CONSOLIDATED FINANCIAL REPORT

30 JUNE 2019

ARBN 147 481 436 (incorporated in Queensland)

Bringing the light of Christ into communities

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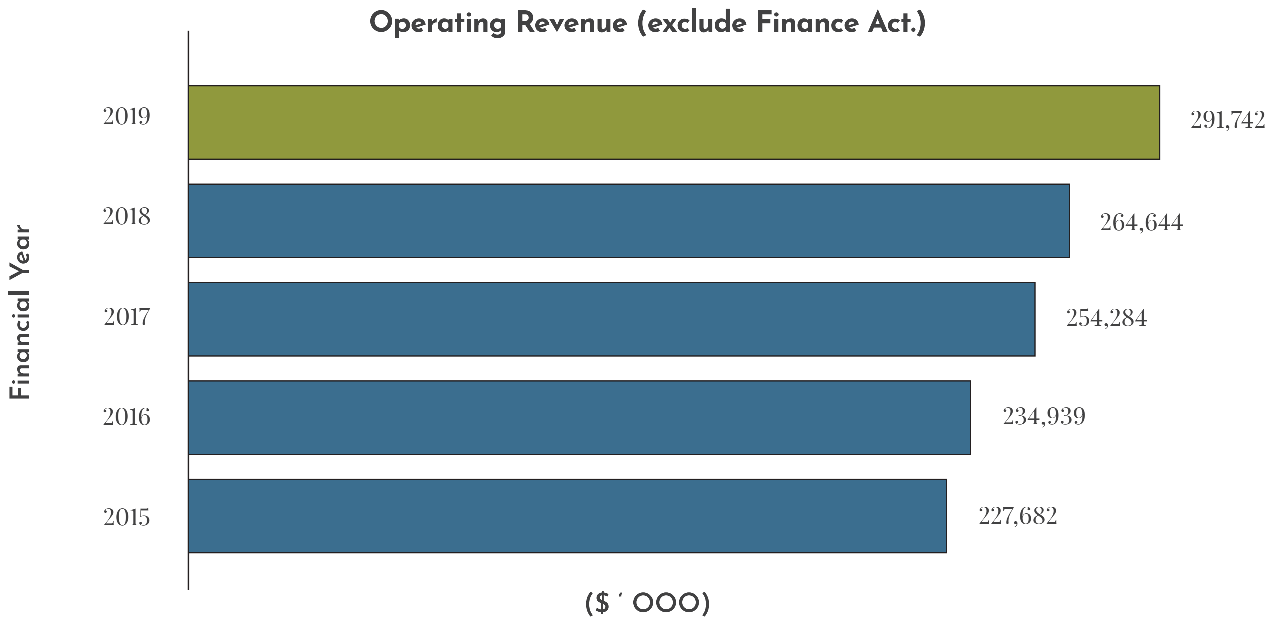
The year in review



$292 MILLION

TOTAL OPERATING REVENUE (EXCLUDING FINANCE ACTIVITIES)
FOR THE YEAR ENDED 30 JUNE 2019

$26 MILLION

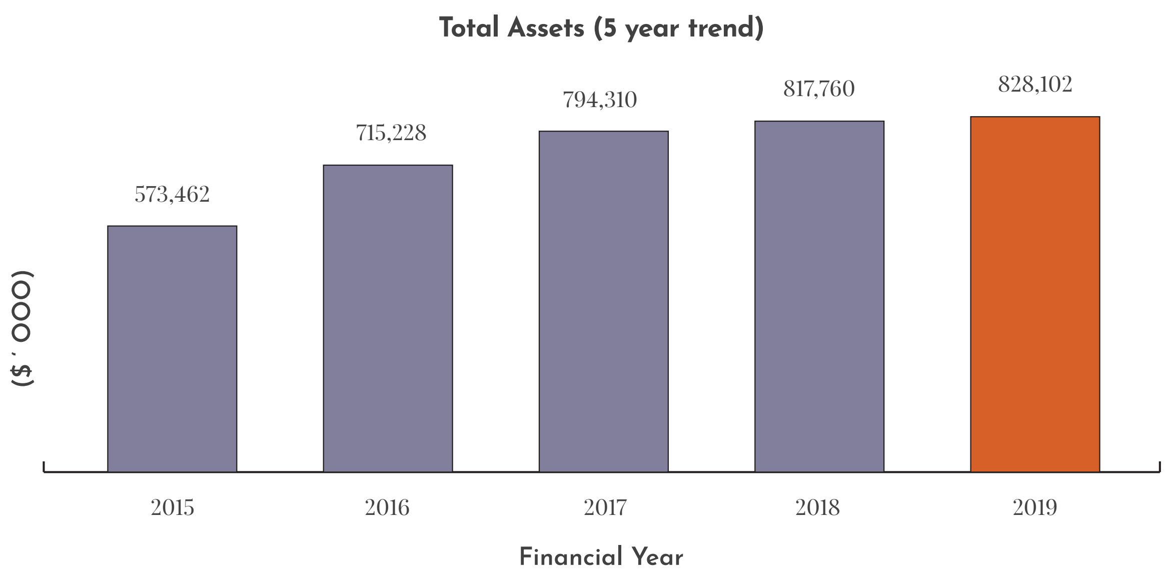
TOTAL CASH AND CASH EQUIVALENTS AND OTHER INVESTMENTS
AT 30 JUNE 2019

$54 MILLION

TOTAL CASH SPENT ACQUIRING PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY, AND INTANGIBLE ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

$828 MILLION

TOTAL ASSETS
AT 30 JUNE 2019



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 2019 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
Douglas Sparkes	Member	Feb 2014
Jill Gray	Member	Jul 2016
Nigel King	Member	Jul 2018
Dale White	Member	Appointed - Jan 2019
Steve Slade	Member	Appointed - Jan 2019
Jillian Carson	Member	Appointed - Jan 2019
John Adermann	Member	Term concluded - Jul 2019
Rilla Roberts	Member	Term concluded - Dec 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

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 and Churches of Christ Housing Services Ltd are recognised as a Public Benevolent Institution (PBI). Deductable gift funds are 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 commercial activities
- 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 from operating and finance activities for year ended 30 June 2019 amounted to $11,171,908 (2018: loss of $9,801,551).

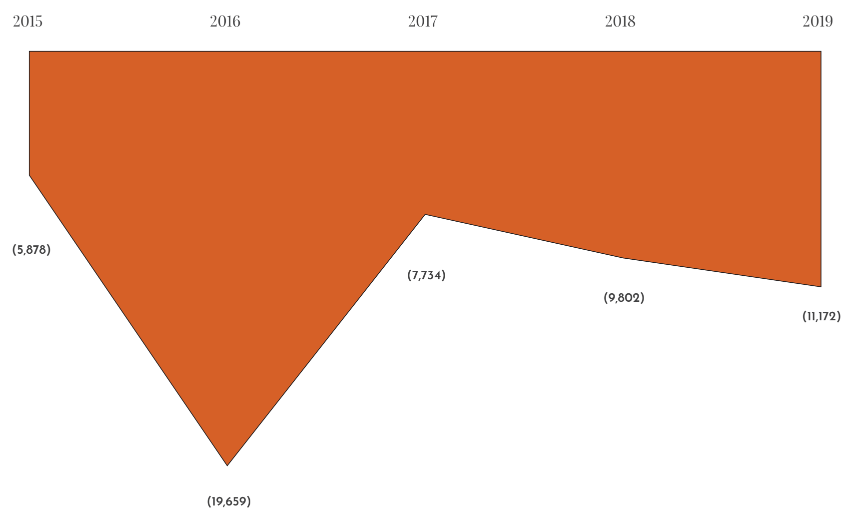
Whilst there was growth in all services and revenue throughout the year, depreciation and amortisation expenses have risen by $4.6m (19.5%) from prior year resulting to increment in the loss for the current year.

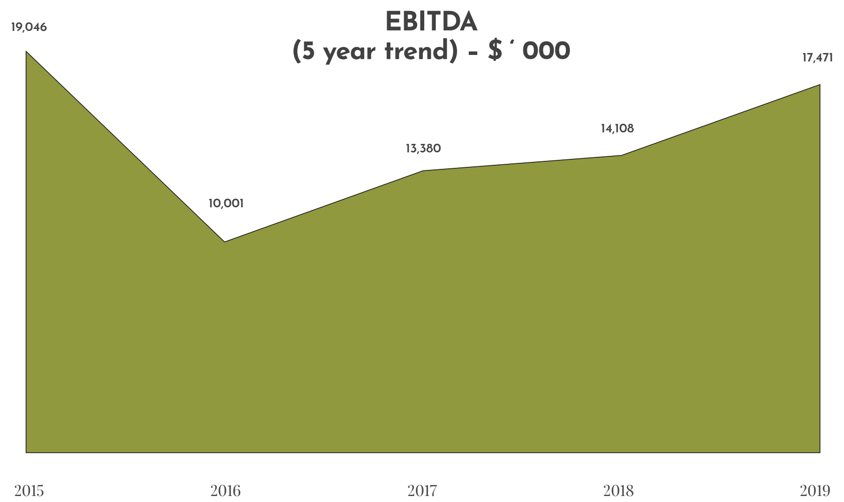
The CofCQ Board is maintaining its strategy to generate cash surpluses in a balanced and sustainable way, allocating modest surpluses to support growth opportunities as they arise whilst ensuring maintenance of current services.

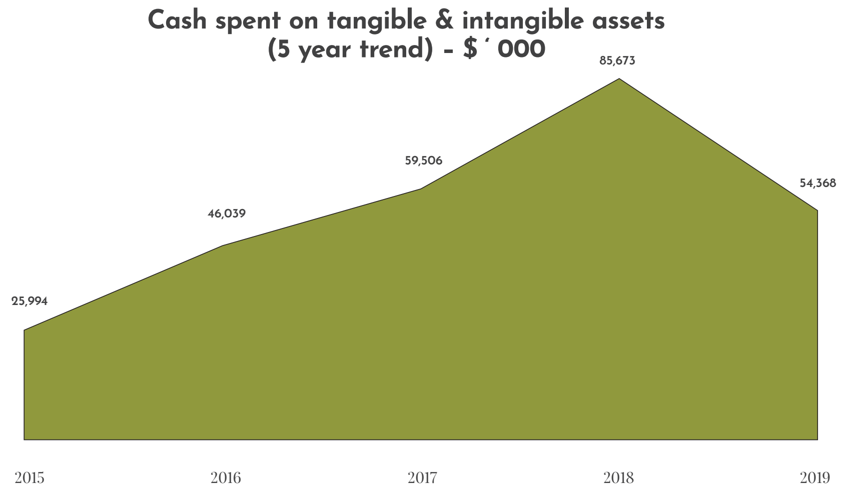
The loss from operating & finance activities graph below includes significant amounts of non-cash items, which stems from having $468m (2018: $452m) in Property, Plant and Equipment on the consolidated statement of financial position. As a result, CofCQ uses Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) to measure performance and sustainability.

As shown in the graph on the next page, EBITDA for 2019 is $17,471,375 (2018: $14,108,449). 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.

Loss from operating & finance activities (5 year trend) - $ ' 000



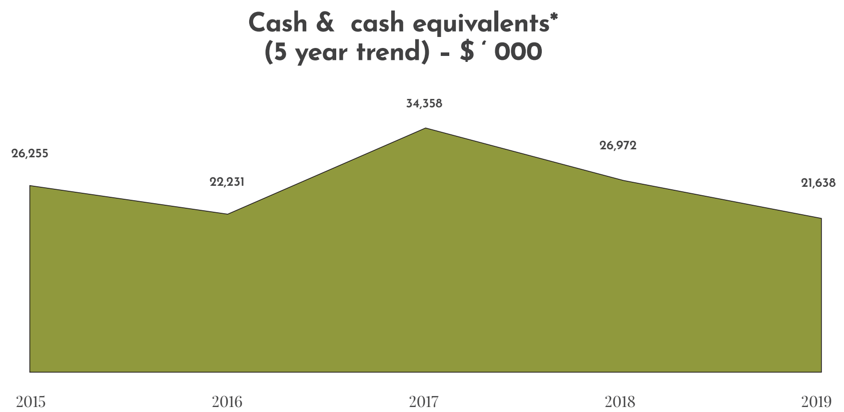




Financial sustainability and growth

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. Furthermore, to further support our capital expenditure program, CofCQ established a $35m debt facility in 2019 which remains available at year end. Underlying positive operating cash flows give confidence that CofCQ will meet all its obligations and continue to support strategic growth.



* Included cash used for specific purpose (refer to Note 3)

Service outcomes

Residential Aged Care

The current year saw continued strong demand for our residential aged care services, with occupancy above 94%. There is a continued industry-wide financial headwinds driven by well-below CPI increases to government aged care subsidies countered by wage cost increases between 2.5% to 3%. The Government provided a short term additional financial investment to all providers in the fourth quarter in recognition of these challenges. Government funding focused on financially shoring up rural and remote services with increased supplements. This has assisted with several of our smaller rural and remote services.

We have continued extending our services with the opening of a contemporary 128 bed service at our Warwick campus, alongside our Regency Park Retirement Village. Construction was completed in August 2018, welcoming the first residents in September 2018. In addition, we have increased capacity and choice for the Caloundra and surrounding communities with the opening of the Little Mountain campus, including a 96 bed service, alongside an aquatic centre, modern café and auditorium.

Construction of a 64 bed service at our Fassifern Aged Care Service at Boonah commenced during the year to replace the existing nursing home. The new facility will be able to accommodate an extra 23 residents over the current capacity. Master planning for our Lady Small Haven campus on the Gold Coast has continued to progress with construction commencing of a new retirement living complex, and feasibility and design work well progressed for the residential aged care service.

The current year also saw the successful transition of the new Aged Care billing system from IBA to EPICOR, which went live in December 2018. The new software has enhanced system integration, resulting in greater efficiencies for CofCQ to deliver better service for clients.

Community Care

Community care service continues to expand through several initiatives which include offering Cottage Respite options to communities in the Darling and Southern Downs areas and a Day Respite program available in the Gold Coast region. Also, additional Commonwealth Home and Support funding saw more clients joining our family through home modification, maintenance and domestic services. Although Home Care Packages decreased by 4% from the previous year, high care package levels have increased by 25% providing higher levels of revenue. Managing and optimising package utilisation with consumers, along with increased market competitiveness, continues to put pressure on CofCQ and the industry.

Analysis of data through our client software system continues to provide dashboard and Key Performance Indicator (KPI) capacity to support business decisions and preparedness for future changes to the industry. Home Care Package Pricing Transparency, which includes information packs, helped our clients to understand the fees and charges for our services as part of the new legislation. These packs were well received and generated enquiries from people in the community.

New innovative ways to expend our Home Assist Secure program were introduced with the Department of Housing. Since the introduction of My Aged Care, Home Assist Secure providers have struggled to meet the outputs required for the program. To address these challenges, initiatives were tabled with the Department as follows:

(1) Repurpose Security Hardware Funding to Drought Relief for affected regions (i.e. Stanthorpe/Warwick),

(2) Enter into a Memorandum of Understanding (MOU) with RACQ on pipeline of member referrals, and

(3) Support to increase marketing investment to raise profile of the program.

Retirement Living

Retirement Living operates 23 villages across Queensland and Victoria, providing services for over 1,174 residents in 1,051 Independent Living Units.

In the past twelve months retirement living has seen an emphasis on legislative changes, contract offering changes for Queensland by the management staff, and implementation of EPICOR as the resident billing system. In addition, there was a focus on selling of surplus units and building waiting lists early within the financial year for all villages, and achieving sales outcomes for the high vacancy sites. This change in focus has seen positive results for the current year.

Adjustments to the Victorian Retirement Villages Act 1986 have been minimal to date, however this is expected to change in 2019-20. The relationship between the villages and management continues to evolve with a new emphasis on transparency, excellence in communication and collaboration.

A new retirement village at Lady Small Haven on the Gold Coast is currently being built and is expected to be completed in mid 2020. This, alongside the existing services in the facility, has brought more awareness to people in the area about what a retirement village is and what lifestyle it can offer. CofCQ continue to emphasise the integration of facilities as a major driver in planning for the future.

Children, Youth and Families

Churches of Christ Care Children Youth and Families currently provides support to almost a quarter of all children and young people in statutory care. We continue to seek opportunities to develop integrated service responses that combine our service offerings to better meet the needs of children, young people and their families. A key focus is demonstrating our commitment to supporting vulnerable people with support that is tailored to meet individual needs as well as working across urban, regional and remote areas of Queensland to support communities.

We entered into an agreement in the Brisbane Region with the Department Child Safety, Youth and Women to increase access for young people to placement opportunities. Over the past 12 months, this has resulted in increased flexibility to tailor placement responses to the individual needs of young people.

Housing Services

Housing Services operates across 17 local government areas and manages a portfolio of 1,358 properties, a slight increase of 13 properties from the previous financial year.

This year we assisted 3,736 people across our housing programs. We expanded our service provision by building specialist disability housing at Crows Nest to provide accommodation for elderly parents caring for an adult child with a disability. We also increased our affordable living portfolio in the Ripley area, with further properties to be added in the coming financial year.

Our philosophy to empower our residents and work with them to develop communities where they feel they belong and can make a contribution underpins all we do. We continue to seek ways to enable and support our residents to find their voice. This year several of our residents participated in our Digital Inclusion Project, DigiAsk, supporting our seniors to be digitally connected and safe in the digital world.

Working in partnership with the Queensland Department of Housing and Public Works, we planned to expand the Housing services portfolio with the construction of the following:

- 32 new units for over 55's at Hillcrest in Logan City, construction commenced in April 2019 and is due for completion in May 2020
- 83 new units for seniors on Bribie Island, construction is expected to commence in November 2019, with completion scheduled for October 2021.

New business initiatives continue to be considered to diversify the revenue stream given that the number of properties managed under the National Rental Affordability Scheme (NRAS) will reduce to 100 in 2019-20, following a change of direction by the Approved NRAS Provider. Such initiatives have included the acquisition of 9 properties in Ripley that will offer affordable living opportunities with the potential for tenants to transition to ownership through a shared equity pilot.

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 continued to see reduced returns given continued low interest rates and the repayment of loans which have impacted margins.

CDF wound down the operations of the Ministers' and Employees' Benefits Scheme (MEBS) following a decision made by Churches of Christ in Australia (COCA) and was closed on 30 June 2019.

CDF continues to bring new savings products to the market with the new Chaplaincy Fund to assist in raising funds for our chaplains' work. Our new Long Service Leave Provision Savings Account has been well received by churches and Ministers. This account enables Churches of Christ in Queensland employers to continue to save funds for employees' long service leave.

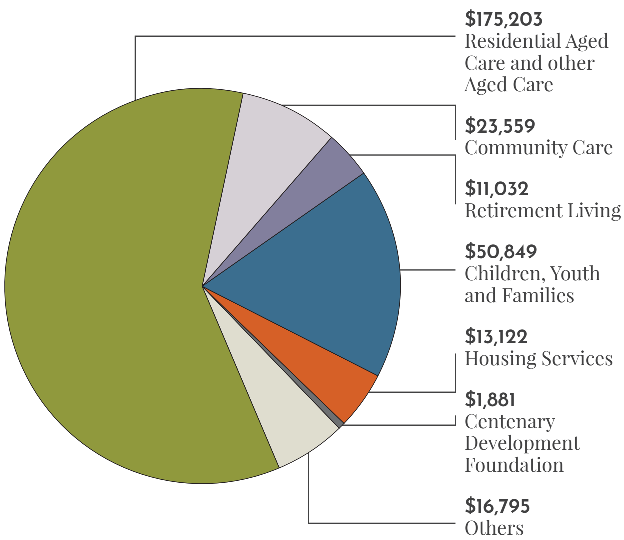
Church and Community Services

This year has been one of great challenge and even greater reward. The Church and Community Engagement team has excelled in its maturity, leadership and service to all our communities, Kingdom Access Places (KAPs), services, and churches. We have delivered on the Mission with great care and alignment with our values. Christ is and has been faithful in every step.

The Deeper Rhythms focus continues and remains as important as when we first started. New Community of Faith is also being developed at Little Mountain Caloundra on the campus with community facilities such as commercial café, community precinct and aquatic centre.

We have a vision to have chaplaincy embedded in all areas of our service delivery. The scope has been developed for Children, Youth and Families and we pray for its implementation over coming years. We are still working hard in all areas such as Housing, Community and Residential Aged Care. The team is professional and well trained to deliver unconditional love to the communities they serve.

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 particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia. CofCQ is very conscious of the environment and takes every step possible to minimise the effects of any waste through various working processes.

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

On 17 July 2019 CofCQ entered into a 'Sale Agreement' whereby CofCQ agreed to sell 53 allocated places (bed licences). This asset was reclassified as held for sale at 30 June 2019 and the transaction will be accounted in the 2019-20 consolidated financial statements.

On 12 September 2019 Churches of Christ Housing Services Limited (a subsidiary) received an offer of a $4.86m Loan Facility from National Housing Finance and Investment Corporation (NHFIC) to refinance Affordable Housing debt. The facility expires in October 2029 and is subject to annual review.

No other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

Likely developments

In June 2019, CofCQ launched its Strategic Plan for 2019-24 redefining our strategic priorities and strategies with the primary objective of improving outcomes for our clients, their families and their communities. The new Strategic Plan will be rolled out over the next 12 months.

Signed in accordance with a resolution of the Board members.

Ken Ewald
Chair of the Board

Gary Edwards
Chief Executive Officer

Dated the 30th day of September 2019, Brisbane.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	NOTE	2019 ($ ' 000)	2018 ($ ' 000)
REVENUE AND OTHER INCOME			
Revenue	1	280,728	261,228
Sales from land developments	1	1,354	305
Other income	1	9,660	3,111
		291,742	264,644
EXPENDITURE			
Costs from land developments	2	(1,023)	(241)
Costs of services and supplies	2	(26,283)	(24,349)
Employee benefits expense	2	(207,973)	(194,368)
Depreciation and amortisation expenses	2	(28,471)	(23,833)
Property and maintenance expenses		(20,867)	(17,858)
Other expenses	2	(17,889)	(15,374)
		(302,506)	(276,023)
Result from operating activities		(10,764)	(11,379)
FINANCE ACTIVITIES			
Finance income	1	700	2,653
Finance costs	2	(1,108)	(1,076)
		(408)	1,577
Loss from operating and finance activities before tax		(11,172)	(9,802)
OTHER ACTIVITIES			
Gain on bargain purchase	1	–	6,850
Net gain on disposal of held-for-sale assets	1	–	2,125
Impairment loss on buildings	2	(100)	–
Impairment loss on intangible assets	2	–	(250)
Resident share in unit value	2	269	(1,326)
Change in fair value of investment property	2	(5,010)	(3,023)
Restructure and one-off salary costs	2	(958)	(2,492)
		(5,799)	1,884
Net profit/(loss) for the period		(16,971)	(7,918)
Other comprehensive income, net of tax		–	–
Total comprehensive income/(loss)		(16,971)	(7,918)

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

Consolidated statement of financial position

As at 30 June 2019

	NOTE	2019 ($ ' 000)	2018 ($ ' 000)
ASSETS			
Current assets			
Cash and cash equivalents	3	21,638	26,972
Trade and other receivables	4	7,655	16,711
Inventories	5	640	1,643
Financial assets	6	1,950	2,555
Other investments	7	4,393	6,924
Assets held for sale	8	8,101	820
Total current assets		44,377	55,625
Non-current assets			
Inventories	5	5,215	5,184
Property, plant and equipment	9	468,020	452,226
Investment property	10	270,941	272,363
Intangible assets	11	39,549	32,362
Total non-current assets		783,725	762,135
Total assets		828,102	817,760
LIABILITIES			
Current liabilities			
Trade and other payables	12	432,863	407,223
Provisions	13	6,832	7,823
Financial liabilities	14	11,614	16,568
Employee benefits	15	26,617	23,856
Deferred income	16	2,816	2,782
Total current liabilities		480,742	458,252
Non-current liabilities			
Financial liabilities	14	4,150	4,150
Employee benefits	15	3,109	2,998
Deferred income	16	93,657	88,945
Total non-current liabilities		100,916	96,093
Total liabilities		581,658	554,345
Net assets		246,444	263,415
FUNDS			
General funds		246,444	263,415
Total funds		246,444	263,415

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

Consolidated statement of change in funds

For the year ended 30 June 2019

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

	TOTAL FUNDS ($ ' 000)
Balance at 1 July 2018	263,415
Profit/(Loss)	(16,971)
Other comprehensive income	-
Total comprehensive income for the period	(16,971)
Balance at 30 June 2019	246,444

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

Consolidated statement of cash flows

For the year ended 30 June 2019

	NOTE	2019 ($ ' 000)	2018 ($ ' 000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		285,405	255,470
Payment to suppliers and employees		(270,005)	(255,363)
Interest received		640	1,131
Dividends and distributions received		28	353
Interest paid		(1,108)	(1,069)
Net cash flows from CDF loans & borrowings activities		(4,954)	1,901
Net cash flows from operating activities	3	10,006	2,423
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments		3,164	50,104
Proceeds from sale of property, plant and equipment	3	4,613	5,358
Purchase of property, plant and equipment	3	(49,711)	(78,577)
Purchase of investments property	3	(3,588)	(4,816)
Purchase of intangible assets	3	(1,069)	(2,280)
Payment for business combinations, net cash acquired		-	(5,416)
Net cash flows in investing activities		(46,591)	(35,627)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from accommodation bonds & ingoing contributions		94,373	82,495
Refund of accommodation bonds & ingoing contributions		(68,245)	(59,325)
Proceeds from borrowing & bonds issued		24,161	4,150
Repayment of borrowing		(24,161)	-
Repayment of deferred consideration		-	(1,922)
Net proceeds of capital grants		5,123	420
Net cash flows from financing activities		31,251	25,818
Net increase (decrease) in cash and cash equivalents		(5,334)	(7,386)
Cash and cash equivalents at beginning of year		26,972	34,358
Cash and cash equivalents at end of year	3	21,638	26,972

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

About this report
For the year ended 30 June 2019

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 2019 were approved and authorised for issue by the CofCQ Board on 30 September 2019.

(a) Basis of consolidation

The Group financial statements consolidate those of the Parent Entity and all of its subsidiaries as at 30 June 2019. 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 and investment in equity securities, 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 CofCQ's 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.

2 General information and statement of compliance (Cont.)

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 9 – Property, plant and equipment
- Note 10 – Investment property
- Note 11 – Intangible assets
- Note 13 – Provision
- Note 14 – 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 $436,365,203 (2018:$402,627,073). This is mainly due to the accommodation bonds, ingoing contributions, and provision for resident share in unit value of $381,375,993 (2018: $366,454,683) [refer Note 12 & Note 13] 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 have contributed to the net current asset deficiency in the current financial year are trade payables and accrued expenses, financial liabilities, employee benefits and deferred capital grants of $59,116,977 (2018: $55,080,059 [refer Note 12, 14, 15 and 16], which are not all expected to settle within the next 12 months.

Specifically, within the trade payables and accrued expenses [Note 12] liability is $18,069,941 of income in advance related to funded services. These amounts are expected to be recognised as revenue in the subsequent period(s) as the relevant performance obligations are satisfied, and are not expected to result in any significant cash outflows from the organisation.

(h) New standards and amendments as at 1 July 2018

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.

2 General information and statement of compliance (Cont.)

(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.

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

New standards and amendments adopted as at 1 July 2018

(i) AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It changes the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

The adoption of AASB 9 has not had a significant effect on CofCQ's accounting policies related to financial instruments and on the carrying values of CofCQ's financial assets and financial liabilities.

The table below explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of CofCQ's financial assets and financial liabilities as at 1 July 2018.

Classification of financial instruments on adoption of AASB 9

	Original AASB 139 category	New AASB 9 category
ASSETS		
Current financial assets		
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Financial assets	Loans and receivables	Amortised cost
Other investments		
Term deposits	Loans and receivables	Amortised cost
Equity securities	Available-for-sale	Fair value through Profit or Loss
LIABILITIES		
Current financial liabilities		
Trade and other payables	Amortised cost	Amortised cost
Financial liabilities	Amortised cost	Amortised cost
Non-current financial liabilities		
Financial liabilities	Amortised cost	Amortised cost

1 Income

	2019 ($ ' 000)	2018 ($ ' 000)
Rendering of services from government grants and subsidies	189,192	171,526
Rendering of services to clients	59,209	56,448
Capital revenue from government grants and subsidies	15,735	15,259
Capital revenue from clients	7,504	7,534
Operating lease rental from clients	5,536	5,792
Other revenue	3,552	4,669
Revenue	280,728	261,228
Sales from land developments	1,354	305
Sales from land developments	1,354	305
Bequests, donations and fundraising	536	454
Net gain on disposal of property, plant and equipment	664	732
Net fair value of bed licences brought into operation	8,460	1,925
Other income	9,660	3,111
Interest from approved deposit taking institutions	373	848
Interest from external loans made to CDF	174	316
Interest from residents	98	139
Dividends	28	495
Realised gain on equity securities	-	820
Unrealised gain on equity securities	27	35
Finance income	700	2,653
Gain on bargain purchase	-	6,850
Net gain on disposal of held-for-sale assets	-	2,125
Other non-operating activities	-	8,975

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.

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.

1 Income (Cont.)

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 consolidated statement of financial position.

Operating lease rental revenue

Operating lease revenue consist of rentals from investment properties (see Note 10). Rental income is recognised on a straight-line basis over the term of the lease.

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.

Sales from land development

Sales from land development are recognised in the consolidated statement of profit or loss and other comprehensive income in full at settlement.

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.

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

	2019 ($ ' 000)	2018 ($ ' 000)
Costs from land developments	1,023	241
Costs from land developments	1,023	241
Services expenses	13,488	12,465
Supplies & consumables expenses	12,795	11,884
Costs of services and supplies	26,283	24,349
Remuneration and on-costs	187,979	174,452
Superannuation expense	17,030	15,993
Other emloyee expenses	2,964	3,923
Employee benefits expense	207,973	194,368
Depreciation expenses	27,189	23,057
Amortisation expenses	1,282	776
Depreciation and amortisation expenses	28,471	23,833
Operating lease expenses	413	511
Maintenance reserve fund expenses	887	880
Other expenses	16,589	13,983
Other expenses	17,889	15,374
Interest paid to investors by CDF	272	328
Interest paid to residents	670	663
Interest paid on borrowings	166	78
Management fees paid on investments	-	7
Finance costs	1,108	1,076
Impairment loss on buildings	100	-
Impairment loss on intangible assets	-	250
Resident share in unit value	(269)	1,326
Change in fair value of investment property	5,010	3,023
Restructure and one-off salary costs	958	2,492
Other non-operating activites	5,799	7,091

Recognition and measurement

Expenses

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

Depreciation and amortisation

Refer to notes 9 and 11 for details on depreciation and amortisation.

2 Expenses (Cont.)

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.

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.

Impairment

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

3 Cash and cash equivalents

		2019 ($ ' 000)	2018 ($ ' 000)
Current			
Cash at bank and in hand		6,147	10,419
Cash at bank – Deductible Gift Fund	(a) - 1	608	385
Cash at bank – MRF	(a) - 2	2,968	2,563
Cash at bank – CRF	(a) - 2	1,535	1,193
Cash at bank – PMUF	(a) - 3	10,380	12,412
Cash and cash equivalents		21,638	26,972

Recognition and measurement

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.

(a) 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.

3 Cash and cash equivalents (Cont.)

CofCQ operate 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.

Reconciliation of cash flows from operating activities

	2019 ($ ' 000)	2018 ($ ' 000)
Net loss for the period	(16,971)	(7,918)
Non-cash items		
Add depreciation of property, plant and equipment	27,189	23,057
Add amortisation of intangible assets	1,282	776
Add impairment loss on intangible assets	-	250
Add impairment loss on property, plant and equipment	100	-
Add assets write-off	273	826
Add Resident share on Investment Property	(269)	1,326
Less (gain)/loss on fair value of investment property	5,010	3,023
Less (gain)/loss on fair value of investments	(27)	(35)
Less (gain) on recognition of bed licences	(8,460)	(1,925)
Less (gain) on business combination	-	(6,850)
Less (gain) on disposal of property, plant and equipment	(664)	(732)
Less (gain) on disposal of held-for-sale assets	-	(2,125)
Less (gain) on disposal of investments	-	(820)
Less deferred government capital grants recognised through income	(2,749)	(2,713)
Less retention incomes	(5,589)	(6,032)
Operating profit before changes in working capital and provisions	(875)	108
(Increase)/decrease in assets		
(Increase)/decrease in trade and other receivables	9,056	2,186
(Increase)/decrease in inventories	972	(466)
Increase/(decrease) in liabilities		
Increase/(decrease) in trade payables and accrued expenses	2,935	(3,232)
Increase/(decrease) in loans and borrowings through CDF activities	(4,954)	1,900
Increase/(decrease) in provisions and employee benefits	2,872	1,927
Net cash flow from operating activities	10,006	2,423

3 Cash and cash equivalents (Cont.)

Net cash capital expenditure

	2019 ($ ' 000)	2018 ($ ' 000)
Cash capital expenditure		
Payment for property, plant and equipment	49,711	78,577
Payment for investment property	3,588	4,816
Payment for intangible assets	1,069	2,280
	54,368	85,673
Less: Proceeds from sale of property, plant, equipment and intangibles	(4,613)	(5,358)
Net cash capital expenditure	49,755	80,315

4 Trade and other receivables

	2019 ($ ' 000)	2018 ($ ' 000)
Current		
Trade and other receivables	1,850	10,866
Prepayments	2,510	2,207
Sundry receivable	3,295	3,638
Total trade and other receivables	7,655	16,711

Recognition and measurement

Trade and other receivables

Trade and other receivables initially recognised at fair value and subsequently at amortised cost, less any allowance for expected credit losses.

During the current year, CofCQ has amended its recognition of residential aged care assets and liabilities to be upon receipt of payment. In the prior year, recognition was upon residents' election to pay a refundable accommodation deposit (RAD).

Allowance for expected credit loss of trade receivables

Receivables are shown net of expected credit losses which amount to $842,344 (2018: $632,685) as at 30 June 2019, arising from client accounts and loans receivables that are expected to default over 60 days. The amount of expected credit losses is recognised in the consolidated statement of profit or loss and other comprehensive income.

5 Inventories

		2019 ($ ' 000)	2018 ($ ' 000)
Current			
Trading stocks	(a)	22	21
Land development stocks	(b)	618	1,622
		640	1,643
Non-current			
Land development stocks	(b)	5,215	5,184
		5,215	5,184
Total inventories		5,855	6,827

5 Inventories (Cont.)

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 businesses.

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.

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

	2019 ($ ' 000)	2018 ($ ' 000)
Current		
Loan receivable - Affiliated churches	1,950	2,547
Other loan	-	8
Total financial assets	1,950	2,555

Recognition and measurement

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

7 Other investments

	2019 ($ ' 000)	2018 ($ ' 000)
Current		
Term deposits	3,974	6,532
Equity securities	419	392
Total investments	4,393	6,924

In July 2018, CofCQ received a dividend payout from City Pacific MT on an old investment, which was fully impaired in 2011. The amount of $38,246 was recorded as an impairment reversal in the statement of profit or loss and other comprehensive income.

Recognition and measurement

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

Equity securities are assets held on listed securities on the Australian Stock Exchange (ASX). Assets in this category are measured at fair value with gains or losses recognised in the statement of profit or loss and other comprehensive income. The fair values of financial assets in this category are determined by reference to active market transactions. The equity securities are denominated in $AUD and are publicly traded in Australia.

8 Assets held for sale

	2019 ($ ' 000)	2018 ($ ' 000)
Current		
Property, plant and equipment	7,041	820
Bed licences	1,060	-
Total assets held for sale	8,101	820

The current year movement due to the tagging of a number of properties and bed licences as 'Held for sale' and the reclassification of Wynnum properties out of 'Held for sale' and back to 'Property, plant and equipment', due to Board's decision not to proceed with the disposals.

Recognition and measurement

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

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 Property, plant and equipment

	LAND ($ ' 000)	BUILDINGS ($ ' 000)	PLANT & EQUIPMENT ($ ' 000)	CAPITAL WORK IN PROGRESS ($ ' 000)	TOTAL ($ ' 000)
COST					
Balance at 1 July 2018	79,579	404,258	81,606	63,581	629,024
Additions		12	9	59,621	59,642
Transfer from Capital WIP to Land Stocks				(287)	(287)
Transfer from Capital WIP	2,416	65,429	18,112	(85,957)	-
Transfer to Investment Property				(3,588)	(3,588)
Transfer to Intangible Assets				(1,069)	(1,069)
Transfer from Capital WIP to Expenses				(1,508)	(1,508)
Transfer from held for sale assets	390	110			500
Transfer to held for sale assets	(6,317)	(812)	(89)		(7,218)
Disposals	(1,613)	(1,178)	(3,548)		(6,339)
Balance at 30 June 2019	74,455	467,819	96,090	30,793	669,157

9 Property, plant and equipment (Cont.)

	LAND ($ ' 000)	BUILDINGS ($ ' 000)	PLANT & EQUIPMENT ($ ' 000)	CAPITAL WORK IN PROGRESS ($ ' 000)	TOTAL ($ ' 000)
Accumulated Depreciation and impairment					
Balance at 1 July 2018	–	(126,503)	(50,295)	–	(176,798)
Depreciation charge for the year	–	(18,458)	(8,731)	–	(27,189)
Impairment loss for the year	–	(100)		–	(100)
Transfer from held for sale assets	–	(11)		–	(11)
Transfer to held for sale assets	–	419	89	–	508
Disposals	–	412	2,041	–	2,453
Balance at 30 June 2019	–	(144,241)	(56,896)	–	(201,137)
Net carrying value at 30 June 2019	74,455	323,578	39,194	30,793	468,020

Borrowing Costs

Interest expense directly attributable to the acquisition, construction or production of qualifying assets is capitalised. The amount of borrowing cost capitalised during the year ended 30 June 2019 was $218,035 (2018: $nil).

Leasehold Improvements

Leasehold improvements with a carrying value of $4,904,925 (2018: $6,105,770) are included within the carrying values of buildings disclosed above.

Recognition and measurement

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

- where CofCQ has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located

- eligible borrowing costs.

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

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).

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 are expensed as incurred.

9 Property, plant and equipment (Cont.)

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:

	2019	2018
Buildings	20 - 50 years	20 - 50 years
Leasehold improvements	7 - 40 years	7 - 40 years
Plant and equipment	3 - 15 years	3 - 15 years

For assets acquired by a tax paying entity/subsidiary, depreciation is calculated using the rate and method as specified by the Australian Taxation Office, and not in accordance with the general policy outlined above.

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.

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.

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.

10 Investment property

	2019 ($ ' 000)	2018 ($ ' 000)
Balance at 1 July	272,363	270,571
Additions	3,588	4,815
Net gain/(loss) from fair value adjustments	(5,010)	(3,023)
Balance at 30 June	270,941	272,363
Total investment property	270,941	272,363

10 Investment property (Cont.)

Recognition and measurement

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.

11 Intangible assets

	2019 ($ ' 000)	2018 ($ ' 000)
Internally developed and acquired software		
Balance at 1 July 2018	5,702	4,178
Additions	1,069	2,280
Amortisation for the year	(1,262)	(756)
Balance at 30 June 2019	5,509	5,702
Bed licences		
Balance at 1 July 2018	26,363	21,168
Fair value of bed licences brought into operation	8,460	1,925
Fair value of bed licences acquired	-	3,270
Transfer to held for sale assets	(1,060)	-
Balance at 30 June 2019	33,763	26,363
Operating motel management rights		
Balance at 1 July 2018	297	567
Amortisation for the year	(20)	(20)
Impairment loss	-	(250)
Balance at 30 June 2019	277	297
Total intangible assets	39,549	32,362

11 Intangible assets (Cont.)

Recognition and measurement

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.

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 is as follow:

	2019	2018
Software	3 - 5 years	3 - 5 years

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.

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.

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.

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.

12 Trade and other payables

	2019 ($ ' 000)	2018 ($ ' 000)
Current		
Trade payables and accrued expenses	58,318	48,591
Accommodation bonds/deposits	217,473	201,090
Ingoing contributions	157,072	157,542
Total trade and other payables	432,863	407,223

Recognition and measurement

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

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 made 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.

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% ($53,611,167) of accommodation bonds/deposits, and 11% ($17,215,777) of ingoing contributions were refunded. Assuming a similar resident transition rate for 2018-19, $60,698,857 of accommodation bonds/deposits and $17,164,345 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. Demand for aged care service remains to be strong as CofCQ's occupancy rate remained above industry average at 94.7% with a few more on the waiting list.

13 Provisions

Provision for resident share in unit value

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.

	2019 ($ ' 000)	2018 ($ ' 000)
Current		
Balance at 1 July	7,823	7,313
Addition (reversal) during the year	(268)	1,326
Utilised	(723)	(816)
Balance at 30 June	6,832	7,823
Total provisions	6,832	7,823

Recognition and measurement

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.

14 Financial liabilities

Interest bearing loans and borrowing

	2019 ($ ' 000)	2018 ($ ' 000)
Current		
Investments from investors	10,770	15,330
Christian deposits	4	4
Service fee contributions	840	1,234
	11,614	16,568
Non-Current		
Bonds Payable	4,150	4,150
	4,150	4,150
Total financial liabilities	15,764	20,718

Recognition and measurement

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.

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.

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 an 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.

Loan Facility

In August 2018, CofCQ established a $35m loan facility to support its capital expenditure portfolio. This is a 5-year facility, subject to annual review. During the year, CofCQ has drawn down $24.16m of the $35m facility to pay for construction costs, which it has fully repaid before 30 June 2019 (2018: $nil).

15 Employee benefits

	2019 ($ ' 000)	2018 ($ ' 000)
Current		
Annual leave	17,416	15,703
Long service leave	8,241	7,180
Personal leave	948	963
Wages and salaries accrued	12	10
	26,617	23,856
Non-current		
Long service leave	3,109	2,998
	3,109	2,998
Total employee benefits	29,726	26,854

Recognition and measurement

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 using the Milliman Australia rates 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-accumulating non-monetary benefits, such as cars, are expensed based on the net marginal cost to CofCQ, as the benefits are taken by the employees.

Long-term 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.

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 $17,029,681 for the financial year ended 30 June 2019 (2018: $15,993,101).

16 Deferred income

	2019 ($ ' 000)	2018 ($ ' 000)
Current		
Deferred government capital grants received	2,816	2,782
	2,816	2,782
Non-current		
Deferred government capital grants received	93,657	88,945
	93,657	88,945
Total deferred income	96,473	91,727

16 Deferred income (Cont.)

Recognition and measurement

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)	2018 ($ ' 000)
Balance at 1 July 2018	91,727	94,020
Deferred government capital grants received	7,495	420
Deferred government capital grants recognised through income	(2,749)	(2,713)
Balance at 30 June 2019	96,473	91,727

During the current year, CofCQ has received $7,495,214 of capital grant funding for Housing Programs at Crows Nest, Hillcrest, Bribie Island and Ripley, Queensland.

17 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.

18 Operating leases

Leases as lessee

Non-cancellable operating lease expense commitments

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

	2019 ($ ' 000)	2018 ($ ' 000)
Less than one year	3,030	3,564
Between one and five years	3,013	4,613
More than five years	994	1,663
Total commitments under operating leases	7,037	9,840

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

During the financial year ended 30 June 2019, $4,450,772 was recognised as an expense in the operating result in respect of operating leases (2018: $3,846,417).

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:

	2019 ($ ' 000)	2018 ($ ' 000)
Less than one year	930	1,207
Between one and five years	1,068	2,221
More than five years	634	50
Total commitments under operating leases	2,632	3,478

During the financial year ended 30 June 2019, $1,060,909 was recognised as income in the operating result in respect of operating leases (2018: $932,348).

19 Capital and other commitments

	2019 ($ ' 000)	2018 ($ ' 000)
Capital commitments		
Contracted but not provided for and payable:		
Within one year	47,183	7,640
One year or later and no later than five years	521	652
Total capital commitments	47,704	8,292

20 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 based on the number of meetings attended and services they provided during the year.

	2019 ($ ' 000)	2018 ($ ' 000)
Consultants expenses	410	390
Post-employment benefits	35	37
	445	427

Key management personnel

As senior officers of COCQ, the Senior Management Group (SMG) are responsible for planning, directing and controlling the entity's activities. During the current year the SMG was restructured and expanded by three members.

At 30 June 2019, the SMG members were as follows: G Edwards, M Brand, B Mason, R Masunnungure, T McMenamin, A McGill, F Paterson-Fleider, L Rutherford, C Brunings, D McConaghy, D Sporer, M Bradley, J Morgan, M Folland, T Kitching and S Drinkall.

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

Key management personnel compensation

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

	2019 ($ ' 000)	2018 ($ ' 000)
Short-term employee benefits	3,928	3,594
Other long-term benefits	248	321
Post-employment benefits	311	265
	4,487	4,180

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:

	2019 ($ ' 000)	2018 ($ ' 000)
Affiliated churches	338	334

- Affiliation contributions, the amounts that affiliated churches contribute towards the costs incurred on their behalf by CofCQ, for the year is $100,052 (2018: $99,325).

20 Related parties (Cont.)

- Grants paid to affiliated churches for the year is $135,976 (2018: $99,432).
- Interest paid on investments with CDF from affiliated churches for the year is $173,218 (2018: $199,711).
- Investments held with CDF from affiliated churches at the end of the year is $6,223,308 (2018: $10,406,769).
- The balance of secured loans made to affiliated churches at the end of the year is $1,631,357 (2018: $2,504,369).

21 Group entities

Subsidiaries

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

ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST (%)	
		2019	2018
Mission Action Proprietary Limited	Australia	100	100
Churches of Christ Housing Services Limited	Australia	100	100
Warwick Aged Care Proprietary Limited	Australia	100	100

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.

22 Subsequent events

On 17 July 2019 CofCQ entered into a 'Sale Agreement' whereby CofCQ agreed to sell 53 allocated places (bed licences). This asset was reclassified as held for sale at 30 June 2019 and the transaction will be accounted in the 2019-20 consolidated financial statements.

On 12 September 2019 Churches of Christ Housing Services Limited (a subsidiary) received an offer of a $4.86m Loan Facility from National Housing Finance and Investment Corporation (NHFIC) to refinance Affordable Housing debt. The facility expires in October 2029 and is subject to annual review.

23 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.

24 Contingencies

	2019 ($ ' 000)	2018 ($ ' 000)
Contingent liabilities		
Capital Grants	13,364	11,750

24 Contingencies (Cont.)

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 2019 at $13,364,264 (2018: $11,750,142).

25 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.

Geographical business stream

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

	RESIDENTIAL AGED CARE FACILITIES	
	2019 ($ ' 000)	2018 ($ ' 000)
Revenue		
Government subsidies	135,878	127,666
Resident charges	35,202	33,464
Bond retentions	53	236
Interest income from residents	121	153
Donations	57	8
Other income	8,953	2,483
	180,264	164,010
Expense		
Care services employee expenses	95,200	87,156
Other employee expenses	25,232	23,111
Management fees	15,679	14,552
Interest paid to residents	645	628
Depreciation and amortisation	17,503	13,590
Other expenses	26,922	24,905
	181,181	163,942
RESULT	(917)	68

25 Statement of residential aged care services (Cont.)

	Residential aged care facilities 2019 ($ ' 000)	Residential aged care facilities 2018 ($ ' 000)
Additional information for the above		
Fair value of bed licences brought into operation	8,460	1,925
	8,460	1,925
Assets		
Current assets	1,635	8,968
Non-current assets	268,997	269,060
	270,632	278,028
Liabilities		
Current liabilities	233,999	185,787
Non-current liabilities	1,965	1,926
	235,964	187,713
NET ASSETS	34,668	90,315
Accommodation bond liabilities	217,435	171,475

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.

26 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 2019 ($ ' 000)	Affordable housing 2018 ($ ' 000)
Revenue		
Government subsidies	784	737
Resident rent	9,879	9,242
Capital grants	2,848	2,936
Management charges	522	616
Interest income	111	119
Other income	1,031	600
	15,175	14,250

26 Statement of affordable housing services (Cont.)

	AFFORDABLE HOUSING 2019 ($ ' 000)	2018 ($ ' 000)
Expense		
Employee expenses	3,081	2,911
Management fees	555	531
Property expenses	4,967	4,634
Interest expense	-	184
Depreciation and amortisation	3,423	3,391
Surplus writebacks	1,897	1,760
Other expenses	913	802
	14,836	14,213
RESULT	339	37
Assets		
Current assets	22,881	21,605
Non-current assets	108,931	106,822
	131,812	128,427
Liabilities		
Current liabilities	6,854	7,708
Non-current liabilities	112,182	108,281
	119,036	115,989
NET ASSETS	12,776	12,438
Contingent liabilities (capital grants)	11,440	9,844

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 2019	COMMUNITY HOUSING STREAM 2018
Operating EBITDA Ratio	8% - 15%	22.09%	20.70%
Working Capital Ratio	> 1.5 times	3.16 times	1.58 times
Amended Quick Ratio	> 1.2 times	2.85 times	1.39 times
Operating Cash Flow Adequacy	> 1.20	1.16	1.27
Gearing Ratio	< 30%	4.86%	5.15%
Interest Cover	> 1.5 times	N/A	12.57 times
Debt Service	Trend Analysis	2.37	3.06
Return on Assets	> 5%	2.07%	1.84%
Cash Cost of Capital	< 2.5%	0.00%	0.10%

Board members' declaration

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

(a) The consolidated financial statements and accompanying 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 2019 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

G Edwards.

Gary Edwards
Chief Executive Officer

Dated the 30th day of September 2019, 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 2019, and the consolidated statement of profit or loss and 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 2019 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 opinion.

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 the auditor's report is information included in the Board Member's Report for the year ended 30 June 2019, 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 the 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 unless the Board Members 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 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 Board Members.

- Conclude on the appropriateness of the Board Members' 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, 30 September 2019

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 2019, 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, 30 September 2019

Notes

Those who hope in the Lord will renew their strength.
They will soar on wings like eagles; they will run and
not grow weary, they will walk and not be faint.

Isaiah 40:31 (NIV)

Churches of Christ in Queensland

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