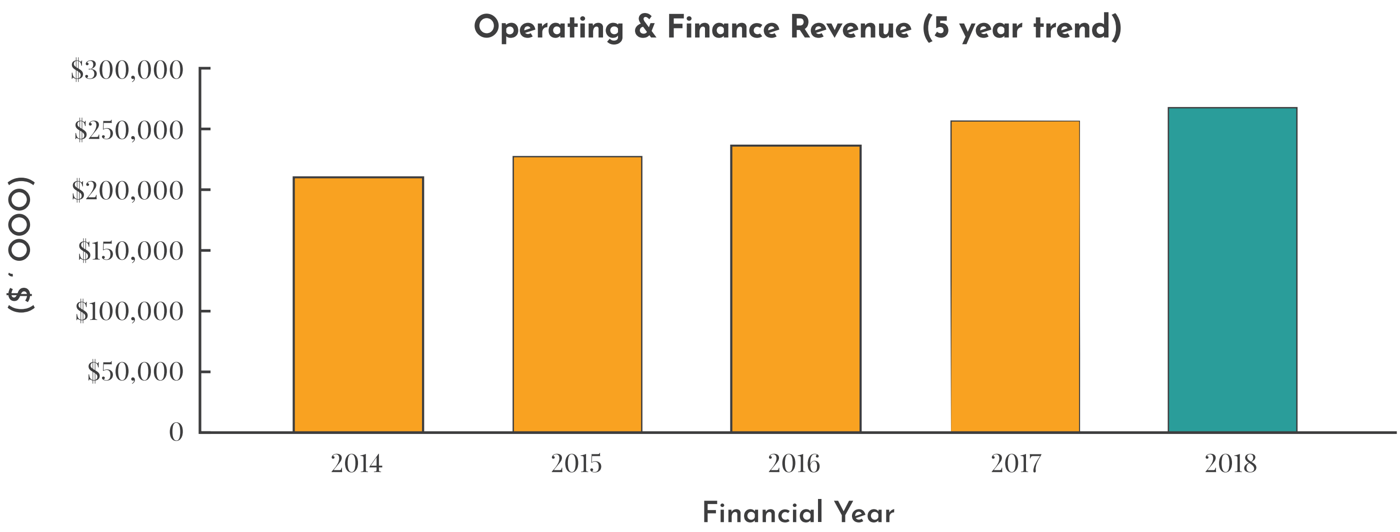
TOTAL CASH SPENT ACQUIRING PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY, AND INTANGIBLE ASSETS
FOR THE YEAR ENDED 30 JUNE 2018

$27 MILLION

TOTAL CASH/CASH EQUIVALENT AND INVESTMENT
AT 30 JUNE 2018

$818 MILLION

TOTAL ASSETS
AT 30 JUNE 2018



TOTAL REVENUE FROM OPERATING AND FINANCE ACTIVITIES (EXCLUDING ITEMS FROM OTHER ACTIVITIES) FOR YEAR ENDED 30 JUNE 2018

Board members' report

The Board members of Churches of Christ in Queensland (CofCQ) present their report, together with the consolidated financial statements of CofCQ and its subsidiaries, for the year ended 30 June 2018 and the auditor's report thereon.

Board members

The Board members at any time during the current financial year and up to the date of signing this report:

MEMBER	POSITION	DATE
Ken Ewald	Chair	Sep 2018
Rilla Roberts	Member	Jan 2010
John Adermann	Member	Jul 2010
Douglas Sparkes	Member	Feb 2014
Jill Gray	Member	Jul 2016
Nigel King	Member	Jul 2018
Gary Edwards	Chair	Resigned - Aug 2018
Jillian Carson	Member	Term concluded - Jun 2018
Steven Muller	Member	Term concluded - Jun 2018

Members because of their position in the entity:

MEMBER	POSITION	DATE
Geoff Charles	Conference President	Dec 2016
Gary Edwards	Chief Executive Officer	Appointed - Sep 2018
Paul Scully	Chief Executive Officer	Appointed - Jul 2017 Term concluded - Jul 2018
Dean Phelan	Chief Executive Officer	Resigned - Jul 2017

Principal activities

Churches of Christ in Queensland is a group of mainstream Christian churches which has been an active part of the Queensland community over 130 years. CofCQ operates the Centenary Development Foundation, a Religious Charitable Development Fund and is endorsed as an income tax exempt charity by the Australian Taxation Office. The Churches of Christ Care division is recognised as a Public Benevolent Institution (PBI). A deductable gift fund is also operated in respect of PBI activities.

The principal activities of CofCQ during the course of the financial year were:

- mission and ministry support to affiliated churches
- development of mission strategies into the wider community
- residential care and independent living services for people who are aged
- community based services to people who are aged
- a range of early childhood services
- a variety of services in the child welfare and protection area
- community housing
- operation of a commercial motel
- finance and investment services that are exempt from requirements of the Banking Act 1959 to the wider CofCQ community.

No significant change in the nature of these activities occurred during the year.

Result and review of operations

Operational performance

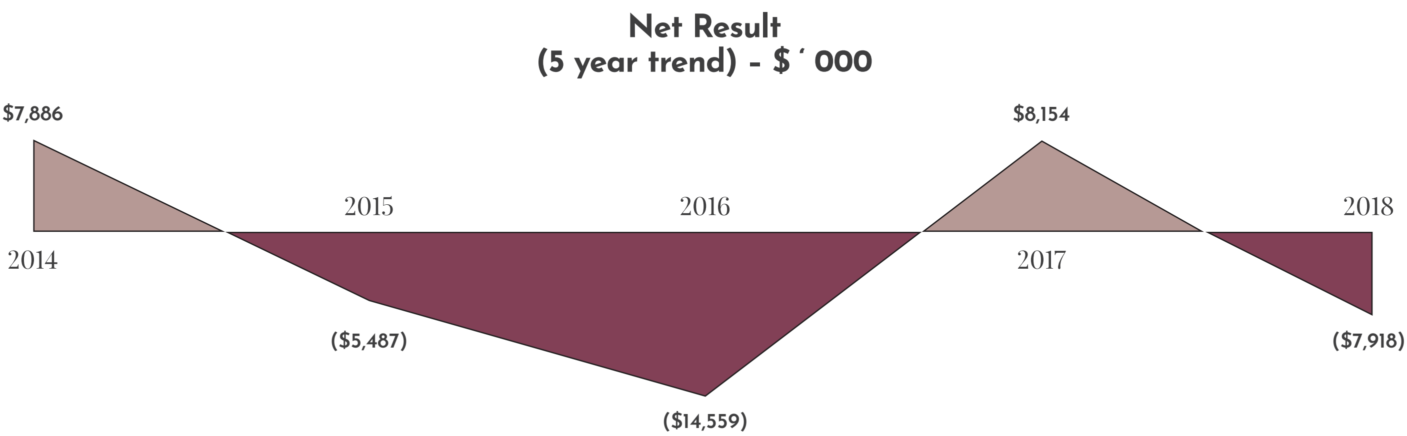
The loss for year ended 30 June 2018 amounted to $7,918,268 (2017: profit of $8,154,331).

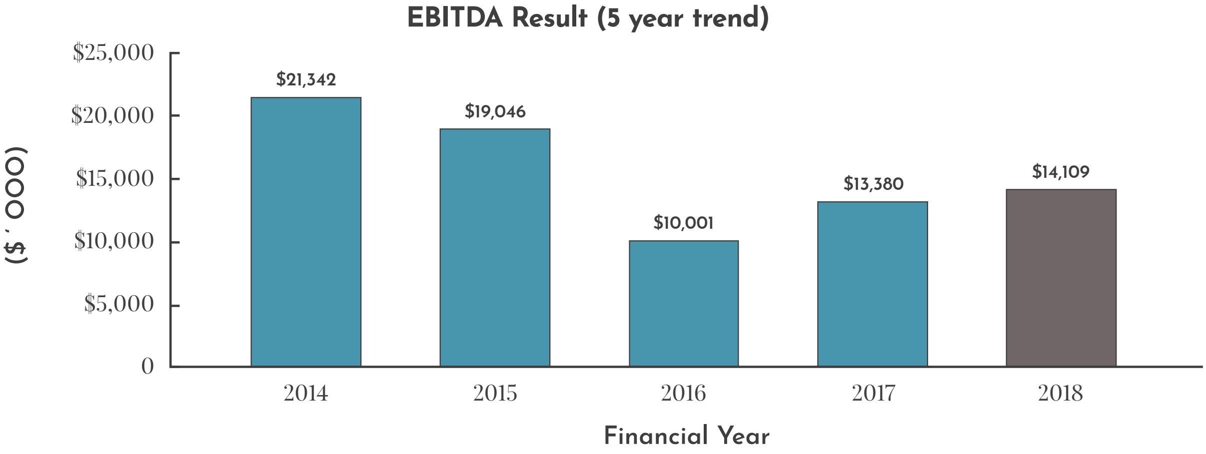
It is important to note that a net gain on business combination of $6.85m was recorded in 2017-18, compared to $16.3m in 2016-17. This related to the acquisitions of new business.

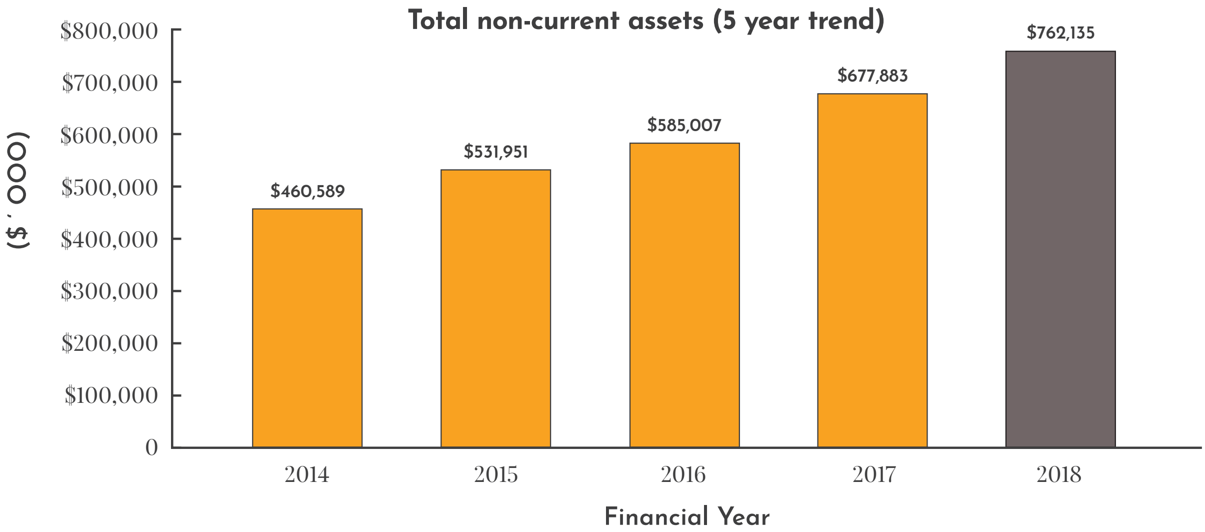
The CofCQ Board is maintaining its strategy to generate cash surpluses in a balanced and sustainable way, allocating modest surpluses to support growth opportunities as they arise whilst ensuring maintenance of current services.

The Net Result graph below includes significant amounts of non-cash items which stems from having $762m (2017: $678m) in Non-Current assets on the statement of financial position. As a result, CofCQ use Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) to measure performance and sustainability.

As shown in the graph, EBITDA for 2018 is $14,108,449 (2017: $13,380,130). This result is a combination of factors and whilst our revenue increases were marginal they were offset by our substantial investment in support services and processes. This increased expenditure was planned last year during our budget process as it was recognised as being essential to provide the capacity to accommodate our growth objectives in line with the Strategic Plan.



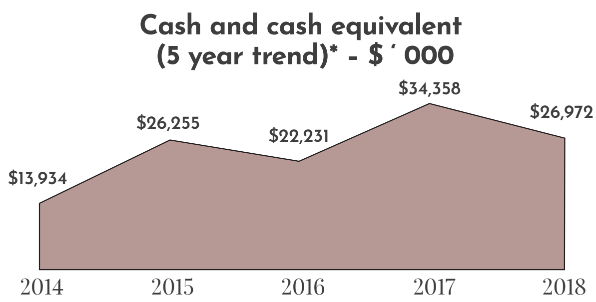


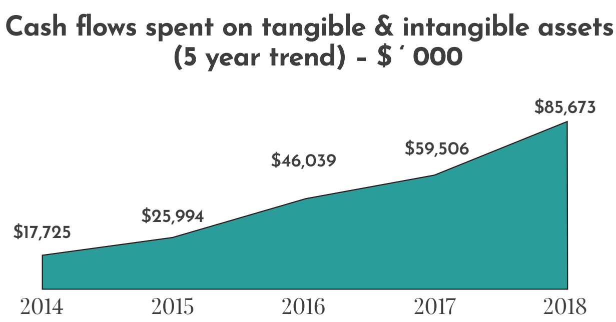


Financial sustainability and growth

Whilst financial sustainability is fundamental to achieving our strategic objectives and appropriate cash surpluses are vital for investment in our existing and future services, we were cognisant that this year a platform of substantial investment in infrastructure, technology and support areas was essential in achieving the longer term goals of the organisation.

Notwithstanding the result from operating activities, underlying cash flow performance remains strong. This strength stems from the capital intensive nature of residential aged care and the consequent non-cash effect of depreciation. Underlying positive operating cash flows give confidence that CofCQ will meet all its obligations and continue to support strategic growth.





* Included restricted cash (refer to Note 3)

Service outcomes

Residential Aged Care

The 2017-18 operating result for residential aged care saw a decrease in EBITDA result of $4.8m from the previous year which was primarily due to wages rising at a faster rate than revenues. This reflected an industry-wide financial challenge driven by the freezing of increases to government aged care subsidies against continued pressure from Unions to increase annual wage rates as part of annual Enterprise Bargaining Agreements. The soft operating result was counterbalanced by a significant cash increase of $83m in Refundable Accommodation Deposits from residents. Occupancy across all sites remained strong and above industry average at 95.4%.

The current year saw a commissioning of an additional 68 beds at Villa Carramar, Stanthorpe in late November 2017 to bring the bed numbers at that service to 103. At the same time two new services were acquired, adding the 50-bed Palms service at Ingham and the 38-bed Mortimer service at Acacia Ridge. The latter service is adjacent to our 44-bed Brig-O-Doon service and has subsequently been transitioned to one service with 82 beds.

We have transitioned our Cunnamulla service from traditional ACFI funding to 10-bed block-funded Multi-Purpose Service, as with Barcoo at Blackall, to assure financial sustainability of the services.

Construction at Warwick and Little Mountain (formerly known as 'Meridan') are on track, with Warwick to be opened in September 2018 and Little Mountain to be completed later in the 2018-19 financial year. Further master planning for the Gold Coast Lady Small Haven campus continued, with final board approval expected early 2018-19 to build a new retirement village apartment building on the site.

The fun and fitness program continued to progress well with establishment of gyms at Toowoomba and the shortly to be opened Warwick service, with a gym also planned for the Little Mountain service.

The investment in IT operating systems continued with a replacement of the Aged Care billing system IBA with EPICOR, with a go-live scheduled date in late 2018. The new system will enhance system integration with greater efficiency and data integrity. Further investment has also been made to expand a client relationship management system (CRM – Microsoft 365) to support increased sales focus around the customer journey and lead generation and conversion of our services.

Community Care

Community Care continues to grow through the increase of package numbers, however the second half of the year eased slightly due to the slow release of packages via the new National Queue System.

Entry level services offered such as Home Assist Secure and the Commonwealth Home Support Program offer a continuum of care to clients that most organisations are unable to achieve. This provides a point of difference in maintaining clients through a range of services and ensures financial stability whilst the industry continues to go through rapid transition.

Analysis of data through our client software system is now providing dashboard and KPI capacity to support business decisions and preparedness for future changes to the industry. The market is moving to a more commercial platform with high levels of new private providers offering lower prices and Uber type options to access clients. Our reputation as a valuable service, providing easy access to local teams, positions CofCQ well to watch the market as new players enter and leave. Our client footprint, variety of services available, along with the capacity to analyse our client information will stand us in good stead for anticipated 2020 reforms.

Retirement Living

The retirement living business has continued to maintain sound levels of occupancy albeit certain regional areas such as Maryborough and Townsville are experiencing a real estate downturn, however it does remain in the industry's benchmarked standard.

During the 2017-18 financial year, Retirement Living throughout Australia was heavily effected by negative press of the industry. This in turn affected occupancy rates throughout the industry and State governments sort to counter act some of the public outcry by introducing reviews and changes to the Retirement Villages Acts. In Queensland and Victoria these are still mostly pending. However, an 18 month buy back for Queensland was given royal assent in November 2017, which will have a impact on business operation.

With new pending Residential Aged Care facilities at the Gold Coast to be built alongside existing services it has brought more awareness to people in the area about what a retirement village is and what lifestyle it can offer. CofCQ continue to put integration of facilities as a major driver in planning for the future.

The club house for Warwick residents at the retirement village was completed earlier on the year and hailed a huge success and boost to the village. Residents have embraced the club with great vigour.

Children, Youth and Families

Our grant funded services operate on a break even financial basis. Despite budgetary pressure on services as a result of the Equal Remuneration Order (ERO), programs across the state have focussed on integrated service delivery through our increasingly diverse service offering. Additional State funding was received for the provision of enhanced foster and kinship care programs, Intensive Family Support services and to embed Clinical Nurses in a number of programs. This has significantly increased our overall funding and has enabled the ongoing development of additional programs and services.

The early childhood services have continued to focus on providing services to the most vulnerable families and communities. Services have prepared themselves for the transition to the Child Care Subsidy and received federal government funding to ensure continued service delivery is provided to marginalised communities. In addition, grant funding has been received from the State to integrate early education teachers into our family support services. This will further ensure that holistic services can be delivered to families across Queensland.

Housing Services

The new housing company, Churches of Christ Housing Services Limited has been in operation for its first full financial year. The year- end position was in line with budget expectations and produced solid results.

During the year, 50 new affordable living town houses at Kallangur were commissioned by Housing Services on land gifted by a local family, members of Rivers Church of Christ, representing the first project to be delivered without capital grant funding from the Government. In addition, a share house for younger people with a disability was completed with a further project targeting elderly parents caring for an adult child with a disability commencing construction, both in Crows Nest. Planning is underway for another integrated campus for seniors at Hillcrest in partnership with the Department of Housing and Public Works. This project will deliver 30 units for people over the age of 55 along with a further 2 properties for people with a disability.

Our National Rental Affordability Scheme (NRAS) tenancy management fee for service work provides opportunities for involvement in additional projects, given the modest returns achievable within the Community Housing sector where expenditure is increasing at a greater rate than income. However, during the next financial year, we will see the first of our NRAS properties exiting the scheme on their 10th year anniversary and opportunities to replace this affordable housing stock and income stream will be considered.

Centenary Development Foundation

Centenary Development Foundation (CDF) fulfils the role of the group treasury operation and accepts funds from retail clients and churches by providing a number of investment products. We provide loans and grants to Churches of Christ churches and assist in financing our mission of bringing the light of Christ into communities.

In this period we have seen reduced returns given continued low interest rates and the repayment of loans which further impacted margins.

Even though the funds entrusted to us by our clients are not specifically secured, repayment is underwritten by the overall funds and assets of Churches of Christ in Queensland.

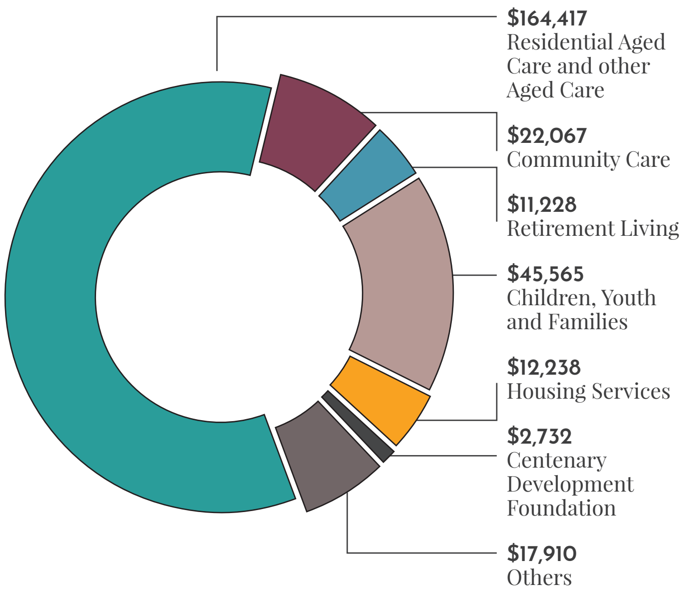
Mission services

The Church and Community Engagement team has faced a challenging year but still achieved great outcomes with reduced staffing. We have seen dreams become reality with two new Integrated Communities at Warwick and Little Mountain on the Sunshine Coast taking shape. In this context we have sought to implement our scope of practice and collegiate mission with key stakeholders on the campus.

Our SALT (Strategic Action Leadership Team) continue to deliver mission aplenty. We have SALTS 2.0 now in operations with a plethora of working groups taking carriage of projects. Our chaplaincy team continue to cut new ground in the various spaces they serve in. Our new Church engagement team is reaping a harvest of great results in the local church context with best practice in governance, leadership and mission.

We look forward to this coming year and all that God can bring. We very much appreciate all of our support services who back us every step of the way in our mission to bring the light of Christ into communities.

Total revenue by service ($ ' 000)



Dividends

No dividends were paid or recommended during the year as CofCQ is a not-for-profit organisation and is prohibited from paying dividends. CofCQ has no ability to issue general shares or options.

State of affairs

In the opinion of the Board members there were no significant changes in the operational state of affairs of CofCQ that occurred during the financial year under review.

Environmental regulation

CofCQ's operations are not subject to any significant environmental regulations under either Federal or State legislation. Notwithstanding this, the Board believes that CofCQ has adequate systems in place for management of its environmental requirements and is not aware of any breach of environmental requirements applicable to CofCQ operations.

Indemnification and insurance of Officers, Board Members and Auditors

Indemnification

CofCQ has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of CofCQ, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings.

Insurance

During the financial year, CofCQ paid insurance premiums insuring Board members against a liability (with certain exclusions) arising as a result of work performed in their capacity as Board members.

Events subsequent to balance date

In September 2018, CofCQ has obtain a $35m commercial loan facility with Westpac to fund future construction projects. The facility expires in August 2023 and is subject to annual review.

Likely developments

In August 2015, CofCQ revised its Strategic Plan for 2015-18 redefining our strategic priorities and strategies with the primary objective of improving outcomes for our clients, their families and their communities. CofCQ will be developing a new strategic plan in the coming year to steer the organisation into the future. This is due to be released in the up and coming months.

Signed in accordance with a resolution of the Board members.

Ken Ewald
Chair of the Board

Douglas Sparkes
Board Member

Dated the 24th day of September 2018, Brisbane.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	NOTE	2018 ($ ' 000)	2017 ($ ' 000)
REVENUE AND OTHER INCOME			
Revenue	1	261,228	249,408
Sales from land developments	1	305	3,514
Other income	1	3,111	1,362
		264,644	254,284
EXPENDITURE			
Costs from land developments	2	(241)	(2,775)
Costs of services and supplies	2	(24,349)	(23,939)
Employee benefits expense	2	(194,368)	(183,214)
Depreciation and amortisation expenses	2	(23,833)	(21,420)
Property and maintenance expenses		(17,858)	(16,211)
Other expenses	2	(15,374)	(18,369)
		(276,023)	(265,928)
Result from operating activities		(11,379)	(11,644)
FINANCE ACTIVITIES			
Finance income	1	2,653	4,757
Finance costs	2	(1,076)	(847)
		1,577	3,910
Loss from operating and finance activities before tax		(9,802)	(7,734)
OTHER ACTIVITIES			
Capital gifts in kind	1	-	2,500
Gain on bargain purchase	1	6,850	16,290
Net gain on disposal of held-for-sale assets	1	2,125	1,849
Impairment loss on held-for-sale assets	2	-	(372)
Impairment loss on buildings	2	-	(4,073)
Impairment loss on intangible assets	2	(250)	-
Resident share in unit value	2	(1,326)	(606)
Change in fair value of investment property	2	(3,023)	300
Restructure and one-off salary costs	2	(2,492)	-
		1,884	15,888
Profit/(loss) before tax		(7,918)	8,154
Net profit/(loss) for the period		(7,918)	8,154
Other comprehensive income, net of tax		–	–
Total comprehensive income/(loss)		(7,918)	8,154

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2018

	NOTE	2018 ($ ' 000)	2017 ($ ' 000)
ASSETS			
Current assets			
Cash and cash equivalents	3	26,972	34,358
Trade and other receivables	4	16,711	18,898
Inventories	5	1,643	2,176
Financial assets	6	2,555	2,699
Other investments	7	6,924	56,030
Assets held for sale	8	820	2,266
Total current assets		55,625	116,427
Non-current assets			
Inventories	5	5,184	4,184
Property, plant and equipment	10	452,226	377,215
Investment property	11	272,363	270,571
Intangible assets	12	32,362	25,913
Total non-current assets		762,135	677,883
Total assets		817,760	794,310
LIABILITIES			
Current liabilities			
Trade and other payables	13	407,223	380,127
Provisions	14	7,823	7,313
Financial liabilities	15	16,568	16,590
Employee benefits	16	23,856	22,338
Deferred income	17	2,782	2,678
Total current liabilities		458,252	429,046
Non-current liabilities			
Financial liabilities	15	4,150	-
Employee benefits	16	2,998	2,589
Deferred income	17	88,945	91,342
Total non-current liabilities		96,093	93,931
Total liabilities		554,345	522,977
Net assets		263,415	271,333
FUNDS			
General funds		263,415	271,333
Total funds		263,415	271,333

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of change in funds

For the year ended 30 June 2018

	TOTAL FUNDS ($ ´ 000)
Balance at 1 July 2016	263,179
Profit	8,154
Total comprehensive income for the period	8,154
Balance at 30 June 2017	271,333

	TOTAL FUNDS ($ ´ 000)
Balance at 1 July 2017	271,333
(Loss)	(7,918)
Total comprehensive income for the period	(7,918)
Balance at 30 June 2018	263,415

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2018

	NOTE	2018 ($ ' 000)	2017 ($ ' 000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		255,470	253,190
Payment to suppliers and employees		(255,363)	(245,445)
Net cash from continuing operations		107	7,745
Interest received		1,131	2,118
Dividends and distributions received		353	596
Interest paid		(1,069)	(798)
Net cash flows from CDF loans & borrowings activities		1,901	2,498
Net cash flows from operating activities	3	2,423	12,159
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments		50,104	21,032
Proceeds from sale of property, plant and equipment	3	5,358	7,630
Proceeds from sale of intangible assets	3	-	2,100
Purchase of property, plant and equipment	3	(78,577)	(55,907)
Purchase of investments	3	(4,816)	(2,400)
Purchase of intangible assets	3	(2,280)	(1,199)
Payment for business combinations, net cash acquired		(5,416)	(8,580)
Net cash flows used in investing activities		(35,627)	(37,326)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from accommodation bonds & ingoing contributions		82,495	73,203
Refund of accommodation bonds & ingoing contributions		(59,325)	(39,944)
Proceeds from bonds issued		4,150	-
Repayment of deferred consideration		(1,922)	(980)
Net proceeds of capital grants		420	5,015
Net cash flows used from financing activities		25,818	37,294
Net increase (decrease) in cash and cash equivalents		(7,386)	12,127
Cash and cash equivalents at beginning of year		34,358	22,231
Cash and cash equivalents at end of year	3	26,972	34,358

The accompanying notes form an integral part of these consolidated financial statements.

1 Corporate information

CofCQ is incorporated under letters patent issued pursuant to the Religious Educational and Charitable Institutions Act 1861-1959 on 18 January 1962. The organisation is a not-for-profit entity established to pursue charitable purposes only and must apply its income in promoting those purposes. Clause 20 of the Constitution and the Australian Charities and Not-for-profits Commission (ACNC) Act 2012 requires CofCQ to prepare financial statements that are audited annually.

The address of the registered office of CofCQ is: 41 Brookfield Road, Kenmore QLD 4069

2 General information and statement of compliance

CofCQ has elected to adopt Australian Accounting Standards - Reduced Disclosure Requirements (established by AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements).

The consolidated financial report of CofCQ represents Tier 2 general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission (ACNC) Act 2012.

The consolidated financial statements for the year ended 30 June 2018 were approved and authorised for issue by the CofCQ Board on 24 September 2018.

(a) Basis of consolidation

The Group financial statements consolidate those of the Parent Entity and all of its subsidiaries as of 30 June 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(b) Basis of measurement

The consolidated financial report has been prepared on the historical cost basis except for investment property which are presented at fair value through profit or loss.

The accounting policies disclosed below have been consistently applied by CofCQ and its controlled entities to all periods presented in these consolidated financial statements.

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the CofCQ functional currency. Amounts disclosed in the financial statements have been rounded to the nearest thousand unless otherwise stated.

(d) Uses of estimation and judgements

The preparation of consolidated financial statements in conformity with Australian Accounting Standards requires management to make a range of judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. Estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that may result in material adjustments within the next financial year are included in the following notes:

- Note 6 – Financial assets
- Note 10 – Property, plant and equipment
- Note 11 – Investment property
- Note 12 – Intangible assets
- Note 14 – Provision
- Note 15 – Financial liabilities

(e) Income tax

CofCQ income is predominately exempt from income tax, as Section 50-5 of the Income Tax Assessment Act 1997 exempts recognised charitable institutions from Income Tax. However, one subsidiary of CofCQ is subject to income tax.

For this subsidiary, tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(f) Comparatives

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(g) Positive statement of going concern

The financial statements have been prepared on a going concern basis. The entity has a net current asset deficiency of $402,627,073 (2017: $312,618,551). This is mainly due to the accommodation bonds, ingoing contributions, and provision for resident share in unit value of $366,454,683 (2017: $340,885,954) [refer Note 13 & Note 14] being classified as current liabilities (as no right to defer settlement), however the demand for repayment is expected to be spread over future years. Further, the repayment of accommodation bonds and ingoing contributions will be offset by incoming refundable accommodation deposits and ingoing contributions.

Other current liabilities that has contributes to the net current asset deficiency in the current financial year are financial liabilities and employee benefits of $40,424,108 (2017: $38,928,463 [refer Note 15 & Note 16], which are not all expected to settle within the next 12 months.

(h) Changes in accounting policies

Accounting Standards issued but not yet effective and have not been adopted early by the Group.

A number of new standards, amendments to standards and interpretations are mandatory for financial years beginning after 1 January 2019, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of CofCQ, except for the following:

(i) AASB 15 Revenue from Contracts with Customers, which becomes mandatory for financial years beginning after 1 January 2019 financial statements and this could change the classification and measurement of revenue recognition.

(ii) AASB 16 Leases, which becomes mandatory for financial years beginning after 1 January 2019 financial statements and could change the classification and measurement of leases committed. The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, it will likely to have material impact on the first time adoption of the Standard for the year ending 30 June 2020.

(iii) AASB 1058 Income of Not-for-Profit Entities, which becomes mandatory for financial years beginning after 1 January 2019 financial statements and this could change the classification and measurement of revenue recognition. The entity is yet to undertake a detailed assessment of the impact of AASB 1058. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020. likely to have material impact on the first time adoption of the Standard for the year ending 30 June 2020.

CofCQ does not plan to adopt these standards early and the extent of the impact has not yet been determined.

Notes to the consolidated financial statements
For the year ended 30 June 2018

Notes	Contents	Page

1 Income

	2018 ($ ' 000)	2017 ($ ' 000)
Revenue		
Rendering of services from government grants and subsidies	171,526	161,333
Rendering of services to clients	56,448	57,520
Capital revenue from government grants and subsidies	15,259	14,337
Capital revenue from clients	7,534	7,642
Operating lease rental from clients	5,792	5,645
Other revenue	4,669	2,931
Total revenue	261,228	249,408
Sales from land developments		
Sales from land developments	305	3,514
Total sales from land developments	305	3,514
Other income		
Bequests, donations and fundraising	454	542
Net gain on disposal of property, plant and equipment	732	595
Net fair value of bed licences brought into operation	1,925	225
Total other income	3,111	1,362
Finance income		
Interest from approved deposit taking institutions	848	2,119
Interest from external loans made to CDF	316	254
Interest from residents	139	178
Dividends	495	803
Realised gain on equity securities	820	135
Unrealised gain (loss) on equity securities	35	1,268
Total finance income	2,653	4,757
Other non-operating activites		
Gain on bargain purchase	6,850	16,290
Capital gifts in kind	-	2,500
Net gain on disposal of held-for-sale assets	2,125	1,849
Total other non-operating activities	8,975	20,639

1 Income (Cont.)

Recognition and measurement

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised if it meets the criteria outlined below.

(i) Goods sold and services rendered

Revenue from services rendered is recognised in the consolidated statement of profit or loss and other comprehensive income in proportion to the stage of completion of the transaction at balance date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably.

Revenue recognition from residential aged care services is recognised upon the delivery of the services to the clients, of which a significant amount of the revenue is through Government funding.

(ii) Government grants

Government grants and subsidies are recognised in accordance with the performance of the services to which they relate. Grants that compensate CofCQ for expenses incurred are recognised in profit and loss as revenue from government for rendering of services on a systematic basis in the same period in which the expenses are recognised. Should a program cease to operate or fail to spend funding in accordance with the agreements, CofCQ recognises a liability as specified in the funding agreements.

Grants that compensate CofCQ for the cost of an asset are recognised as income upon receipt where the agreement does not specify the circumstances for their expenditure and control of the funds is obtained upon receipt.

Grants for the cost of an asset, whose terms include service conditions, are recognised progressively over the period of the obligation, with the grant funding initially recognised as deferred income in the balance sheet.

(iii) Operating lease rental revenue

Operating lease revenue consist of rentals from investment properties (see Note 11). Rental income is recognised on a straight-line basis over the term of the lease.

(iv) Bequests, donations and fundraising

Bequests, donations and fundraising are recognised as other income upon receipt. A “Gift Fund” bank account exists to satisfy tax requirements as CofCQ operates a Deductible Gift Fund.

(v) Sales from land development

Sales from land development is recognised in the consolidated statement of profit or loss on settlement.

(vi) Finance income

Finance income comprises interest receivable on fund invested with investors. Interest income is recognised as it accrues, using the effective interest method.

Revenue from dividends is recognised when the right to receive the payment is established.

(vii) Gain on bargain purchase

A gain on bargain purchase in the consolidated statement of profit or loss and other comprehensive income (under AASB 3 – Business Combinations), arises where the cost of acquisition is less than the fair value of the identifiable net assets acquired.

2 Expenses

	2018 ($ ' 000)	2017 ($ ' 000)
Costs from land developments		
Costs from land developments	241	2,775
Total costs from land developments	241	2,775
Costs of services and supplies		
Services Expenses	12,465	12,348
Supplies & Consumables Expenses	11,884	11,591
Total costs of services and supplies	24,349	23,939
Employee benefits expense		
Remuneration and on-costs	174,452	164,831
Superannuation expense	15,993	14,605
Other emloyee expenses	3,923	3,778
Total employee benefits expense	194,368	183,214
Depreciation and amortisation expenses		
Depreciation expenses	23,057	20,823
Amortisation expenses	776	597
Total Depreciation and amortisation expenses	23,833	21,420
Other expenses		
Operating lease expenses	511	390
Maintenance reserve fund expenses	880	910
Other expenses	13,983	17,069
Total other expenses	15,374	18,369
Finance costs		
Interest paid to investors by CDF	328	290
Interest paid to residents	663	489
Interest paid on borrowings	78	19
Management fees paid on investments	7	49
Total finance costs	1,076	847
Other non-operating activites		
Impairment loss on held-for-sale assets	-	372
Impairment loss on buildings	-	4,073
Impairment loss on intangible assets	250	-
Resident share in unit value	1,326	606
Change in fair value of investment property	3,023	(300)
Restructure and one-off salary costs	2,492	-
Total other non-operating activites	7,091	4,751

2 Expenses (Cont.)

	2018 ($ ' 000)	2017 ($ ' 000)
Auditors' Remuneration *Grant Thornton Australia:*		
Audit of financial reports	115	109
Other assurance services	76	67
Total auditor's remuneration	191	176

Recognition and measurement

Expenses

Expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

(i) Depreciation and amortisation

Refer to notes 10 and 12 for details on depreciation and amortisation.

(ii) Operating lease payments

Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income, on a straight line basis over the term of the lease.

(iii) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest method. Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are expensed as incurred and included in net financing costs.

(iv) Impairment

Impairment expenses are recognised to the extent that the carrying amounts of assets exceed their recoverable amount.

3 Cash and cash equivalents

		2018 ($ ' 000)	2017 ($ ' 000)
Current			
Cash at bank and in hand		10,419	18,011
Cash at bank – Deductible Gift Fund	(a) - 1	385	270
Cash at bank – MRF	(a) - 2	2,563	2,348
Cash at bank – CRF	(a) - 2	1,193	1,629
Cash at bank – PMUF	(a) - 3	12,412	12,100
Total cash and cash equivalents		26,972	34,358

Recognition and measurement

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short-term bills and call deposits. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of a change in value.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of CofCQ, and earn interest at the respective short-term deposit rates.

3 Cash and cash equivalents (Cont.)

Funds have been received that are required to be used for specific purposes. These funds fall into three categories:

(1) Deductible Gift Fund – an Australian Taxation Office requirement as CofCQ has deductible gift recipient endorsement for its Public Benevolent Institution, Churches of Christ Care.

(2) Maintenance Reserve Fund (MRF) / Capital Replacement Fund (CRF) – bank accounts required to be maintained in accordance with the Retirement Villages Act (1999).

(3) Housing Planned Maintenance and Upgrade Funds (PMUF).

CofCQ has established planned maintenance and upgrade funds (PMUF) as part of its commitment to establish a Housing Stock Asset Management Strategy for newly built properties established under Nation Building – Economic Stimulus Plan funding programs and for other housing assets.

The PMUF is a cash reserve and is established based on an independent Quantity Surveyor assessment. This reserve represents a contribution from operational rental income to provide for both cyclical maintenance and property upgrades for the lifetime of the property. It is not intended that the PMUF will provide for the replacement of properties or responsive maintenance and the fund will be held in separate interest bearing bank accounts for ease of management and transparency.

CofCQ operate a separate bank accounts held by CDF in the form of 'Cash and cash equivalent' and 'Term deposits' to mitigate the risk of spending residential aged care Bond/RAD money receipts on non-allowable expenditure, as outlined in the Aged Care Act 1997 and the Aged Care (Transitional Provisions) Act 1997 legislations. The balance of these accounts as at 30 June 2018 is $5,944,736 (2017: $22,343,558).

Reconciliation of cash flows from operating activities

	2018 ($ ' 000)	2017 ($ ' 000)
Net profit for the period	(7,918)	8,154
Non-cash items		
Add depreciation of property, plant and equipment	23,057	21,401
Add amortisation of intangible assets	776	19
Add impairment loss on intangible assets	250	-
Add impairment loss on property, plant and equipment	-	4,073
Add impairment loss on held-for-sale assets	-	372
Add assets write-off	826	1,185
Add Resident share on Investment Property	1,326	-
Less (gain)/loss on fair value of investment property	3,023	(300)
Less (gain)/loss on fair value of investments	(35)	(1,268)
Less (gain) on recognition of bed licences	(1,925)	(225)
Less (gain) on business combination	(6,850)	(16,290)
Less (gain) on disposal of property, plant and equipment	(732)	(595)

Reconciliation of cash flows from operating activities (Cont.)

	2018 ($ ' 000)	2017 ($ ' 000)
Less (gain) on disposal of held-for-sale assets	(2,125)	(1,849)
Less (gain) on disposal of investments	(820)	-
Less deferred government capital grants recognised through income	(2,713)	(2,543)
Less retention incomes	(6,032)	(5,992)
Less non-cash gifts in kind	-	(2,500)
Operating profit before changes in working capital and provisions	108	3,642
(Increase)/decrease in assets		
(Increase)/decrease in trade and other receivables	2,186	771
(Increase)/decrease in inventories	(466)	(3,441)
Increase/(decrease) in liabilities		
Increase/(decrease) in trade payables and accrued expenses	(3,232)	7,568
Increase/(decrease) in loans and borrowings through CDF activities	1,900	2,498
Increase/(decrease) in provisions and employee benefits	1,927	1,120
Net cash flow from operating activities	2,423	12,159

Net cash capital expenditure

	2018 ($ ' 000)	2017 ($ ' 000)
Cash capital expenditure		
Payment for property, plant and equipment	78,577	55,907
Payment for investment property	4,816	2,400
Payment for intangible assets	2,280	1,199
Total cash capital expenditure	85,673	59,506
Less: Proceeds from sale of property, plant, equipment and intangibles	(5,358)	(9,730)
Net cash capital expenditure	80,315	49,776

4 Trade and other receivables

	2018 ($ ' 000)	2017 ($ ' 000)
Current		
Trade and other receivables	10,866	13,943
Prepayments	2,207	2,563
Sundry receivable	3,638	2,392
Total trade and other receivables	16,711	18,898

4 Trade and other receivables (Cont.)

Recognition and measurement

Trade and other receivables

Trade and other receivables initially recognised at fair value and subsequently at amortised cost, less an allowance for impairment.

Impairment of trade receivables

Receivables are shown net of impairment losses which amount to $632,685 (2017: $894,595) as at 30 June 2018, arising from client accounts and loans receivables deemed to have a high risk of default. The amount of impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

Financial Instruments

The entity's customers primarily consist of individual residents occupying independent living units and residential aged care facilities, and other customers receiving early childhood, childhood protection, community housing and other services.

Refer to Note 18 for details on credit risk on receivables from customer.

5 Inventories

		2018 ($ ' 000)	2017 ($ ' 000)
Current			
Trading stocks	(a)	21	17
Land development stocks	(b)	1,622	2,159
		1,643	2,176
Non-current			
Land development stocks	(b)	5,184	4,184
		5,184	4,184
Total inventories		6,827	6,360

Recognition and measurement

Inventories

Inventories are measured at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell.

(a) Goods held for resale in the commercial motel business

The costs of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, or conversion costs, and other costs incurred in bringing them to their existing location and condition.

(b) Land held for sub-division for resale. Stage 4 of the development was completed in November 2016, with anticipation that all sub-division lots will be sold off before 30 June 2019.

Land held for development and resale is initially valued at cost. Cost includes the cost of acquisition and development costs until completion of development. Sales and cost of sales are brought to consolidated statement of profit or loss and other comprehensive income on settlement.

6 Financial assets

	2018 ($ ' 000)	2017 ($ ' 000)
Current		
Loan receivable - Affiliated churches	2,547	2,699
Other loan	8	-
Total financial assets	2,555	2,699

Recognition and measurement

Financial assets

Loan receivables are initially recognised at fair value, then subsequently held at amortised cost.

(i) Financial Instruments

Refer to Note 18 for details on credit risk on loan to customer related to financial assets.

7 Other investments

	2018 ($ ' 000)	2017 ($ ' 000)
Current		
Term deposits	6,532	41,431
Equity securities	392	14,599
Total investments	6,924	56,030

Recognition and measurement

Other investments

Term deposits are initially recognised at fair value, then subsequently held at amortised cost.

(i) Financial Instruments

Refer to Note 18 for details on exposure to equity price risk related to the investments.

8 Assets held for sale

	2018 ($ ' 000)	2017 ($ ' 000)
Current		
Property, plant and equipment	820	2,266
Total assets held for sale	820	2,266

The current year movement represented the settlement of Springfield assets and reclassification of Leichhardt assets out of 'Held for-sale' and back to 'Property, plant and equipment', due to Board decision not to proceed with disposals.

Recognition and measurement

Assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as 'held for sale'.

8 Assets held for sale (Cont.)

On initial classification as 'held for sale', assets are recognised at the lower of carrying amount and fair value, less costs to sell. Impairment losses on initial classification as 'held for sale' and subsequent gains or losses on remeasurement are recognised in the statement of profit or loss and other comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

Where asset ceases to be classified as 'held for sale' it is remeasured at the lower of its carrying amount before the asset was classified as 'held for sale', adjusted for any depreciation or revaluation that would have been recognised had the asset not been classified as 'held for sale', and its recoverable amount at the date of the subsequent decision not to sell.

Adjustment to the carrying amount of asset that ceases to be classified as 'held for sale' are recorded in profit or loss from continuing operations in the period in which the criteria for assets 'held for sale' are no longer met.

9 Business combination

Recognition and measurement

Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to CofCQ. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, due consideration is given to potential voting rights that are currently exercisable, where applicable.

Goodwill is measured as at acquisition date as:

- the fair value of the consideration transferred; plus

- the recognised amount of any non-controlling interests in the acquiree; plus

- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

less

- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a gain on bargain purchase is recognised in the consolidated statement of profit or loss and other comprehensive income.

Transaction costs associated with a business combination are expensed as incurred.

Acquisition of Mortimer & Palms Aged Care Facilities

The Mortimer and Palms aged care facilities business and assets of Sjmmam Pty Ltd & RPC Northern Pty Ltd were acquired on 30 November 2017. The acquisitions had the following effect on CofCQ's assets and liabilities on acquisition date:

	IMPACTING NOTE	2018 ($ ' 000)
Cash contribution from vendor	3	11
Trade and other receivables	4	2
Property, plant and equipment	10	17,330
Intangible assets	12	3,270
Employee Benefits	16	(415)
Accommodation bonds/deposits	13	(7,921)
Total net identifiable assets		12,277
Total consideration		(5,427)
Gain on bargain purchase		6,850

9 Business combination (Cont.)

CofCQld has recognised a bargain purchase of $6,849,697 (i.e. excess of the net fair value of the identifiable assets and liabilities acquired over the costs of the acquisition) in the statement of profit or loss and other comprehensive income.

The following fair values have been determined on acquisition:

(i) The fair value of property, plant and equipment recognised as a result of the business combination is the estimated amount for which a property would be exchanged on the date of acquisition between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties acted knowledgeably.

(ii) An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued, valued the acquired aged care facility.

(iii) In the absence of current prices in an active market the valuations are prepared by considering the estimated cash flows from operating profit. A market yield is applied to the estimated net operating profit to arrive at the aged care valuation.

Transaction costs have been recognised in the consolidated statement of profit or loss and other comprehensive income as part of Other Expenses.

10 Property, plant and equipment

	LAND ($ ' 000)	BUILDINGS ($ ' 000)	PLANT & EQUIPMENT ($ ' 000)	CAPITAL WORK IN PROGRESS ($ ' 000)	TOTAL ($ ' 000)
COST					
Balance at 1 July 2017	72,076	350,627	66,250	44,277	533,230
Additions	5,966	15,094	2,529	82,905	106,494
Transfer from Capital WIP to Land Stocks				(742)	(742)
Transfer from Capital WIP	887	38,595	16,700	(56,182)	-
Transfer to Investment Property				(5,851)	(5,851)
Transfer from Capital WIP to Expenses				(826)	(826)
Transfer from held for sale assets	650	-			650
Disposals		(58)	(3,873)		(3,931)
Balance at 30 June 2018	79,579	404,258	81,606	63,581	629,024
Accumulated Depreciation and impairment					
Balance at 1 July 2017	–	(111,361)	(44,654)	–	(156,015)
Depreciation charge for the year	–	(15,235)	(7,822)	–	(23,057)
Disposals	–	93	2,181	–	2,274
Balance at 30 June 2018	–	(126,503)	(50,295)	–	(176,798)
Net carrying value at 30 June 2018	79,579	277,755	31,311	63,581	452,226

Leasehold improvements

Leasehold improvements with a carrying value of $6,105,770 (2017: $6,323,230) are included with the carrying values of buildings disclosed above.

10 Property, plant and equipment (Cont.)

Recognition and measurement

Property, plant and equipment

The carrying value of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour

- the other costs directly attributable to bringing the assets to a working condition for their intended use

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Interest expense directly attributable to the acquisition, construction or production of qualifying assets is capitalised.

CofCQ is the legal entity that holds title for all of the freehold and charitable trust assets of both CofCQ itself and the religious charitable entities (local churches) that choose to affiliate with CofCQ. The CofCQ Financial Position only recognises the value of the assets that CofCQ controls for the sole usage of CofCQ and its wholly owned subsidiaries (i.e. the charitable trust assets of affiliated churches are not included in the CofCQ accounts).

(i) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to CofCQ. Ongoing repairs and maintenance is expensed as incurred.

(ii) Depreciation and amortisation

Depreciation of property, plant and equipment is recognised as an expense over the estimated useful lives of each part of an item of property, plant and equipment on a straight-line basis. Depreciation methods, useful lives and residual values are reassessed at least annually.

When changes are made, adjustments are reflected prospectively in current and future periods only. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and ready for use. The depreciation rates for each class of asset are as follows:

	2018	2017
Buildings	20 - 50 years	20 - 40 years
Leasehold improvements	7 - 40 years	7 - 40 years
Plant and equipment	3 - 15 years	3 - 15 years

(iii) Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss from derecognising the asset (the difference between the proceeds of disposal and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income.

10 Property, plant and equipment (Cont.)

(iv) Impairment of non-financial assets

CofCQ tests property, plant and equipment for impairment:

- at least annually

- where there is an indication that the asset may be impaired (which is assessed at least each reporting date); or

- where there is an indication that previously recognised impairment may have changed.

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the assets is tested for impairment as part of the cash-generating unit (CGU) to which it belongs.

(v) Uses of estimate and judgement

The estimations of useful lives, residual value and depreciation methods require management judgement and are reviewed annually. If they need to be modified, the change is accounted for prospectively from the date of reassessment until the end of the revised useful life, both the current and future years.

11 Investment property

	2018 ($ ' 000)	2017 ($ ' 000)
Balance at 1 July	270,571	217,610
Additions	4,815	5,533
Acquired through business combinations	-	47,128
Net gain/(loss) from fair value adjustments	(3,023)	300
Balance at 30 June	272,363	270,571
Total investment property	272,363	270,571

Recognition and measurement

Investment property

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 revalued annually and are included in the statement of financial position at fair value. These values are supported by market evidence and/or by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The independent valuers provide the fair value of the Group's investment property portfolio every third year. Between year one and year three the fair value is determined by the Directors using the fair value model compiled by the independent valuers as the basis.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the statement of profit or loss and other comprehensive income within change in fair value of investment property.

The valuations comprise the gross realisation value is based on individual unit of completed unsold/repurchased stock and rental dwellings; and assessed market value of the proprietary interest (DMF) secured by the existing contracts associated with those occupied dwellings.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively, and are recognised as described in Notes 1 and 2.

12 Intangible assets

	2018 ($ ' 000)	2017 ($ ' 000)
Internally developed and acquired software		
Balance at 1 July	4,178	3,557
Additions	2,280	1,199
Amortisation for the year	(756)	(578)
Balance at 30 June	5,702	4,178
Bed licences		
Balance at 1 July	21,168	17,963
Fair value of bed licences brought into operation	1,925	225
Fair value of bed licences acquired	3,270	2,980
Balance at 30 June	26,363	21,168
Operating motel management rights		
Balance at 1 July	567	586
Amortisation for the year	(20)	(19)
Impairment loss	(250)	-
Balance at 30 June	297	567
Total intangible assets	32,362	25,913

Recognition and measurement

Intangible assets

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over their useful lives and tested for impairment whenever there is an indication that they may be impaired. The amortisation period and method is reviewed at the end of each financial year. Intangible assets with indefinite lives are tested for impairment in the same way as goodwill.

(i) Internally developed and acquired software

Internally developed and acquired software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date.

Amortisation has been included within depreciation and amortisation expense. The amortisation rates for this class of asset are as follows:

	2018	2017
Software	3 - 5 years	3 - 5 years

12 Intangible assets (Cont.)

(ii) Bed licences

Acquired bed licences are recognised at cost, less any accumulated impairment losses. Bed licences that are acquired at no cost, or for a nominal cost, are recorded at fair value as at the date of acquisition or date of activation.

(iii) Operating motel management rights

Rights acquired by CofCQ via its subsidiary Mission Action Pty Ltd, to operate a motel business have been recognised as an intangible asset. The intangible asset has a finite useful life of 33 years from acquisition and is measured at cost less accumulated amortisation and any accumulated impairment losses. The amortisation is recognised on a straight-line basis.

(iv) Impairment of non-financial assets

CofCQ tests intangible assets for impairment:

- at least annually
- where there is an indication that the asset may be impaired (which is assessed at least each reporting date); or
- where there is an indication that previously recognised impairment may have changed.

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the assets is tested for impairment as part of the cash-generating unit (CGU) to which it belongs.

Amortisation is not charged against these licences as they have an indefinite life under the current legislation. Bed licences are tested for impairment annually.

(v) Uses of estimate and judgement

The estimations of useful lives, residual value and amortisation methods require management judgement and are reviewed annually. If they need to be modified, the change is accounted for prospectively from the date of reassessment until the end of the revised useful life, both the current and future years.

13 Trade and other payables

	2018 ($ ' 000)	2017 ($ ' 000)
Current		
Trade payables and accrued expenses	48,591	46,553
Accommodation bonds/deposits	201,090	175,153
Ingoing contributions	157,542	158,421
Total trade and other payables	407,223	380,127

Recognition and measurement

Trade and other payables

Trade and other payables are recognised at amortised cost. Trade payables are non-interest bearing and are settled on conventional trade terms.

(i) Accommodation bonds/deposits and ingoing contributions (Contributions)

Contributions are received from ingoing residents and are recognised as liabilities of CofCQ upon receipt. The liabilities are reduced in accordance with the various residential agreements. These reductions are recorded as income in the statement of profit or loss and other comprehensive income. Repayment of the contributions are also in accordance with the various resident agreements. Interest is not payable on these liabilities. These liabilities have been classified as current as CofCQ does not have an unconditional right to defer settlement for at least 12 months. However, there is no reasonable expectation that all of the above amounts will be required to be settled within the next 12 months.

13 Trade and other payables (Cont.)

In our experience only a proportion of residents will depart from our facilities in any 12 month period and therefore it is reasonable to expect that only a proportion of these liabilities will become due and payable within one year. During the financial year under review, 28% ($46,297,557) of accommodation bonds/deposits, and 8% ($13,025,727) of ingoing contributions were refunded. Assuming a similar resident transition rate for 2017-18, $54,391,769 of accommodation bonds/deposits and $12,953,505 of ingoing contributions will be refunded within the next 12 month period. All refunds are expected to be funded from contributions received from incoming residents.

(ii) Financial Instruments

Refer to Note 18 for details on exposure to liquidity risk related to trade and other payables.

14 Provisions

	2018 ($ ' 000)	2017 ($ ' 000)
Provision for resident share in unit value		
Current		
Balance at 1 July	7,313	6,179
Arising and acquired during the year	1,326	1,967
Utilised	(816)	(833)
Balance at 30 June	7,823	7,313
Total provisions	7,823	7,313

Recognition and measurement

Provisions

A provision is recognised in the statement of financial position when CofCQ has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision relates to the retirement living residents who has contractually entered into an agreement with CofCQ to participate in the capital share in the unit value.

15 Financial liabilities

	2018 ($ ' 000)	2017 ($ ' 000)
Current		
Investments from investors	15,330	13,115
Christian deposits	4	3
Service fee contributions	1,234	1,550
Deferred settlement - Warwick Retirement Village Pty Ltd	-	1,922
	16,568	16,590
Non-Current		
Bonds Payable	4,150	-
	4,150	-
Total financial liabilities	20,718	16,590

15 Financial liabilities (Cont.)

Recognition and measurement

Financial liabilities

(i) Christian Deposits

Christian Deposits are a discontinued class of deposit originally offered by the Churches of Christ Care (CofCC) agency. They attract variable interest remitted annually on June 30 and the money is used for the provision of facilities and services

(ii) Service Fee Contributions (SFCs)

SFCs are amounts deposited, and held from residential aged care residents which relate to a scheme where residents receive a reduction in their service fee at an agreed rate based on the amount deposited with CofCQ. SFCs are recognised as liabilities of CofCQ upon receipt and have been classified as current as they are repayable on demand. The reduction in the service fee is recognised in profit or loss at the time of billing. Interest income on the amounts deposited is recognised in profit or loss.

(iii) Bonds Payable

Bonds Payable is a funding vehicle used by Churches of Christ in Queensland (CofCQ) in partnership with Social Outcomes and Westpac bank, to fund the Youth CONNECT program to assist and support young people 15 to 25 years old exiting the state care system.

The initial fair value of the liability portion of the bond was determined using a effective interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds.

16 Employee benefits

	2018 ($ ' 000)	2017 ($ ' 000)
Current		
Annual leave	15,703	14,752
Long service leave	7,180	6,679
Personal leave	963	863
Wages and salaries accrued	10	44
	23,856	22,338
Non-current		
Long service leave	2,998	2,589
	2,998	2,589
Total employee benefits	26,854	24,927

Recognition and measurement

Employee Benefits

(i) Short-term benefits

Short-term employee benefits, including personal leave, are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Annual leave is discounted when calculating the leave liability as the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as a current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

Non-accummulating non-monetary benefits, such as cars, are expensed based on the net marginal cost to CofCQ, as the benefits are taken by the employees.

16 Employee benefits (Cont.)

(ii) Long-term service benefits

CofCQ's net obligation in respect of long-term service benefit, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the Milliman Australia rates at the balance sheet date which have maturity dates approximating the terms of CofCQ's obligations.

(iii) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense when they are due.

CofCQ makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was $15,993,101 for the financial year ended 30 June 2018 (2017: $14,604,731).

17 Deferred income

	2018 ($ ' 000)	2017 ($ ' 000)
Current		
Deferred government capital grants received	2,782	2,678
	2,782	2,678
Non-current		
Deferred government capital grants received	88,945	91,342
	88,945	91,342
Total deferred income	91,727	94,020

Recognition and measurement

Deferred income

(i) Government Capital Grants Received

A deferred income liability for government grants received for the purpose of establishing and operating community housing programs has been recognised. As obligations under the term of these agreements are progressively fulfilled, the related income will be recognised on a straight line basis over 40 years through the consolidated statement of comprehensive income.

The movement in the Deferred government capital grants received during the year was as follows:

	2018 ($ ' 000)	2017 ($ ' 000)
Balance at 1 July	94,020	91,548
Deferred government capital grants received	420	5,015
Deferred government capital grants recognised through income	(2,713)	(2,543)
Balance at 30 June	91,727	94,020

During the current year, CofCQ has received $420,175 of capital grant funding for Housing Programs at Thallon Street and Lee Court, Crows Nest, Queensland.

18 Financial instruments

Overview

CofCQ has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about CofCQ's exposure to each of the above risks, its objectives, and policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board members have overall responsibility for the establishment and oversight of the risk management framework, as well as responsibility for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by CofCQ, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and CofCQ's activities. CofCQ, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Board members oversee management compliance with risk management policies and procedures, and also periodically review the adequacy of the organisation's risk management framework. The Board is assisted in its oversight role by an Internal Audit team. Regular and adhoc reviews of risk management controls and procedures are undertaken and results reported to the Board.

Credit risk

Credit risk is the risk of financial loss to CofCQ if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the entity's receivables from customers and other financial assets.

(1) Trade and other receivables

CofCQ's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The entity's customers primarily consist of individual residents occupying independent living units and residential aged care facilities, and other customers receiving early childhood, childhood protection, community housing and other services.

Losses have occurred infrequently. An allowance for impairment is recognised when it is expected that any receivables are not collectable.

CofCQ does not require any collateral in respect of trade and other receivables.

(2) Other financial assets

As at 30 June 2018, CofCQ has $6,531,526 (2017: $41,385,037) on deposit with Australian approved deposit-taking institutions with investment grade credit ratings. Management does not expect any counterparty to fail to meet its obligations.

(3) Exposure to credit risk

The carrying amount of CofCQ's financial assets represents the maximum credit exposure.

Included within trade and other debtors is $8,967,593 (2017: $11,803,514) in unpaid accommodation deposits from residents who have contractually committed to entering into residential aged care facilities at reporting date. These are offset by a corresponding liability and so there is no exposure to a consolidated statement of profit or loss and other comprehensive income effect.

18 Financial instruments (Cont.)

Liquidity risk

Liquidity risk is the risk that CofCQ will not be able to meet its financial obligations as they fall due.

Liquidity is closely monitored and effectively managed to ensure that sufficient liquidity will be available to meet all liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to CofCQ's reputation.

Cash deposits are managed to ensure sufficient cash is available on demand to meet expected operational expenses for a minimum period of 60 days.

Market risk

Exposure to currency risk, interest rate risk and other market price risks at the reporting date is set out below:

(1) Currency risk

CofCQ is not exposed to foreign currency risk.

(2) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument, or cash flows associated with the instrument, will fluctuate due to changes in market interest rates.

Interest rate risk arises from interest-bearing financial assets and liabilities utilised by CofCQ. Interest-bearing financial assets are generally short-term liquid assets.

Interest rate risk arises primarily from investments in cash, cash equivalents and external borrowings all at variable interest rates exposing the entity to cash flow interest rate risk. Interest rate risk exposure is not actively hedged, as it is considered that the relative cash assets and liabilities provide a natural hedge.

(3) Fair values

Carrying amounts of financial assets and liabilities recorded in the consolidated financial statements represent their net fair values.

19 Operating leases

Leases as lessee

Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

	2018 ($ ' 000)	2017 ($ ' 000)
Less than one year	3,564	3,332
Between one and five years	4,613	6,259
More than five years	1,663	2,167
Total commitments under operating leases	9,840	11,758

The entity leases property under non-cancellable operating leases. Leases generally include a right of renewal at which time all terms are renegotiated.

19 Operating leases (Cont.)

During the financial year ended 30 June 2018, $3,846,417 was recognised as an expense in the operating result in respect of operating leases (2017: $2,163,605).

Leases as lessor

Property is leased to other entities under non-cancellable operating leases. The future minimum lease payments under these leases are as follows:

	2018 ($ ' 000)	2017 ($ ' 000)
Less than one year	1,207	319
Between one and five years	2,221	551
More than five years	50	139
Total commitments under operating leases	3,478	1,009

During the financial year ended 30 June 2018, $932,348 was recognised as income in the operating result in respect of operating leases (2017: $383,492).

20 Capital and other commitments

	2018 ($ ' 000)	2017 ($ ' 000)
Capital expenditure commitments		
Contracted but not provided for and payable:		
Within one year	7,640	42,483
One year or later and no later than five years	652	1,111
Total capital expenditure commitments	8,292	43,594

21 Related parties

Transactions with key management personnel

Remuneration of Board members

CofCQ Non-Executive Board members are engaged as external consultants. They are financially remunerated for their services based on the number of meetings they attended during the year.

	2018 ($ ' 000)	2017 ($ ' 000)
Consultants expenses	390	199
Post-employment benefits	37	19
	427	218

Key management personnel

As senior officers of COCQ, the Executive Team are responsible for planning, directing and controlling the entity's activities. During the current financial year we had the resignations from the team were D Phelan, D Swain, J Carter, D Millwood, K Teudt, B Sweeney and the addition of P Scully and L Rutherford.

21 Related parties (Cont.)

At 30 June 2018, the Executive Team members were as follows: P Scully, G Weatherall, T Hurst, B Mason, D Mansfield, F Paterson-Fleider, S Drinkall, T McMenamin, M Brand, R Cayave, M Bradley, R Masunnungure, and L Rutherford.

In addition to their salaries, employees of CofCQ who are members of the Executive Team are also provided with non-cash benefits.

Key management personnel compensation

The key management personnel compensation paid by CofCQ is as follows:

	2018 ($ ´ 000)	2017 ($ ´ 000)
Short-term employee benefits	3,594	3,605
Other long-term benefits	321	421
Post-employment benefits	265	275
Total key management personnel compensation	4,180	4,301

Related party transactions

CofCQ has a related party relationship with affiliated churches in Queensland.

CofCQ manages an insurance service that negotiates bulk insurance cover for CofCQ affiliated churches and its divisions. The premium amounts paid to CofCQ from affiliated churches were:

	2018 $ ´ 000)	2017 ($ ´ 000)
Affiliated churches	334	304

- Affiliation contributions, the amounts that affiliated churches contribute towards the costs incurred on their behalf by CofCQ, for the year is $99,325 (2017: $53,026).
- Grants paid to affiliated churches for the year is $99,432 (2017: $68,090).
- Interest paid on investments with CDF from affiliated churches for the year is $199,711 (2017: $118,021).
- Investments held with CDF from affiliated churches at the end of the year is $10,406,769 (2017: $7,044,511).
- The balance of secured loans made to affiliated churches at the end of the year is $2,504,369 (2017: $2,698,523).

22 Group entities

Subsidiaries

Subsidiaries are entities controlled by CofCQ. The consolidated financial statements include the financial statements of CofCQ and the subsidiaries listed below.

22 Group entities (Cont.)

SIGNIFICANT SUBSIDIARIES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST (%)	
		2018	2017
Mission Action Proprietary Limited	Australia	100	100
Churches of Christ Housing Services Limited	Australia	100	100
Warwick Aged Care Proprietary Limited	Australia	100	100
Lifecycle Properties Limited	Australia	–	100

During the current financial year Lifecyle Properties Limited was deregistered with the Australian Securities & Investments Commission (ASIC).

CofCQ has undertaken to financially support the operations of Mission Action Proprietary Limited, Churches of Christ Housing Services Limited and Warwick Aged Care Proprietary Limited.

23 Subsequent events

In September 2018, CofCQ has obtain a $35m commercial loan facility with Westpac to fund future construction projects. The facility expires in August 2023 and is subject to annual review.

24 Economic dependency

CofCQ is dependent to a material extent upon government subsidies and grants to fund its operations. The continued support and funding of services by the government is subject to regular review and accreditation requirements, and gives rise to possible contingent liabilities in respect of capital funds received in prior years.

25 Contingencies

	2018 ($ ' 000)	2017 ($ ' 000)
Contingent liabilities		
Capital Grants	11,750	10,428

The organisation has received several capital grants for the construction of buildings to be used in the Churches of Christ Care Services Division and Churches of Christ Housing Services Limited. It is the intention of the organisation to continue operating these services for the communities in Queensland and to work together with the respective funding bodies in seeking continuity of operational funding and further capital grants.

These capital funds were provided by the Federal Government and State Government. Formal written agreements are currently in place for many of the capital grants. Based on these agreements and in some cases, on subsequent written communication, related contingent liabilities have been assessed as at 30 June 2018 at $ 11,750,142 (2017: $10,427,870).

26 Statement of residential aged care services

The residential aged care service results, assets and liabilities include items directly attributable, on a reasonable basis to the services provided to residents of Aged Care facilities operated by CofCQ.

The service stream capital expenditure is the total cost incurred during the period to acquire residential aged care assets that are expected to be used for more than one period.

26 Statement of residential aged care services (Cont.)

Geographical business stream –

Residential Aged Care operations are located predominantly in Queensland and Victoria, Australia.

	RESIDENTIAL AGED CARE FACILITIES	
	2018 ($ ' 000)	2017 ($ ' 000)
Revenue		
Government subsidies	127,666	122,178
Resident charges	33,464	32,244
Bond retentions	236	401
Interest income from residents	153	163
Donations	8	76
Other income	2,483	601
	164,010	155,663
Expense		
Care services employee expenses	87,156	78,267
Other employee expenses	23,111	21,727
Management fees	14,552	12,980
Interest paid to residents	628	447
Depreciation and amortisation	13,590	12,131
Other expenses	24,905	24,931
	163,942	150,483
RESULT	68	5,180
Additional information for the above		
Fair value of bed licences brought into operation	1,925	225
Impairment losses on fixed assets	-	(536)
	1,925	(311)
Assets		
Current assets	8,968	13,160
Non-current assets	269,060	184,562
	278,028	197,722
Liabilities		
Current liabilities	185,787	188,513
Non-current liabilities	1,926	1,279
	187,713	189,792
NET ASSETS	90,315	7,930
Accommodation bond liabilities	171,475	175,153

CofCQ maintains a single balance sheet and operates centralised treasury and accounts payable functions. Accordingly, the assets and liabilities disclosure above represents only the assets and liabilities that are clearly attributable to the Residential Aged Care service stream.

27 Statement of affordable housing services

A separate wholly-owned company limited by guarantee, Churches of Christ Housing Services Limited, commenced operation on 1 February 2017 to comply with registration requirements under the National Regulatory Scheme for Community Housing (NRSCH) for a Tier 1 provider.

The Community Housing service results, assets and liabilities include items directly attributable, on a reasonable basis to the services provided to the clients of Churches of Christ Housing Services Limited ABN 25 604 517 026.

Geographical business stream –
Community housing assets and operations are located entirely in Queensland, Australia.

	AFFORDABLE HOUSING	
	2018 ($ ' 000)	2017 ($ ' 000)
Revenue		
Government subsidies	737	602
Resident rent	9,242	8,989
Capital grants	2,936	2,543
Management charges	616	2,692
Interest income	119	111
Donations	-	2,500
Other income	600	395
	14,250	17,832
Expense		
Employee expenses	2,911	2,687
Management fees	531	3,184
Property expenses	4,634	5,880
Interest expense	184	-
Depreciation and amortisation	3,391	3,096
Surplus Writebacks	1,760	-
Other expenses	802	692
	14,213	15,539
RESULT	37	2,293
Additional information for the above		
Capital gift-in-kind	-	2,500
	-	2,500
Assets		
Current assets	21,605	18,287
Non-current assets	106,822	106,397
	128,427	124,684
Liabilities		
Current liabilities	7,708	7,221
Non-current liabilities	108,281	106,748
	115,989	113,969
NET ASSETS	12,438	10,715
Contingent liabilities (capital grants)	9,844	8,545

27 Statement of affordable housing services (Cont.)

Full year comparatives were compiled as at 30 June 2017 as stated above.

Prior to 1 February 2017, the Community Housing service stream was operated under CofCQ and did not have a separate balance sheet, as CofCQ maintains a single balance sheet and operates centralised treasury and accounts payable functions.

In the year ended 30 June 2018, a further capital contribution of $1,684,668 was made by the parent entity CofCQ, to offset the Queensland Department of Housing and Public Works program liabilities held in the Housing company's balance sheet.

NRSCH compliance requires Community Housing Providers to achieve certain Financial Key Performance Indicators. Relevant indicators for CofCHSL as a Tier 1 entity are listed below, with actual performance noted against each.

NRSCH KEY PERFORMANCE INDICATOR	NRSCH TIER 1 BENCHMARK	COMMUNITY HOUSING STREAM 2018	COMMUNITY HOUSING STREAM 2017
Operating EBITDA Ratio	8% - 15%	20.70%	17.90%
Working Capital Ratio	> 1.5 times	1.58 times	1.46 times
Amended Quick Ratio	> 1.2 times	1.39 times	1.34 times
Operating Cash Flow Adequacy	> 1.20	1.27	1.03
Gearing Ratio	< 30%	5.15%	2.80%
Interest Cover	> 1.5 times	12.57 times	No Interest Expense
Debt Service	Trend Analysis	3.06	1.27
Return on Assets	> 5%	1.84%	2.20%
Cash Cost of Capital	< 2.5%	0.10%	No Interest Expense

Board members declaration

In the opinion of the Board members of Churches of Christ in Queensland:

(a) The consolidated financial statements and accompany notes, are drawn up in accordance with the Australian Charities and Not for profits Commission Act 2012, including:

- **(i)** Giving a true and fair view of its financial positions as at 30 June 2018 and of its performance for the financial year ended on that date; and
- **(ii)** Complying with Australian Accounting Standards – Reduced Disclosure Regime (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013.

(b) There are reasonable grounds to believe that Churches of Christ in Queensland will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board members.

Ken Ewald
Chair of the Board

Douglas Sparkes
Board Member

Dated the 24th day of September 2018, Brisbane.

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Independent Auditor's Report to the Members of Churches of Christ in Queensland

Report on the audit of the financial report

Opinion

We have audited the financial report of Churches of Christ in Queensland (the "Registered Entity"), which comprises the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Board Members' Declaration of the consolidated entity comprising Churches of Christ in Queensland and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of Churches of Christ in Queensland 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 Registered Entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 registered entity 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 audit opinion.

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Information other than the Financial Report and Auditor's Report

The Board Members are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Board Members' Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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.

Responsibilities of the Board Members for the Financial Report

The Board Members of Churches of Christ in Queensland are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board Members are responsible for assessing Churches of Christ in Queensland's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting management either intend to liquidate Churches of Christ in Queensland or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Churches of Christ in Queensland'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 the 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Registered Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Registered Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Registered Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

S G Hancox
Partner – Audit & Assurance

Brisbane, 24 September 2018

Grant Thornton

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Auditor's Independence Declaration
To the Board Members of Churches of Christ in Queensland

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 Churches of Christ in Queensland for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

S G Hancox
Partner – Audit & Assurance

Brisbane, 24 September 2018

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Churches of Christ in Queensland

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