ANNUAL REPORT **2012**

About RSL Care

RSL Care honours the courage and sacrifice of our ANZACs by upholding our commitment to provide care and support to the Service and Ex-Service community and other Australians in need.

RSL Care operates under a Trust Deed as a community-based charitable provider of health care services.

Inspired by the spirit of mateship

History

For more than 75 years, RSL Care has proudly supported Service and Ex-Service men and women and their families, and the broader Australian community. Today we support these men and women from 29 residential and retirement communities and 15 HomeCare hubs from Cairns in Far North Queensland to Lake Macquarie on the New South Wales Central Coast.

We respond to the growing health care needs and lifestyle preferences of an ageing population by continuing to expand our range of personalised care and support services. Our mission requires that those in need of care receive it, irrespective of their personal circumstances.

Our services

RSL Care offers high quality health care services and accommodation to everyone using a range of client-funded and government-funded options.

For many people, accessing aged care services in Australia commences with an assessment by the local Aged Care Assessment Team (ACAT) who:

1. define what kinds of aged care services will best suit a person's needs; and
2. provide information to inform the person's choice.

Since 1999 our approach to supporting our clients has been grounded in the RSL Care Lifestyle Philosophy. We talk with our clients to understand their goals and preferences, and then plan the best combination of preventative, early interventionary, rehabilitative, or palliative care services to support those client outcomes. We believe that active engagement results in better outcomes for everyone involved. We include family, carer and community participation in our approach to defining physical, mental and emotional wellbeing.

By providing choice across the continuum of care needs, RSL Care's high quality care services are integrated, personalised and accessible – and result in a better quality of life for our clients.

HomeCare

Living at home, independence with care when individuals need it.

RSL HomeCare provides a broad range of practical support and care services to enable clients to remain independent in their own home which includes those whose homes are in our Retirement Living communities. Our team of responsive nurses and care workers pride themselves on supporting our clients' needs and preferences by personalising a broad range of care services, with options for short or long term support available.

Our range of personalised care services include:

- **Personal care** – supporting people with meals, showering, dressing, laundry, home maintenance and gardening services as well as transport to medical appointments, shopping and social activities. The fees for these services can be paid directly by the client or by qualifying for government subsidisation through an ACAT assessment and a Community Aged Care Package (CACP).
- **Community nursing care** – supporting people with complex care needs who have been approved to receive care provided by registered nurses and allied health professionals such as physiotherapists and podiatrists as well as assistance with aids and equipment. The fees for these services can be paid directly by the client or by qualifying for government subsidisation.
- **Respite care** – supporting carers on a regular or emergency basis to supplement the support services at times of carer illness, holidays or any other time when a carer or a recipient requires a short-term change from their usual care arrangement. Respite care can also be delivered in our Residential Care communities.
- **Day Therapy care** – supporting people who require flexible rehabilitation and recreational therapies such as occupational therapy, physiotherapy, diversional therapy, podiatry, speech pathology and day respite programs. Day Therapy can also be provided in our Residential Care communities when prescribed.

RSL CARE IS RECOGNISED AS WIDELY FOR PROVIDING ACCOMMODATION WITH PEACE OF MIND AS MUCH AS WE ARE FOR PROVIDING CARE AND SUPPORT.

In addition to providing services to the broader Australian community, RSL Care also provides a range of specialised care services to eligible Veterans through a range of access points including:

- **Department of Veterans' Affairs (DVA) Community Nursing** – supporting Veterans with a full range of nursing activities, such as health screening and assessment, personal care, medication, continence, diabetes and wound management.
- **Home Front Program** – supporting Veterans in the prevention of accidents and falls in the home.
- **Veterans' Home Care (Assessment and Coordination)** – supporting Veterans to access care in their home.
- **Veterans' Home Care Services** – providing Veterans with domestic assistance, garden maintenance and respite care.

Retirement Living

Community living, independence with care when individuals need it.

RSL Care Retirement Living provides a place to call home with the peace of mind of 24-hour emergency call systems and a range of HomeCare services and co-located Residential Aged Care to clients who choose to purchase supported accommodation in a secure community as their own home.

Today, RSL Care is recognised as widely for providing accommodation with peace of mind as much as we are for providing care and support. This is because RSL Care recognises that choosing how to spend retirement years is just as important as choosing where to spend them. The same thoughtful consideration that goes into the design of our sought-after amenities and homes goes into the design of our community based activities and programs – all of which support the physical, mental and emotional wellbeing of our clients.

Residential Care

Living in residence, with continuous care.

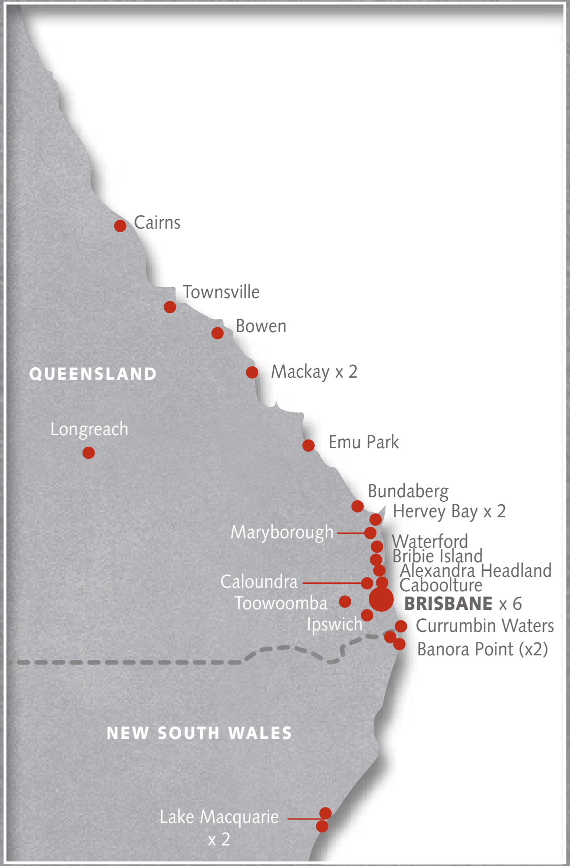
RSL Care Residential Aged Care communities are the 'home away from home' for over 2,300 clients, with continuous care and support from compassionate and dedicated teams of nursing, personal care and therapy specialists. Our staff works around the clock to ensure our residents' quality of care and life is the very best that it can be.

Our range of personalised care services within our Residential Aged Care communities include:

- **Low care** – supporting people who need some support, but do not have complex ongoing care needs. Low care includes accommodation-related services and personal care services.
- **High care** – supporting people who require continuous assistance with most activities of daily living with 24-hour care by either a registered nurse or under the supervision of a registered nurse.
- **Extra Services** – supporting people who choose enhanced residential accommodation, dining, and personal services (sometimes referred to as 'hotel' services) at an additional fee.
- **Dementia care** – supporting people with dementia-related conditions by working with them and their care network to establish a plan focused on optimising their quality of life.
- **Respite care** – may be used on a regular or emergency basis as planned with the carer to supplement the support services, at times of carer illness, holidays or any other time when a carer or a recipient requires a short-term change from their usual care arrangement.
- **Palliative care** – supporting people who have a life-limiting illness, and for whom the primary treatment goal is quality of life. This type of care uses a holistic approach – managing pain and other symptoms, whilst also addressing the physical, emotional, cultural, social and spiritual needs of the person, their family and their carers. It focuses on 'living well until death'.

OUR STAFF WORKS AROUND THE CLOCK TO ENHANCE THE QUALITY OF LIFE OUTCOMES OF EACH AND EVERY CLIENT IN OUR CARE.

Our locations



Retirement Community

RSL HomeCare services are available from Cairns in North Queensland to Lake Macquarie on the New South Wales Central Coast.

Contents

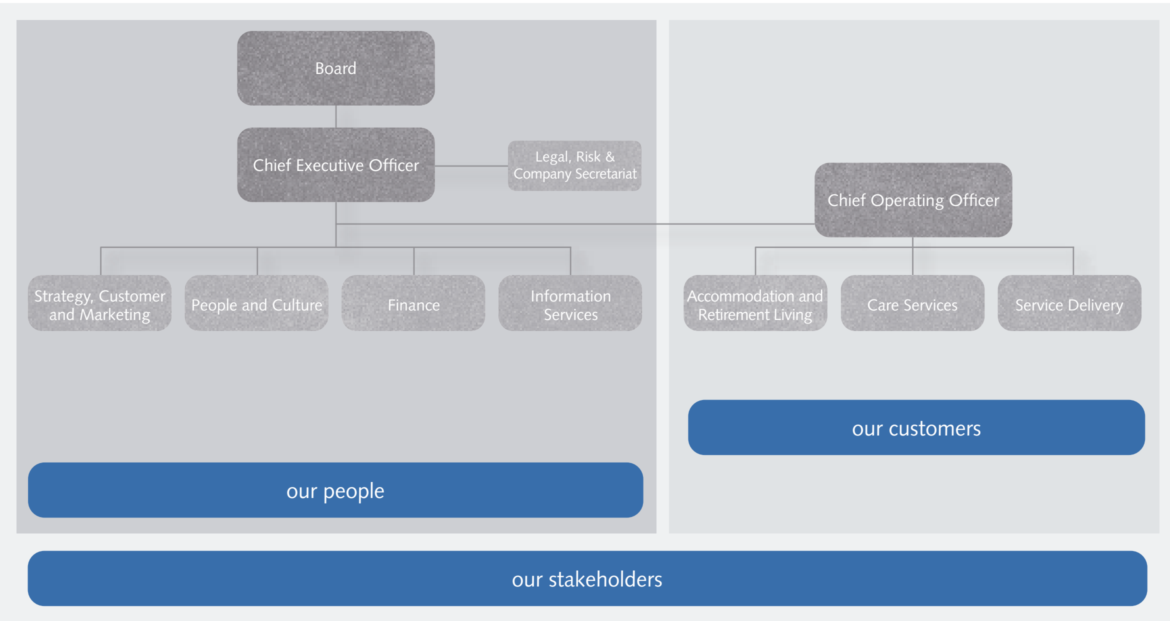
About this report

The 2012 Annual Report provides a public account of RSL Care's progress through reporting its operations, activities and financial position to 30 June 2012.

RSL Care Limited is a company incorporated to act as Trustee of the RSL QLD War Veterans' Homes Trust under a Deed of Trust. The Trust provides accommodation, care and services in Residential Aged Care and Retirement Living communities and from HomeCare hubs to persons in the community.

An electronic copy of this report can be found at the RSL Care web site: www.rslcare.com.au.

Organisation



Mission

RSL Care is a community-based charitable health care provider that applies compassion, know-how, income and assets to members of the Service and Ex-Service community and other Australians in need.

Vision

RSL Care is to be recognised as the leading not-for-profit provider of consumer focused health care and support services to the Service and Ex-Service community nationally, and also provide these services to the broader Australian community.

Values

The ANZAC values of mateship, courage and respect that inspired our work 75 years ago are today embodied by professional staff who work around the clock to enhance the quality of life outcomes of each and every client in our care. Our RSL Care values are drawn from our principles of trust, openness, respect, justice, integrity and care.

For RSL Care, these values mean:

- **trust** – we have faith in ourselves and others to do the right thing
- **openness** – we share information in a non-judgmental way and present no obstacles
- **respect** – we value others and listen to their needs
- **justice** – we treat all people in a fair and equal way
- **integrity** – we take responsibility for our actions, we are honest and genuine in the delivery of our services
- **care** – we show awareness, understanding and compassion, understanding our customers' needs and treating them compassionately.

OUR RSL CARE VALUES ARE DRAWN FROM OUR PRINCIPLES OF TRUST, OPENNESS, RESPECT, JUSTICE, INTEGRITY AND CARE.

Strategic objectives and priorities: *Growth through focus*

Strategic objectives FY 2012 – 2016

The Federal regulatory reform agenda presents an opportunity for RSL Care to build on our strengths and successes, and to enhance our ability to deliver services that can be personalised at the right place and at the right time for our residents and clients. The agenda is working towards consumer-directed care in a more open, deregulated and competitive marketplace

> *"Competition amongst providers in a system where consumers can exercise choice leads to a more dynamic system, with enhanced incentives for greater efficiency, innovation and quality. A more flexible system would also enable providers to increase the range and scope of their services, freeing them from the current highly regulated, risk adverse scheme"*
>
> PRODUCTIVITY COMMISSION (2011)

To adapt to this changing environment, we have identified the following strategic objectives, to be carried out over a four-year horizon from FY 2012–2016:

"COMPETITION AMONGST PROVIDERS IN A SYSTEM WHERE CONSUMERS CAN EXERCISE CHOICE LEADS TO A MORE DYNAMIC SYSTEM, WITH ENHANCED INCENTIVES FOR GREATER EFFICIENCY, INNOVATION AND QUALITY. A MORE FLEXIBLE SYSTEM WOULD ALSO ENABLE PROVIDERS TO INCREASE THE RANGE AND SCOPE OF THEIR SERVICES, FREEING THEM FROM THE CURRENT HIGHLY REGULATED, RISK ADVERSE SCHEME"

Objectives FY 2012–2016: *Growth through focus*

Customers

Customers come first – to focus on our clients' needs and preferences in defining our competitive advantage and to be known as the trusted partner for supporting clients with the right service at the right time.

Staff

Our people make it happen – to focus on our culture, organisation, people, and human resources systems as the foundation of our competitive advantage and to be known as the trusted employer for supporting clients with the right service at the right time.

Stakeholders

Stakeholders can assist and support us – to focus on influencing the attitudes, decisions, and actions of our stakeholders to strengthen our competitive advantage and to be known as the trusted brand for supporting clients with the right service at the right time.

Business performance

Business success builds our future – to focus on growing scale in systems, assets and capability to deliver our competitive advantage and be known as the trusted provider for supporting clients with the right service at the right time.

Strategic priorities FY 2012–2016

To focus our activities on disciplined implementation, we have identified the following pledges over a two-year horizon from FY 2013–2014:

- uphold our charitable commitments to care for and support our defined beneficiaries – members of the Service and Ex-Service community and other Australians in need;
- optimise the operating performance of our services across HomeCare, Retirement Living and Residential Aged Care;
- improve the capital efficiency in our built and technological environments; and
- grow the number of clients being supported to improve their quality of life through RSL Care's continuum of integrated care services.

Our strategic objectives and our focused pledges for delivery are taken from the RSL Care FY 2012–2016 Strategic Intent, launched on 1 August 2012.

John 'Jack' Ashwell

9 JULY 1921 – 28 AUGUST 2012

He enlisted in the Australian Army on 14 January 1942. Six months later, at the age of twenty-one, he was in Papua New Guinea fighting alongside diggers from The Queensland Cameron Highlanders.

He remembered 'kissing the ground' when he stepped off the DC3 in Townsville.

Months on the frontline broke his body and shattered his spirit, but not his determination.

After a long recuperation he joined the Air Force where he maintained planes until the end of the war.

In later life he lived with his sisters who had both lost their husbands. When his sisters passed away, he was faced with the frightening prospect of living alone – until he spoke with an RSL Queensland Welfare Officer who told him about RSL Care's accommodation and care services. Thanks to the joint efforts of RSL Qld and RSL Care, he went from worrying about where he would live and with whom, to enjoying a fulfilling life surrounded by friends in the comfort of RSL Care Cazna Gardens Residential Community in Brisbane.

RSL Care listens to the stories of older Australians like John 'Jack' Ashwell, who have served their country, their mates and our way of life. Every older Australian who has served their family and community has a valuable story.

These stories and experiences shape the way we care. Improving lifestyles and creating retirement choices as individual as each person is what distinguishes our service at RSL Care.

Sadly, Jack passed away shortly before the Annual Report went to print. We thank Jack for sharing his story.

We listen to the stories of older Australians

Jack at Cazna Gardens

Chairman's Report

Chairman's Report

There has been a great deal of discussion recently about the modern interpretation of the ANZAC character and the changing role of our Defence Forces. For many Australians the courage, valour and pride defined and typified by our ANZACs at Gallipoli has been an inspiration. It has shaped our sense of who Australians can be when we do our best.

I have had the privilege of serving and leading the modern men and women who protect our country and the values we hold dear on operations and at home. The traits of mateship, honour and courage are still an important part of the character and values of our Defence Forces today.

I now have the honour of leading an organisation formed on those same ANZAC values with a kindred mission to care for people who have served our nation as they convalesce and age. I have been inspired by stories of heroism and valour. Mateship too has a strong role to play because RSL Care serves in partnership with our clients. Like our cousins in Defence, RSL Care is responding to the modern challenges to care for our Ex-Service men and women, and for every older Australian who needs us.

Our vision is to be recognised as the leading not-for-profit provider of consumer-focused health care and support services but the bottom line is that we want to deliver positive social opportunity to every older Australian.

Our approach is standing the test of time

In 2011 RSL Care was fully accredited for three years against the Quality of Care principles under the *Aged Care Act 1997*. These standards are a fundamental pillar in the trust that people place in all aged care services and form the basis upon which we have the privilege to share in their care. We maintain these standards because 'it is right', but we can maintain them because we continue to 'do it right'.

Strategic directions

In 2011 my predecessor foreshadowed important and thorough changes within RSL Care that would underpin our future growth. To adapt to the challenges and opportunities in our maturing regulatory environment and growing consumer markets we have dedicated ourselves to strategic planning, Board and constitutional renewal, financial effectiveness and leveraging our brand and client service approach for growth.

Strategic Intent FY 2012 – 2016

The Board has tasked management to implement a four-year strategy to grow and develop our organisation so that we can continue to deliver on our commitment to older Australians. Our Strategic Intent contains our pledges to respond to challenges in our sector and in our community. It recognises that we have been entrusted to effectively manage the assets, the finances, the people and intellectual capital of our organisation by government and care partners to deliver services to the community on their behalf. The viability of our organisation and growth of sustainable models of service delivery will reflect the trust placed in RSL Care. I am confident that the capability, performance and discipline we have in place will again see us achieve our goals.

A strong financial position

Our financial position continues to improve from previous years, even with our reported deficit for FY 2012. The main reason for incurring a deficit this year is the continuing deterioration of the residential property market and with it, our retirement living properties. During the year we again booked a significant decrement in the value of these assets which resulted in a deficit. Without booking these decrements the result would have been a deficit of $1.235m, which is a continuing reduction in our previous reported deficits.

Importantly, we recorded a significant positive cash flow of $5m from operating activities for the year, and significantly reduced our secured bank facility to $50m at year end.

With these continued improvements in our financial position, the changes to our executive team and to our strategic intent, we are now well positioned to do our part responding to the growth in service intended as a result of the government reforms in the aged care sector.

I want to acknowledge our CEO, Stan Macionis, whose appointment in March 2012 coincided with an important period of adaptation and growth. Under Stan's leadership we will respond swiftly to the opportunities and challenges issued by our vision and to the significant policy changes in health and aged care and in the governance of the not-for-profit sector.

I want to thank my fellow board members for leading and guiding RSL Care through the recent period of change. In particular I would like to recognise the five years of dedicated and diligent service of the Former Chairman, Mr Robert Lippiatt, whose legacy includes the guidance of our most recent strategic review of RSL Care.

I want to pay tribute to every individual who works with RSL Care. Your professionalism and commitment to our mission and to those we support sustains the quality of service we provide to every person we serve. As we embark on our four-year strategic journey, you are also the hands and heart that will shape our services.

RSL Care is grateful for the ongoing and growing generous support of our donors, benefactors and volunteers who readily and loyally support our charitable services through the donation of funds, time and skills. Each year we are humbled by frequent acts of kindness and generosity. This year we would like to pay a special thank you to the Greenbank RSL Sub-Branch for their continued support which included $22,000 towards the installation of an outdoor garden setting at Cazna Gardens Residential Community. This was in addition to $354,000 raised by RSL Care through general donations and bequests, all of which goes directly towards the support and care of Ex-Service men and women.

There are many different groups of older Australians whose service to family, community and country, however modest or heroic, deserve our gratitude.

I am proud to be able to report that RSL Care today, as it needed to be in its very first days, is an organisation fit, ready and able to serve.

Pat McIntosh AM CSC

CHAIRMAN OF THE BOARD

WE HAVE DEDICATED OURSELVES TO STRATEGIC PLANNING, BOARD AND CONSTITUTIONAL RENEWAL, FINANCIAL EFFECTIVENESS AND LEVERAGING OUR BRAND AND CLIENT SERVICE APPROACH FOR GROWTH.

Greenbank RSL Sub Branch

The Committee and the members of the Greenbank RSL Sub Branch know that with success comes responsibility. Our aim as a Sub Branch is to provide, as far as we are able, for the needs of our Ex-Service community.

To this end, in the past 12 months, we have donated a motor vehicle to RSL Care, refurbished a section of the gardens at Cazna Gardens Residential Community and replaced the oven and refurbished the kitchen facilities at Fairview Residential Community at Pinjarra. Also, our Women's Auxiliary provide morning teas at Carrington and Talbarra, and each year for some years now, we provide Christmas carols and good cheer at Carrington and Cazna Gardens.

Our forward budgeting includes the provision of a second motor vehicle for RSL Care in 2013. We know that any one of us may soon need the care RSL Care provides, so what better way could there be to ensure that those needs can be satisfied than to do what we can now to ensure that the care will be there when we need it?

THE COMMITTEE AND THE MEMBERS
OF THE GREENBANK RSL SUB BRANCH

As a Sub Branch we aim to support an organisation that provides care we may need

Chief Executive Officer's Report

Chief Executive Officer's Report

It is very satisfying when reflecting on a year to find your thoughts also drawn to the exciting potential of the future.

RSL Care is an organisation with a unique sense of its history and a proud ANZAC tradition that inspires our staff, volunteers, and clients. We take great pride in the honour of caring for the men and women who fought so courageously for our country, and the men and women who, like us, seek to make a difference for our community.

It is particularly satisfying to close FY 2012 with a report on our work, the foundation for future opportunities for growth and innovation.

RSL Care has invested significantly over the past twelve months in planning for the future. Since I joined in March 2012, I have had the opportunity to participate in and lead many of the discussions that are helping to shape the focus of RSL Care.

I have also seen first hand our 4065 staff and volunteers who support clients in our care – the heroes of our organisation. We have become known as expert partners with older Australians in health, social, psychological and physical care, in the home, in the community and in our purpose-made communities. Our people are the key to the success of those partnerships.

Market-driven change

The release of the Productivity Commission's report into *Caring for Older Australians* in August 2011 provided government and providers alike with a balanced assessment of the constraints on the aged care industry, and a sensible package of recommendations for reform to open the industry to the natural forces of supply and demand. The proposed deregulation would allow providers to respond to rapidly changing customer expectations, and leverage competitive forces to improve efficiency, innovation and quality. We anticipate that new, non-traditional competitors will enter the industry and drive these competitive forces.

In April 2012, the Federal Government released its response to the Productivity Commission Report: *Living Longer, Living Better.* While the view of many in the industry is that the reforms fall short of what is required, the report did herald some significant changes:

- Changes to the government funding instrument for residential aged care (ACFI) mean that lower fees are available to providers of these care services. This is disappointing in an industry longing to attract financial investment due to poor returns.
- An increase in the numbers and types of care packages available for delivery in clients' homes responds to people's preferences to remain in their own home for as long as practical, and is intended to reduce demand for residential aged care. We are yet to see what form these changes in Community Care packages will take.
- An increase in investment into workforce capability, and attracting qualified clinical staff into the industry has been foreshadowed. This is critical to the sustainability of the industry as our nursing and care staff is at the core of what we do.

The Federal Government also forecast regulatory changes for charities and not-for-profits through the Australian Charities and Not-for-profits Commission (ACNC). We expect the reforms are to improve viability and capability to help grow a vital not-for-profit sector. Implemented sensibly, these reforms should increase the confidence of public agencies and taxpayers when funding and purchasing services from not-for-profit providers.

RSL Care will continue to work with the government to advocate on behalf of every older Australian, noting that we have a particular role to play in ongoing advocacy for services and funding for our Ex-Service men and women.

Foundation for the future

In order to position RSL Care for the exciting opportunities ahead, we must ensure that the foundations of the business are operating at optimal levels.

The proposed changes to ACFI revenue concern the whole industry. While we continued to monitor our per-resident per-day metrics, we also commenced regular reviews of our performance against industry benchmarks to optimise occupancy and operating efficiencies.

During FY 2012 we undertook a strategic review of our portfolio of assets to identify priority areas for expansion, renewal or extension of services. As part of our capital planning initiatives, we developed a structured program for our retirement living unit refurbishments. We also conducted a Growth Hotspots Study to identify the most attractive future geographic locations for Retirement Living and Residential Aged Care operations in Queensland and New South Wales.

The soft property market continued to challenge our retirement unit sales, and we have commenced a number of promotional and advertising initiatives to respond to that challenge.

We recognise that a key support to our future growth is an effective and scaleable information and communication technology (ICT) platform. With the restructure of our ICT department and the recruitment of a Chief Information Officer, we are moving ahead within a two-year timeframe to fortify or further innovate many of our systems and processes to ensure we have a scalable service delivery platform that fully supports future growth.

While the service delivery benefits are our ultimate target for these and all reforms, we would expect to see some benefits to the quality of reporting and monitoring that will enable our stakeholders to more adequately evaluate our performance over time.

WE MUST ENSURE THAT THE FOUNDATIONS OF THE BUSINESS ARE OPERATING AT OPTIMAL LEVELS.

Operational growth and performance

In 2012 RSL Care provided approximately 533,000 hours of HomeCare or the equivalent of 73,536 days of care to older Australians. 2,171 people chose to call our Retirement Living communities home. RSL Care held 2,329 Residential Care bed licences.

While our service figures continue to grow, it is the consistency, quality and effectiveness of our service delivery that sets our performance apart. Some of our achievements this past year include:

- piloting the Lifestyle Profile, a strengths-based assessment tool to draw on clients' strengths, enabling our clients to enjoy their life whilst receiving the support they need;
- launching the Health and Wellness Project to help clients in our Retirement Communities make healthy lifestyle choices to reduce the incidence of chronic disease and maintain independence for as long as possible;
- launching a Non-Government Chronic Disease Coordinator Project to help implement and enhance chronic disease initiatives, improving the quality of community services for clients with or at risk of chronic disease;
- leading the way in innovative care by being the first aged care provider in Queensland to trial 'Play Up', a ground-breaking program that uses humour therapy to help residents with dementia enhance their quality of life;
- joining with other Service and Ex-Service care providers to establish the Australasian Services Care Network to focus on how we can improve our services to better meet the physical, mental and emotional needs of the Ex-Service community;
- growing our services to disadvantaged beneficiaries by increasing subsidised Residential Care and Retirement Living accommodation and continuing the Volunteer Home Visits program;
- consistently achieving the highest results for Accreditation Standard outcomes set out in the Quality of Care Principles under the *Aged Care Act 1997.*

I want to thank the Chairman of the Board, Pat McIntosh AM CSC for the significant energy and insight he has brought to the organisation and for his guidance, along with the other members of the Board.

Every RSL Care employee and volunteer is about to see industry growth and change and experience it within our organisation. I would like to thank everyone at RSL Care for being the very best people you can and for exemplifying our mission each day.

RSL Care has long had a view that to truly support the lifestyle of older Australians we need to deliver support that offers choice and engages people in the early stages of retirement planning so they receive the best out of health care, support and accommodation in whatever mix is right for them. We cannot deliver on that vision without working in partnership with older people and without them sharing their lives and stories with us.

Thank you to every RSL Care recipient.
Your partnership allows us to do our work well.

I look forward to the year ahead and to reporting on our progress as we implement and begin to deliver on our strategy over the coming year.

Stan Macionis
CHIEF EXECUTIVE OFFICER

EVERY RSL CARE EMPLOYEE AND VOLUNTEER IS ABOUT TO SEE GROWTH AND CHANGE IN OUR INDUSTRY AND YOU ARE ABOUT TO BE PART OF THE CHANGE IN OUR ORGANISATION.

Pam Scherman Carr

I first came to RSL Care Fairview Retirement Community for three months – that was over eight years ago.

During my time at Fairview, a lot of beautiful footprints have been left behind. I have known and been touched by them all. I never refer to my work as a 'job'. It is so much more than that. It is my life, and my residents and staff are my extended family. Just like family, we spend a lot of time together, we trust one another, we support one another and we share both good times and bad. What happens to a resident, staff member or volunteer – happens to me.

In addition to building a fantastic team, one of my biggest priorities as Lifestyle Manager has been building our ties with individuals and organisations in our local community.

It takes time to get to know people within your community. And, thanks to our relationships with the local RSL Sub Branch who support our various events, the cluster of schools whose students provide entertainment as well the Police, State and Federal Members – our residents are connected to their community, both within Fairview and beyond.

There is a saying that it takes a village to raise a child – I say it takes a community to care.

PAM SCHERMAN CARR, LIFESTYLE MANAGER,
RSL CARE FAIRVIEW RETIREMENT COMMUNITY

Our residents are connected to their community, both within Fairview and beyond.

Board of Directors

Board of Directors

Mr Pat McIntosh AM CSC

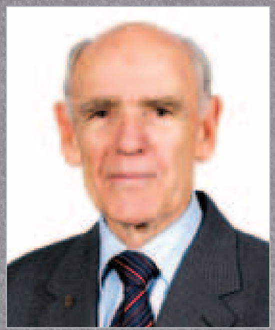
Chairman of the Board

Mr Graeme J Loughton AM DSM

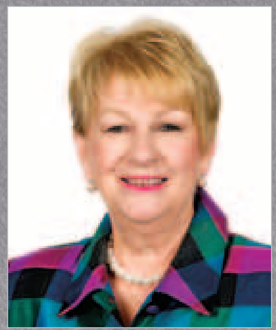
Treasurer

Mr Russell Pearce

Deputy Chairman

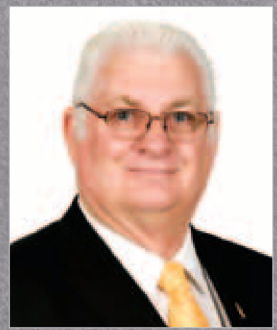


Mr Edward (Ted) A Chitham MC OAM



Ms Glenis M Jay

Mr Tony Nobes



Mr Alan J Ross

Sally Evans

As a nurse, I have always had an interest in older people, especially the mental health aspects of wellbeing. I am passionate about supporting people to stay well, to self-manage and to remain independent for as long as possible. While medical practitioners help people who are unwell to feel better; I help people who are well to stay well.

I understand the importance of 'being with' a person, their carer, family and broader community network as well as the importance of building relationships and trust, so that we can all work together to address health issues. This involves supporting clients to work towards identifying and achieving better health outcomes, by assisting them to understand their own disease process and with support, to self manage the complexities (especially around accessing services) of their health and wellbeing journey.

In my role as Project Officer of RSL Care's Health and Wellbeing program, clients invite me to visit them in our retirement villages. I take the time to get to know their interests, hobbies and health history as well as their home environments and support networks. Together we use this information to design a lifestyle plan that best suits the client's wishes. The aim of my visits is to enable clients to remain healthier and independent in their homes for as long as they choose.

It is my hope that clients feel better able to manage any conditions or issues they may have, and gain confidence in their ability to ask for any support they may need. I enjoy spending time with clients, listening, supporting and motivating rather than 'doing to' a person.

SALLY EVANS, PROJECT OFFICER OF RSL CARE'S HEALTH AND WELLBEING PROGRAM

While medical practitioners help people who are unwell to feel better; I help people who are well to stay well.

Financial Statements

Directors' Report

The Directors of RSL Care Limited ACN 010 488 454 (Company), the Trustee for RSL QLD War Veterans' Homes Trust (Trust), present their report on the Trust for the year ended 30 June 2012 and the Independent Auditor's Report thereon.

Legal Structure

RSL Care Limited was incorporated on 21 December 1983 as a public company limited by guarantee. It was established to act as Trustee of the Trust under a Deed of Trust dated 13 December 1983. The Trust provides service and ex-service men and women, their dependants and other members of the community with accommodation, care and services. The Company conducts the Trust business under the name "RSL Care".

The Company does not carry on business in its individual capacity.

Review of Operations

The operations of the Trust are reviewed in the Chairman's Report and the CEO's Report.

Operating Result

The Trust's operating deficit for the year was $11,973,000 as compared to a prior year deficit of $65,097,000. This result is again considered abnormal and reflects the continued reduction in value of the property market over the last year. It is important to have regard to the following notable items which contributed to the result:

	2012 $'000	2011 $'000
Fair value increments (decrements) on retirement village assets	(12,158)	(41,541)
Payment from RSL (Qld) State Branch	-	1,800
Donations – other	511	468
Depreciation & amortisation expense	(13,560)	(15,801)
Activation of aged care licences (Licence Impairment)	-	(23,279)
Resident share of the increment (decrement) in retirement village fair value capital gain	1,420	7,765
Total	(23,787)	(70,588)

The Trust is exempted from payment of income tax given its focus on providing aged care and retirement living solutions to Returned Services personnel, their families and older Australians irrespective of their personal circumstances.

Excluding the financial effect of the above items, the adjusted operating result was a surplus for the year of $11,814,000 being a 115% increase on the prior year surplus of $5,491,000. This adjusted surplus represents a return on net assets of 3.6% (2011: 1.5%).

Principal activities

The principal activities of the Trust during the financial year have been the provision of aged accommodation, care and services to Service and Ex-Service men and women, their dependants and other members of the community.

There have been no significant changes in the nature of these activities during the financial year.

Aged care licences, retirement village units and community care

At year end the Trust's operations included the following:-

Aged care licences	
High care	999
Low care	955
Special care	370
Flexible care	856
Total	3,180

Retirement village units	
Equity funded	1,660
Rental	189
Concessional	36
Total	1,885

Additionally, the Trust has provided services to more than 7,420 other clients via its various community care programs and provides Veterans' Home Care assessment and co-ordination to over 15,000 clients.

Short-term Objectives

The Trust's short-term objective is to pursue the charitable objects of the Trust for the benefit of the defined beneficiaries of the Trust – service and ex-service men and women, their dependants and other members of the broader Australian community in need.

Long-term Objectives

The Trust's long-term objective is to pursue the charitable objects of the Trust for the benefit of the Beneficiaries.

Strategy for achieving Short-term and Long-term Objectives

To achieve these objectives, the Company has adopted the strategies outlined in the Chairman's Report and the CEO's Report.

Future Developments, Prospects and Business Strategies

Likely developments in the operations of the Trust and the expected results of those operations in future years have not been included in this Report, other than as noted under the above heading "Review of Operations" and in Note 18 to the financial statements.

Directors and Secretaries

Listed below are the details of Directors in office at any time during or since the end of the financial year, their qualifications, experience and special responsibilities. Unless otherwise stated, Directors have been in office since the start of the financial year.

MR PAT MCINTOSH AM CSC

- Chairman of the Board
- Member, Finance and Audit Committee
- Member, Strategy and Capital Committee
- Retired from Australian Army, Commissioned Officer (27 years) service
- Graduate of Australian Defence College
- Equity owner in financial planning business
- Master of Business Administration
- Graduate Diploma in Management
- Bachelor of Business (Accounting and Personnel Management)
- Diploma of Company Directing
- Diploma of Financial Planning
- Member, Australian Institute of Company Directors

MR RUSSELL PEARCE

- Deputy Chairman of the Board
- Chairman, Nomination and Remuneration Committee
- Member, Strategy and Capital Committee
- Member, Risk Committee
- Deputy CEO and Director of Operations, Tasmanian Integrity Commission
- Former Director of Misconduct Investigations – Crime & Misconduct Commission
- Bachelor of Laws
- Admitted as a Barrister of the Queensland Supreme Court and legal practitioner in Tasmania
- Serving Lieutenant Colonel, Active Army Reserve
- Graduate, Australian Institute of Company Directors

MR GRAEME LOUGHTON AM DSM CPA

- Chairman, Finance and Audit Committee
- Member, Nomination and Remuneration Committee
- Retired from Australian Army, Commissioned Officer (35 years) specialising in supply, procurement and IT
- Bachelor of Commerce, University of Queensland
- Diploma of Company Directing, University of New England
- Treasurer Sherwood Indooroopilly RSL Sub-Branch since 1993
- Member, Australian Institute of Company Directors

MR ALAN ROSS

- Member, Strategy and Capital Committee
- Member, Risk Committee
- Retired from RAAF, Airfield Defence Guard (9 years)
- Queensland Railways (1975 – 1995)
- Secretary Mudgeeraba RSL Sub-Branch
- Vice President Gold Coast RSL District
- Men's Health Peer Group Facilitator
- Committee Australia Japan Association

MR EDWARD (TED) CHITHAM MC OAM

- Chairman, Risk Committee
- Member, Finance and Audit Committee
- Retired from Australian Regular Army, Commissioned Officer (22 years)
- RACQ Executive – General Manager (21 years)
- Graduate Australian Army Staff College
- Graduate United States Marine Corps Command and Staff College
- Public Officer and Company Secretary of The Royal Australian Regiment Corporation
- Member of the Queensland Forum of ESOs
- Member, Australian Institute of Company Directors

MS GLENIS JAY

- Chair, Strategy and Capital Committee
- Member, Nomination and Remuneration Committee
- Strategic marketing specialist
- 30 years' experience in management
- Previously Manager Strategic Marketing (Qld Museum) and Manager Marketing (The Workshops Rail Museum)
- Inaugural Director and Board Member South Bank Business Association
- Recipient – Australia Day Medal for services to the Veteran Community
- Chair – Ipswich Tourism
- Executive Judge (Queensland Tourism Awards, Outback Tourism Awards, Redlands Tourism Awards and Norfolk Island Tourism Awards)
- Member, Australian Institute of Company Directors

MR TONY NOBES

- 34 years commissioned service with the Australian Regular Army
- Military service continues with the Active Army Reserve
- Queensland Public Servant in a management position with the Department of Housing and Public Works

MR ROBERT LIPPIATT *(retired 28 June 2012)*

- Former Chairman of the Board
- Former Chairman, Strategy and Capital Committee
- Former Chairman, Nomination and Remuneration Committee
- Former Chairman, Risk Committee
- Former Member, Finance and Audit Committee
- Former Chairman, National Defence Community Forum Reference Committee
- Management Consultant and Strategic Business Advisor (24 years)
- Deputy Chairman, Australian National Consultative Committee on eHealth
- Member, Australian Institute of Company Directors
- Associate Fellow of the Australian Human Resources Institute

VALERIAN (SAM) J KOMAROWSKI *(retired 27 October 2011)*

- Former Chairman of the Board
- Former Chairman, Nomination and Remuneration Committee
- Retired from Australian Army, Engineer (22 years)
- Capital Works Manager, Qld Catholic Education Sector, 1988 – 2007
- President, Ashgrove RSL Sub-Branch, 2001 – 2009
- Director, South – East District RSL Limited, 2003 – 2009
- Chairman, Anzac Day Trust, 2003 – 2007
- Member, RSL National Aged Care Forum, 2006 to April 2011
- Bachelor of Social Science (UNE)
- Associate Diploma of Business (Management)

MS ANN MARTIN *(retired 27 October 2011)*

- Member of Australian Regular Army, MAJ 1977- present
- Member Royal College of Nursing Australia
- Member Australasian College of Health Service Management
- Registered Nurse, NSW
- Graduate Certificate E- Health Care
- Graduate Certificate Health Administration

COMPANY SECRETARY

Susan Stewart was appointed as Company Secretary on 23 February 2012. In addition to her role as Company Secretary, she is General Counsel and responsible for the Trust's legal, company secretarial, risk and corporate governance functions. Prior to her appointment Ms Stewart held the position of General Legal Counsel and Group Company Secretary at a listed property development, construction, funds management and retirement village company for six years and practised in national law firms for eighteen years in corporate and property law.

The role of Company Secretary was previously held by Charles Robinson. Mr Robinson has provided corporate governance and company secretarial services to organisations for thirteen years. Ross Smith, the former Chief Executive Officer, held the role of Co-Company Secretary until his resignation on 28 October 2011.

Directors' Attendance at Meetings

The number of Directors' meetings (including meetings of Board Committees) and the number of meetings attended by each of the Directors during the financial year were:

	Directors' Meetings		Finance & Audit Committee		Strategy & Capital Committee		Risk Committee		Nomination & Remuneration Committee	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
P McIntosh	13	12	5	5	9	9	-	-	-	-
R Pearce	13	13	2	2	9	6	2	2	3	3
G Loughton	13	12	7	7	7	5	-	-	4	3
A Ross	13	12	2	2	-	-	-	-	-	-
E Chitham	13	11	-	-	-	-	2	2	3	3
G Jay	13	13	2	2	3	3	-	-	-	-
T Nobes	13	10	-	-	-	-	-	-	-	-
R Lippiatt	13	13	7	6	9	9	2	2	4	4
V Komarowski	5	4	-	-	1	1	-	-	1	-
A Martin	5	3	-	-	-	-	-	-	-	-

[1] Number of meetings held whilst the Director was a Board or Committee member

[2] Number of meetings attended by the Director

Indemnifying Officers or Auditor

Pursuant to the Constitution, all Directors and Company Secretaries, past and present, have been indemnified against all liabilities incurred by them in their capacity as an officer of the Company.

Since the end of the previous financial year, the Company has not indemnified or agreed to indemnify any person who is or has been an auditor of the Trust against any liabilities.

Insurance Premiums

During the financial year the Company has paid an insurance premium insuring the Directors and Officers of the Company under a Directors' and Officers' Liability insurance policy against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a director or officer of the Company. A condition of such insurance contract is that the nature of the liability indemnified, the premium payable and certain other details of the policy are not to be disclosed.

Subsequent Events

No after balance date events have occurred which would significantly affect the financial position of the Trust or the operating results for the financial year.

Environmental Regulation

The Trust undertakes property development in Queensland and New South Wales. It is subject to legislation regulating land development. Consents, approvals and licences are generally required for all developments and it is usual for them to be granted with conditions. The Trust complies with these requirements by ensuring that all necessary consents, approvals and licences are obtained prior to any project being commenced and consents, approvals and licences are implemented in order to ensure compliance with conditions. To the best of the Directors' knowledge, all projects have been undertaken in compliance with these requirements.

The Trust has processes in place to identify and reduce its carbon footprint within its residential care, retirement living and community care businesses.

Significant Changes in State of Affairs

There is no significant change in the Trust's state of affairs or the Trust's operations during the financial year.

Non Audit Services

There were non-audit services of $16,000 provided to the Trust by the external auditor during the financial year (2011: $20,000).

Contribution in Winding Up

The Deed of Trust does not require any contribution in the event the Trust is wound up.

The Company is incorporated under the *Corporations Act 2001* (C'th) and is a company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute towards meeting any outstanding obligations of the entity. The Constitution in force on 30 June 2012 required each member to contribute a maximum of $1. At 30 June 2012, the total amount that members of the Company were liable to contribute if the Company was wound up was $52 (2011: $49)

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (C'th) is presented on page 28 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board.

MR PATRICK McINTOSH
Chairman

27 September 2012

Auditor's Independence Declaration to the Directors of RSL Care Limited

For the year ended 30 June 2012

GrantThornton

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

Grant Thornton House
Ground Floor
102 Adelaide Street
Brisbane Queensland 4000
GPO Box 1008
Brisbane Queensland 4001

T + 61 7 3222 0200
F + 61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To the Directors of RSL Care Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of RSL Care Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Dan Carroll

Dan Carroll
Partner – Audit & Assurance

Brisbane, 27 September 2012

	NOTE	2012 $'000	2011 $'000
Revenue	4	233,303	194,121
Other income	4	51	55
Fair value increment/(decrement) on retirement village assets	9	(12,158)	(41,541)
Retirement village residents share of fair value increment/(decrement)		1,420	7,765
Net gain/(loss) on fair value of financial instruments	2.3k	(883)	1,247
Employee benefits expense		(157,396)	(133,917)
Occupancy expenses		(22,757)	(20,181)
Finance costs		(6,430)	(7,907)
Depreciation & amortisation expense	5b	(13,560)	(15,801)
Licence impairment	5a	-	(23,279)
Rates & taxes		(3,847)	(4,579)
Repairs, maintenance & replacements		(11,398)	(10,628)
Other expenses		(18,318)	(10,452)
Surplus/(deficit) for the year		**(11,973)**	**(65,097)**
Other comprehensive income			
Net gain/(loss) on revaluation of land & buildings & licences	8.3	(24,374)	(111,854)
Total comprehensive income for the year		**(36,347)**	**(176,951)**
Surplus/(deficit) attributable to:			
RSL (QLD) War Veterans' Homes Trust		(11,973)	(65,097)
Total comprehensive income attributable to:			
RSL (QLD) War Veterans' Homes Trust		(36,347)	(176,951)

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2012

The accompanying notes form part of these financial statements

	NOTE	2012 $'000	2011 $'000	2010 $'000
CURRENT ASSETS				
Cash & short-term deposits	6	11,031	19,449	6,274
Trade & other receivables	7	3,214	3,348	3,326
Prepayments		1,466	1,225	921
Non-current assets held for sale	21	1,664	-	-
Total Current Assets		**17,375**	**24,022**	**10,521**
NON-CURRENT ASSETS				
Trade & other receivables	7	2,787	3,687	3,726
Property, plant & equipment	8	435,898	459,106	528,789
Retirement village assets	9	584,992	591,903	588,835
Intangible assets	10	760	-	74,345
Total Non-Current Assets		**1,024,437**	**1,054,696**	**1,195,695**
TOTAL ASSETS		**1,041,812**	**1,078,718**	**1,206,216**
CURRENT LIABILITIES				
Trade & other payables	11	632,433	623,152	560,800
Interest-bearing loans & borrowings	14	420	278	16,667
Other current financial liabilities	12	2,100	1,268	1,296
Provisions	13	13,609	11,237	10,653
Total Current Liabilities		**648,562**	**635,935**	**589,416**
NON-CURRENT LIABILITIES				
Interest-bearing loans & borrowings	14	53,330	70,000	66,500
Other non-current financial liabilities	12	1,947	1,896	3,117
Provisions	13	7,654	4,221	3,566
Total Non-Current Liabilities		**62,931**	**76,117**	**73,183**
TOTAL LIABILITIES		**711,493**	**712,052**	**662,599**
NET ASSETS		**330,319**	**366,666**	**543,617**
EQUITY				
Trust corpus	24			
Accumulated surplus		167,934	179,907	245,004
Reserves	15	162,385	186,759	298,613
TOTAL EQUITY		**330,319**	**366,666**	**543,617**

	NOTE	Accumulated Surplus $'000	Asset Revaluation Reserve $'000	Total Accumulated Funds $'000
Balance at 30 June 2010		**249,416**	**298,613**	**548,029**
Result of prior year restatement	2.3(k)	(4,412)	-	(4,412)
Balance at 30 June 2010		**245,004**	**298,613**	**543,617**
Decrement in value of freehold land & buildings	8.3	-	(60,788)	(60,788)
Decrement in value of aged care licences	10	-	(51,066)	(51,066)
Surplus/(deficit) for the year		(65,097)	-	(65,097)
Balance at 30 June 2011		**179,907**	**186,759**	**366,666**
Decrement in value of freehold land & buildings	8.3	-	(24,374)	(24,374)
Surplus/(deficit) for the year		(11,973)	-	(11,973)
Balance at 30 June 2012		**167,934**	**162,385**	**330,319**

The accompanying notes form part of these financial statements

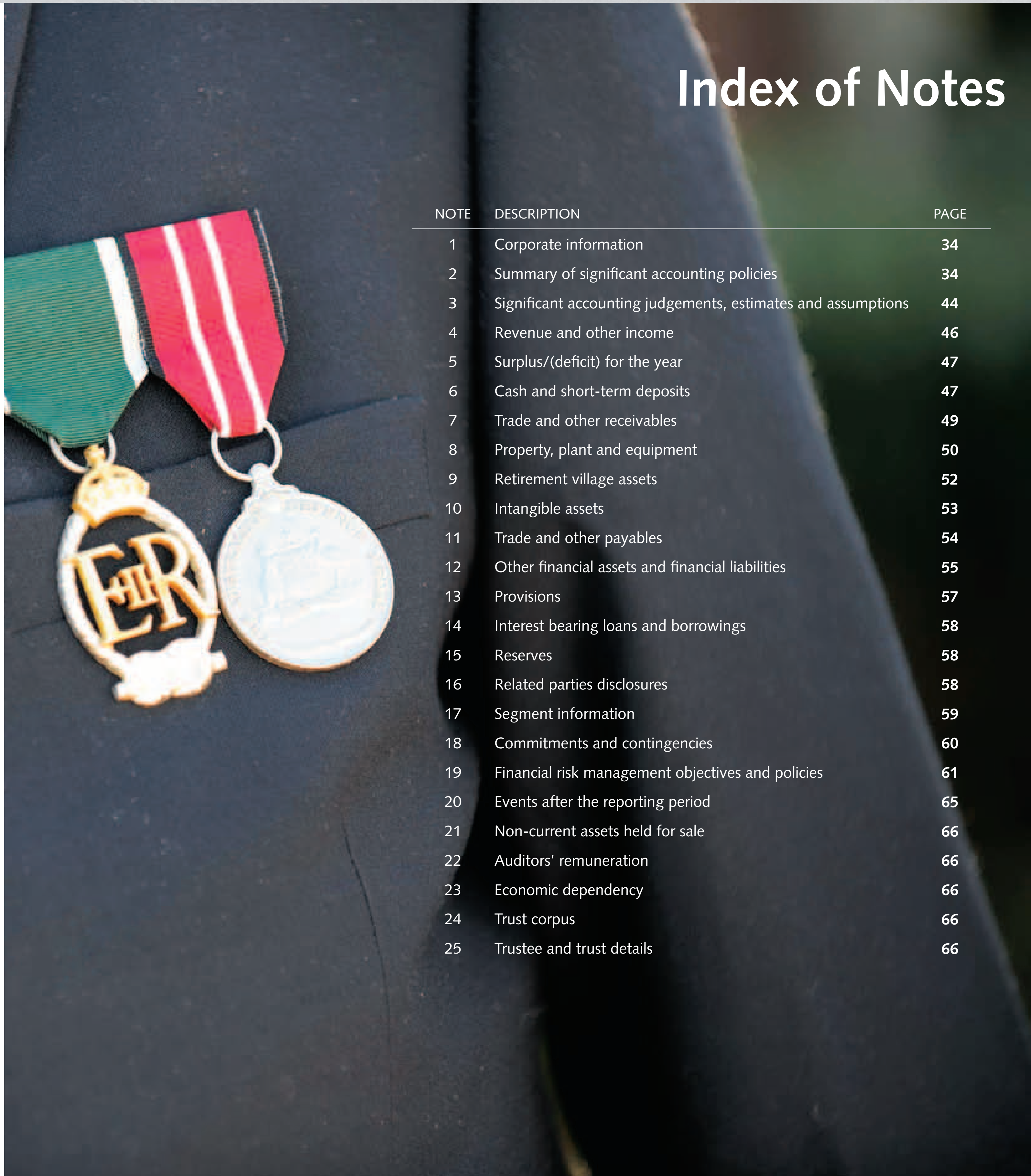
RSL Care Limited as Trustee for the RSL QLD War Veterans' Homes Trust

Statement of Cash Flows

For the year ended 30 June 2012

The accompanying notes form part of these financial statements

	NOTE	2012 $'000 Inflows (Outflows)	2011 $'000 Inflows (Outflows)
Cash flow from operating activities			
Receipts from residents & subsidies		214,581	178,201
Donations & grants received		562	2,323
Interest received		2,462	2,072
Payments to suppliers & employees		(206,124)	(179,636)
Finance costs		(6,430)	(7,908)
Net cash generated from/(used by) operating activities	6.3	**5,051**	**(4,948)**
Cash flow from investing activities			
Payments:			
Property, plant & equipment		(16,413)	(16,631)
Retirement village assets		(5,247)	(2,755)
Intangible Assets		(750)	-
Acquisition		-	(8,848)
Proceeds:			
Capital grants		1,482	234
Managed trust		706	39
Net cash generated from/(used by) investing activities		**(20,222)**	**(27,961)**
Cash flow from financing activities			
Payments:			
Resident loans		(30,121)	(27,755)
Accommodation bonds		(52,063)	(52,318)
Interest-bearing loans & borrowings		(16,528)	(12,890)
Refundable deposits		(1)	(623)
Proceeds:			
Resident loans		47,753	56,404
Accommodation bonds		57,709	83,257
Rental bonds		4	9
Net cash generated from/(used by) financing activities		6,753	46,084
Net increase / (decrease) in cash held		**(8,418)**	**13,175**
Cash at the beginning of the financial year		19,449	6,274
Cash at the end of the financial year	6	**11,031**	**19,449**



Index of Notes

Notes to the financial statements

1. CORPORATE INFORMATION

The financial statements of RSL Care Limited as trustee for the RSL (QLD) War Veterans' Homes Trust for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 27 September 2012.

RSL Care Limited (Company) was incorporated on 21 December 1983. It was established to act as Trustee for the RSL (QLD) War Veterans' Homes Trust (Trust) under a Deed of Trust dated 13 December 1983. The Trust provides Service and Ex-Service men and women, their dependants and other members of the broader Australian community with accommodation, care and services. The Company operates the Trust business under the name "RSL Care". The Company does not carry on business in its individual capacity.

The Company is a public company limited by guarantee and domiciled in Australia. The address of its registered office is 301 Wickham Street, Fortitude Valley, Queensland, Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Trust Deed. The financial report has also been prepared on a historical cost basis, except for retirement village assets, land and buildings, derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

2.2 Compliance with IFRS

A statement of compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) cannot be made due to the Trustee applying not-for-profit specific requirements contained in Australian Accounting Standards.

2.3 New accounting standards and interpretations

(i) Overall adoption of improvements to AASBs 2010 – AASB 2010-4 and 2010-52

The AASB has issued AASB 1054 Australian Additional Disclosures and 2011-11 Amendments to Australian Accounting Standards arising from the Trans-Tasman Conveyance Project and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Trustee.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Trustee.

Management anticipates that all of the relevant pronouncements will be adopted in the Trustee's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Trustee's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Trustee's financial statements. The following standards have been considered by management and are not believed to have an impact for the Trustee:

- Consolidation standards (AASB 10, AASB 11, AASB 12 and AASB 127);
- AASB 119 Employee benefits;
- AASB 2011-4 Amendments to KMP disclosures; and
- AASB Interpretations 20 Stripping Costs in the Production Phase of a Surface Mine.

AASB 9 Financial Instruments (effective from 1 January 2013)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Trustee. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

AASB 13 Fair Value Measurements (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Trustee's management have yet to assess the impact of this new standard.

AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (AASB 101 Amendments)

The AASB 101 amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other AASBs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Trustee's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures 6

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities. Qualitative and quantitative disclosures have been added to IFRS 7 relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are applicable for annual periods beginning on or after 1 January 2014. The Trustee's management have yet to assess the impact of these amendments.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trustee and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Trustee assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Trustee has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must be met before revenue is recognised.

Rendering of services

Revenue from fees and subsidies is recognised when the accommodation, care or service has been provided to the resident.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Rental income

Rental income arising from residents' right to reside in retirement village assets is accounted as accrued in accordance with the lease terms and included in revenue due to its operating nature.

Accommodation bond and resident loans income

Income from accommodation bonds and deferred management fees ("retention income") is recognised in accordance with the terms of residential agreements and retirement village agreements as governed by relevant legislation.

Donations and bequests

Donations received are recognised as revenue when the Trustee gains control, economic benefits are probable and the amount of the donation can be measured reliably. Bequests are recognised when the legacy is received.

(b) Government grants

If conditions are attached to a grant which must be satisfied before the Trustee is eligible to receive the contribution, recognition of the grant as revenue is deferred until those conditions are satisfied.

Where the grant is received on the condition that specified services are delivered to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and at year end a liability is recognised until the service is delivered.

Revenue from a non-reciprocal grant that is not subject to conditions is recognised when the Trustee obtains control of the funds, economic benefits are probable and the amount can be measured reliably. Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent that conditions remain unsatisfied.

Where the Trustee receives a non-reciprocal contribution of an asset from a government or other party for no or nominal consideration, the asset is recognised at fair value and a corresponding amount of revenue is recognised.

(c) Income tax and other taxes

Income tax

No income tax liability exists as the Trustee and Trust are exempt from income tax in accordance with Section 50-5 of the *Income Tax Assessment Act 1997*.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(d) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(e) Property, plant and equipment

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

Property

Freehold land and buildings are measured at fair value, being the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. Valuations are regularly performed by an external independent valuer to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case, the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Buildings have been measured at gross depreciated replacement cost with the estimated accumulated depreciation also shown.

Upon disposal, any revaluation reserve relating to that particular asset being sold is transferred to retained earnings.

Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it its probable that future economic benefits associated with the item will flow to The Trustee and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The carrying amount of property, plant and equipment is reviewed annually by the Trustee to ensure it is not in excess of the recoverable amount of these assets.

Depreciation

The depreciable amount of all buildings assets, excluding retirement village assets is depreciated on an advanced straight-line asset management approach over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Other assets excluding land are depreciated on a straight-line basis.

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

Class of Asset	Depreciation Rate
Buildings	0-40%
Leasehold improvements	11.1% - 33.3%
Plant and equipment	10%
Air conditioning	10%
Furniture, fixtures & fittings	10%
Office equipment	20%
Information technology	33.3%
Motor vehicles	15% - 17.71%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(f) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

Trustee as a lessee

Where the Trustee is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Trustee as a lessor

Leases in which the Trustee does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rental income is recognised as revenue in the period in which it is earned.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(h) Retirement village assets

Retirement village assets are measured initially at cost, including transaction costs and are held to generate income from deferred management fees and the Trustee's share of the increase in the market value of the investment. Subsequent to initial recognition, retirement village assets are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of retirement village assets are included in the statement of comprehensive income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Retirement village assets are held as investment properties and treated as such under accounting standard AASB 140: Investment Property. In prior financial reports, retirement village assets were called investment properties. A change in name occurred to more appropriately reflect their nature as retirement village assets.

(i) Intangible assets

Acquired intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent measurement

All intangible assets 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. In addition, they are subject to impairment testing as described in note 2 (l). The following useful lives are applied:

- Software and software licences: 1-5 years

Amortisation has been included within depreciation and amortisation.

Subsequent expenditure on the maintenance of computer software is expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

(j) Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial instruments within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Trustee determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Trustee commits to purchase or sell the asset.

The Trustee's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, unquoted financial instruments and derivative financial instruments.

Subsequent measurement

For the purpose of subsequent measurement, financial assets other that those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables; or
- Financial assets at fair value through profit or loss (FVTPL).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the statement of comprehensive income.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under AASB 139 are satisfied. The Trustee has not designated any financial assets at fair value through profit or loss.

The Trustee evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Trustee is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Trustee may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Trustee has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a"pass-through" arrangement; and either (a) the Trustee has transferred substantially all the risks and rewards of the asset, or (b) the Trustee has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trustee has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Trustee's continuing involvement in the asset. In that case, the Trustee also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trustee has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trustee could be required to repay.

(ii) Impairment of financial assets

At each reporting date, the Trustee assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowing, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Trustee determines the classification of its financial liabilities as initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loan and borrowings, directly attributable transaction costs. The Trustee's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, described as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Trustee that are not designated as hedging instruments in hedge relationship as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of AASB 139 are satisfied. The Trustee has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Trustee are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 12.

(k) Derivative financial instruments

The Trustee uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. The interest rate swap transacted by the Trustee should have been initially recognised at fair value on 16 June 2008 but was recognised at its nominal value. The swap has been correctly recognised at fair value as at 30 June 2012.

The accumulated surplus for the year ended 30 June 2010 has been restated with an adjustment of $4.412m. The balance sheets for 2010 and 2011 have also been restated. A further adjustment to reflect a gain of $1.247m in 2011 has been made in 2011 giving a total adjustment of $3.165m.

The swap liability at 30 June 2012 is $4.048m. The loss for 2012 was $833,000 compared to a gain of $1.247m in 2011.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income.

Hedge accounting has not been applied to the interest rate swap.

Impairment

At each reporting date, the Trustee assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income

(l) Impairment testing of intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Cash-generating units (determined by the Trustees' management as equivalent to its operating segments) are tested for impairment at least annually.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Trustees' latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

Impairment losses for cash-generating units are charged pro rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

(m) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand, bank deposits at call, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash, deposits at call and short term deposits as defined above, net of outstanding bank overdrafts.

(n) Provisions

General

Provisions are recognised when the Trustee has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Trustee expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Restructuring provision

Restructuring provisions are recognised only when general recognition criteria for provisions are fulfilled. Additionally, the Trustee follows a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate timeline. The employees affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

Employee benefits provision

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

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy the vesting requirements. Those cash outflows are discounted using the market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Provision for onerous contracts

The Trustee entered into contracts for the staged acquisition of the four parcels of land at Sovereign Hills. The costs associated with this contract represent an economic outflow required to settle the legal obligation and as such a provision has been made to reflect this liability. The non-current portion of the liability has been discounted to its present value.

Self-insurance provision

The Trustee is a member of the Aged Care Employers Self-insurance Group which is licensed as a self-insurer for its Queensland operations with Q-COMP, the Workers' Compensation Regulatory Authority. Through this membership the Trustee self-insures for Workers Compensation and appropriate provisions are taken up each year on the basis of an annual actuarial report.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Trustee's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, asset and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Trustee's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Carbon Price

The Australian government passed its *Clean Energy Act* in November 2011 with a start date of 1 July 2012. The legislation introduced a price on carbon emissions made by Australian businesses from 1 July 2012.

The flexible market-based price phase of the carbon pricing mechanism will commence on 1 July 2015. It will be preceded by a three-year period during which the price of permits will be fixed at $23 per tonne or carbon dioxide equivalent in year one, $24.15 in year two and $25.40 in year three.

During 2010-11 a business sustainability advisor was engaged to determine the annual level of carbon emissions produced by the Trustee. The Trustee's carbon output falls significantly below the reporting requirements of the *Clean Energy Act*.

On this basis and other information available, the introduction of the carbon pricing mechanism is not expected to have a significant impact on Trustee's critical accounting estimates, assumptions and management judgements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Trustee based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Trustee. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment and retirement village assets

The Trustee carries its retirement village assets at fair value, with changes in fair value being recognised in the statement of comprehensive income. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Trustee engaged independent valuation specialists to determine fair value as at 30 June 2012. For retirement village assets, the valuer used recent sales history and an assessment of market conditions to determine fair value.

The key assumptions used to determine the fair value of retirement village assets is further explained in Note 9.

Comprehensive external valuations are undertaken periodically.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Work in progress

Management reviews the future value of costs incurred to date and expected benefits realisation. This is of particular significance in projects such as property developments which can run over a number of years, and property refurbishments. The carrying amounts are analysed in note 8.3. Actual results, however, may vary due to changing customer requirements and market conditions in the case of property development which tends to have a long lead time from initial spend to achievement of development approval and finally completion of construction work.

4. REVENUE AND OTHER INCOME

	NOTE	2012 $'000	2011 $'000
Revenue			
Fees		44,989	41,494
Subsidies		161,090	129,734
Grants		1,482	234
Accommodation charges & retentions		7,687	7,063
Resident loan retentions		10,690	8,304
Interest revenue – other persons		2,462	2,072
Donations – general		511	468
Rent received		1,756	1,606
Consulting fees		20	17
Other revenue		2,616	3,129
Total revenue		**233,303**	**194,121**
Other income			
Profit on sale of plant & equipment		51	55
Total other income		**51**	**55**

5. SURPLUS/(DEFICIT) FOR THE YEAR

	NOTE	2012 $'000	2011 $'000
Surplus/(deficit) has been determined after:			
a. Expenses			
Finance costs – external		6,430	7,907
Bad debts		23	2
Loss on disposal of assets		207	229
Licence impairment	10	-	23,279
b. Depreciation & amortisation of non-current assets			
• Buildings & leasehold improvements	8.3		
- at valuation		8,557	9,200
- at cost		54	38
• Plant & equipment – at cost	8.3	1,576	1,417
• Air-conditioning – at cost	8.3	114	377
• Furniture, fixtures & fittings – at cost	8.3	214	266
• Office equipment – at cost	8.3	6	7
• Information technology – at cost	8.3	686	1,177
• Motor vehicles – at cost	8.3	1,232	1,219
• Low value asset pool – at cost	8.3	916	2,100
Amortisation of non-current assets			
• Software – at cost	10	205	-
Total depreciation & amortisation		**13,560**	**15,801**

6. CASH AND SHORT-TERM DEPOSITS

	NOTE	2012 $'000	2011 $'000
CURRENT			
Cash at bank & on hand		5,058	5,048
Short-term deposits		2,342	9,999
Capital replacement fund	6.1	3,631	4,402
Total cash & short-term deposits		**11,031**	**19,449**
Reconciliation of cash			
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the statement of financial position as follows:			
Cash at bank and on hand		5,058	5,048
Short-term deposits		2,342	9,999
Capital replacement fund		3,631	4,402
Total cash & short-term deposits		**11,031**	**19,449**

The effective rate on short term bank deposits was 4.2% (2011: 4.5%).

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 the Trustee, and earn interest at the respective short-term deposit rates.

At 30 June 2012, the Trustee had available $25m (2011: $19.53m) of undrawn committed borrowing facilities. At 30 June 2012, $50m of the facility had been drawn down (2011: $67m).

6.1 Capital Replacement Fund

Under the *Retirement Villages Act 1999 (QLD)* and *Retirement Villages Act (NSW)*, the Trustee contributes to a Capital Replacement Fund, which is used for the sole purpose of replacing retirement village capital items and is therefore regarded as restricted cash. The required contribution to the fund is determined annually by an independent quantity surveyor.

6.2 Maintenance Reserve Fund/Capital Works Fund

Under the *Retirement Villages Act 1999 (QLD)* and *Retirement Villages Act 1999 (NSW)*, residents of the Trustee's retirement villages contribute to a Maintenance Reserve Fund (QLD) and Capital Works Fund (NSW) which is for the sole purpose of maintaining and repairing retirement village capital items. The residents required contribution to the fund is determined annually by an independent quantity surveyor. The balance of the Maintenance Reserve Fund / Capital Works Fund is not included in the reported cash and cash equivalents presented in the Statement of Financial Position however the current balance is disclosed below.

	NOTE	2012 $'000	2011 $'000
Maintenance Reserve Fund/Capital Works Fund		**3,971**	**3,231**

6.3 Reconciliation of cash flows from operating activities

	NOTE	2012 $'000	2011 $'000
a. Reconciliation of surplus to net cash flows from operations			
Surplus/(deficit)		(11,973)	(65,097)
Non-cash adjustment to reconcile surplus to net cash flows:			
Depreciation & impairment of property, plant & equipment		13,355	15,801
Amortisation & impairment of intangible assets		205	23,279
Loss/(profit) on sale of assets		207	229
Accommodation bond retentions		(2,989)	(7,063)
Adjustment to residents' liabilities		(10,690)	(8,305)
Net (gain)/loss on retirement village assets		10,738	33,776
Net (gain)/loss on fair value of financial instruments		883	(1,247)
Non Operating Items:			
Capital donations		(1,482)	(234)
Changes in assets and liabilities:			
(Increase)/decrease in trade receivables		47	649
(Increase)/decrease in other current assets		(154)	(1,037)
(Decrease)/increase in trade payables		1,099	3,006
(Decrease)/increase in provisions		5,805	1,295
Net cash flows from operating activities		**5,051**	**(4,948)**

7. TRADE AND OTHER RECEIVABLES

	NOTE	2012 $'000	2011 $'000
CURRENT			
Trade receivables	7.1	521	438
Provision for impairment		(193)	(63)
Sundry receivables		2,873	2,960
Loans receivable		7	8
Security deposit		6	5
Total current trade & other receivables		3,214	3,348
NON-CURRENT			
Loans receivable	7.2		
Scartwater Trust		2,766	3,660
Maryborough Retirement Village MRF Fund		21	27
Total non-current		**2,787**	**3,687**

7.1 Trade receivables

Trade receivables are reviewed annually for impairment. As at 30 June 2012 an amount of $297,000 is outstanding greater than 30 days. The Trustee has made a provision of $193,000 for impairment.

7.2 Loan receivable

In 2005, the Trustee entered an agreement to act as management trustee of the Scartwater (Aged Care) Trust which operates a residential aged care facility and rental units at Bowen known as Cunningham Villas. Whilst Cunningham Villas is marketed and operated as the Trustee it is governed by the Scartwater (Aged Care) Trust Deed. Separate financial statements are prepared and audited for this facility. During the year the Trustee's loan to the Scartwater Trust has decreased by $894,000 (2011 reported a decrease of $66,000).

During 2010-11 the Trustee committed to a loan of $35,000 for a five year term to the Maryborough Retirement Village with $7,000 repayable in annual instalments. The first repayment was received during the year leaving a balance owing of $28,000.

8. PROPERTY, PLANT AND EQUIPMENT

	NOTE	2012 $'000	2011 $'000
LAND & BUILDINGS			
Freehold land at:			
At valuation		118,651	93,165
Cost (recent acquisition)		-	7,455
Total land		**118,651**	**100,620**
Buildings & leasehold improvements			
Buildings - at valuation		308,120	332,187
Less accumulated depreciation		(29,018)	(5,805)
		279,102	**326,382**
Buildings - at cost		-	854
Less accumulated depreciation		-	(38)
		-	**816**
Leasehold – at cost		536	446
Less accumulated depreciation		(249)	(196)
		287	**250**
Total buildings & leasehold improvements		279,389	327,448
Total land & buildings		**398,040**	**428,068**
Plant & equipment			
At cost		18,020	15,521
Less accumulated depreciation		(7,648)	(6,105)
		10,372	**9,416**
Air-conditioning			
At cost		1,838	1,441
Less accumulated depreciation		(938)	(824)
		900	**617**
Furniture, fixture & fittings			
At cost		2,496	2,246
Less accumulated depreciation		(1,218)	(1,004)
		1,278	**1,242**
Office equipment			
At cost		285	228
Less accumulated depreciation		(222)	(216)
		63	**12**
Information technology			
At cost		7,548	6,229
Less accumulated depreciation		(5,365)	(5,116)
		2,183	**1,113**
Motor vehicles			
At cost		9,360	8,782
Less accumulated depreciation		(4,064)	(3,828)
		5,296	**4,954**
Low value asset pool			
At cost		6,699	5,903
Less accumulated depreciation		(5,746)	(4,830)
		953	**1,073**
Total plant & equipment		**21,045**	**18,427**
Total work in progress		**16,813**	**12,611**
Total property, plant & equipment		**435,898**	**459,106**

8.1 Land and building valuations

Freehold land and buildings were valued at fair value as at 30 June 2012. The valuation assessment was based on a specifically-commissioned valuation by an independent registered valuer. The resulting write-down in property values has been charged to the Asset Revaluation Reserve.

8.2 Joint venture agreements

The Trust is currently a party to three joint venture agreements under which the Trust holds a 50% interest in the joint venture assets.

Under one joint venture agreement either participant can withdraw from the joint venture in which case it is required to transfer its joint venture interest to the other participant at nil value. In the other two agreements in the event of a disposal of the joint venture assets each party will receive the market value of the assets they have contributed to the joint venture. The contributions made by the counterparty to each of these two joint ventures no longer have a market value. On this basis the total contribution by the Trust to each joint venture is recognised in these accounts as 100% of the net assets.

8.3 Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment are as follows:

Year ended 30 June 2012	Freehold land $'000	Buildings & leasehold improvements $'000	Work in progress $'000	Plant - at cost $'000	Air-con - at cost $'000	FF&F - at cost $'000	Office equip. - at cost $'000	Information technology - at cost $'000	MV"s - at cost $'000	Low value asset pool – at cost $'000	Total $'000
At 1 July 2011	100,620	327,448	12,611	9,416	617	1,242	12	1,113	4,954	1,073	**459,106**
Additions	-	643	12,240	2,546	397	251	57	983	2,614	796	**20,527**
Transfers from WIP	2,262	1,724	(5,224)	-	-	-	-	988	-	-	**(250)**
Transfer assets held for resale	(1,664)	-	-	-	-	-	-	-	-	-	**(1,664)**
Transfer to software	-	-	-	-	-	-	-	(215)	-	-	**(215)**
Transfers to retirement village assets	-	-	(1,130)	-	-	-	-	-	-	-	**(1,130)**
Revaluation increment/ (decrement)	17,433	(41,807)	-	-	-	-	-	-	-	-	**(24,374)**
Disposals	-	(8)	(1,684)	(14)	-	(1)	-	-	(1,040)	-	**(2,747)**
Depreciation expense	-	(8,611)	-	(1,576)	(114)	(214)	(6)	(686)	(1,232)	(916)	**(13,355)**
At 30 June 2012	118,651	279,389	16,813	10,372	900	1,278	63	2,183	5,296	953	**435,898**

Year ended 30 June 2011	Freehold land $'000	Buildings & leasehold improvements $'000	Work in progress $'000	Plant - at cost $'000	Air-con - at cost $'000	FF&F - at cost $'000	Office equip. - at cost $'000	Information technology - at cost $'000	MV"s - at cost $'000	Low value asset pool – at cost $'000	Total $'000
At 1 July 2010	122,571	359,884	23,838	9,046	1,897	1,820	15	1,777	5,361	2,580	528,789
Additions	7,455	377	7,038	2,891	251	164	4	513	1,982	593	21,268
Transfers	6,610	1,820	(8,430)	-	-	-	-	-	-	-	-
Transfers to retirement village assets	(55)	(568)	(9,497)	(1,051)	(1,154)	(476)	-	-	-	-	(12,801)
Transfer assets held for resale	-	-	-	-	-	-	-	-	-	-	-
Revaluation increment/ (decrement)	(35,961)	(24,827)	-	-	-	-	-	-	-	-	(60,788)
Disposals	-	-	(338)	(53)	-	-	-	-	(1,170)	-	(1,561)
Depreciation expense	-	(9,238)	-	(1,417)	(377)	(266)	(7)	(1,177)	(1,219)	(2,100)	(15,801)
At 30 June 2011	100,620	327,448	12,611	9,416	617	1,242	12	1,113	4,954	1,073	459,106

8.4 Software/intangible assets

Previously the category of Information Technology included software intangible assets as these were of an immaterial nature. As there will be significant investment in software intangible assets over the next few years it has been decided to separate these two categories going forward. Note 10 Intangible Assets gives further details of these assets.

8.5 Restricted assets

Included in the above total of freehold land is $255,000 representing land located at Longreach gifted to the Trustee in 2003. In the event the Trustee no longer requires the land, it is required to transfer the land to a similar organisation after consultation with the Longreach Shire Council.

Similarly, also included in the total of freehold land is $2.9m representing land located within the Lake Macquarie region gifted to the Trustee in 2008. In the event the Trustee no longer requires the land it is required to transfer the land to a similar organisation after consultation with the Department of Health and Ageing.

8.6 Capitalised finance costs

	NOTE	2012 $'000	2011 $'000
Finance costs incurred			
The effective interest rate used in the allocation of finance costs		9.62%	6.00%
- Work in Progress		334	284

9. RETIREMENT VILLAGE ASSETS

	NOTE	2012 $'000	2011 $'000
Opening balance		591,903	588,835
Additions – work in progress	8.3	1,130	9,497
Transfers from the Trustee's Assets		-	3,304
Additions – Capital improvements (CRF)		4,117	2,446
Acquisition of Breezes Mackay		-	29,362
Fair value adjustments		(12,158)	(41,541)
Total retirement village assets – at valuation		**584,992**	**591,903**

A valuation of retirement village assets by independent valuers was undertaken at 30 June 2012. The valuation was based on an assessment of the properties' current market value. This assessment was based on a valuation of all units in each of the Trustee's retirement villages or, where a valuation was unavailable, on recent sales history or comparable market conditions.

Subsequent to the independent valuation and in response to a higher than normal vacancy rate at some villages, the Trustee has reduced the price of vacant units at these villages to more adequately reflect market value. The impact of these reductions is an additional decrement in fair value on retirement village assets of $4.026m and a decrease in the residents' share of fair value increments of $960,000. The net impact is $3.066m.

Rental income and deferred management fee income, associated with retirement village assets of $8.8m (2011: $8.1m) is included in Note 4. Direct operating expenses, including repairs and maintenance, associated with retirement village assets of $9.2m (2011: $8.4m) is included and reported in the statement of comprehensive income against the relevant line item.

10. INTANGIBLE ASSETS

	NOTE	2012 $'000	2011 $'000
Aged care licences			
Gross carrying amount			
Opening cost or valuation balance		-	75,395
Additions		-	-
Closing cost or valuation balance		-	75,395
Amortisation and impairment			
Opening Balance		-	(1,050)
Amortisation		-	-
Impairment loss		-	(74,345)
Closing accumulated amortisation		-	(75,395)
Net aged care licences *			**-**
Software & software licences			
Opening cost or valuation balances		420	
Transferred in		215	-
Additions, separately acquired		750	-
Disposals		-	-
Closing cost or valuation balance		1,385	-
Amortisation & impairment			
Opening Balance		(420)	-
Amortisation		(205)	-
Impairment loss		-	-
Closing accumulated impairment		(625)	-
Net software & software licences		760	-
Total intangibles		**760**	**-**

* In June 2011 the Directors' review of the carrying amount of the residential care and community care package licences taking into account the market data, the recommendations of the Productivity Commission report, Caring for Older Australians determined that the Trustee should cease to attribute any value to residential care or community care package licences. As a result, the Trustee has fully derecognised the value of all residential

care and community care package licences totalling $74.345m. The statement of comprehensive income was debited by $23.279m and the Asset Revaluation Reserve was debited by $51.066m.

10.1 Software and Software Licences

Previously software and software licences were disclosed in Note 8: Property, Plant and Equipment. In 2012, software and software licences were transferred to Intangible Assets to better reflect their nature.

11. TRADE AND OTHER PAYABLES

	NOTE	2012 $'000	2011 $'000
CURRENT			
Unsecured Liabilities			
Resident loans	11.1	409,752	404,230
Accommodation bonds & resident funding	11.2	205,845	201,189
Other loans	11.3	5,333	7,332
Rental bonds		73	69
Trade payables		4,562	1,871
Accrued expenses		3,947	3,965
Other trade payables		377	1,229
Unearned revenue		2,544	3,267
Total trade & other payables		**632,433**	**623,152**

11.1 Resident loans

Resident loans relate to equity-funded independent living unit agreements under which a proportion of the loan will be refundable to the resident upon cessation of occupancy. The amount refundable is based on a predetermined formula and is dependent on the prevailing market value at the cessation of occupancy and the duration of occupancy of the unit. The Trustee guarantees repayment of the resident's loan within the earlier of six or twenty-four months (depending on the resident agreement) from cessation of occupancy or 14 days from receipt of a replacement resident's loan.

11.2 Accommodation bonds and resident funding

Accommodation bonds and resident funding represents amounts received from residents entering the Trustee's aged care facilities for the purpose of receiving low-level care as defined by the *Aged Care Act 1997*. Each accommodation bond is refundable within 14 days of the resident's departure. The amount refundable is equal to the initial bond less a retention based on a predetermined formula in accordance with the *Aged Care Act 1997*.

11.3 Other loans

Other loans represent amounts received into the Trustee's "non-deeming" fund on an interest-free basis from supporters of the Trustee's activities. Invariably, these loans have been received from intending aged care residents who have chosen to invest in the Fund in return for negotiating a reduction in their accommodation bond.

12. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities

12.1 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Financial assets	NOTE	2012 $'000	2011 $'000
Non-current			
Loans receivable	7.2	2,787	3,687
Current			
Cash & cash equivalents	6	11,031	19,449
Trade & other receivables	7	3,207	3,340
Loans receivable	7.2	7	8
Financial liabilities			
Financial liabilities measured at amortised cost:			
Non-current			
Trade & other payables		-	-
Borrowings		53,330	70,000
Interest rate swap		1,947	1,896
Current			
Trade & other payables	11	632,433	623,152
Borrowings		420	278
Interest rate swap		2,100	1,268

See note 2.3 (j) for a description of the accounting policies for each category of financial instruments. Information relating to fair values are presented in the related notes. The methods used to measure fair value are described in note 12.2. A description of the Trustee's financial instrument risk, including risk management objectives and policies is given in note 18 and/or Note 19.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed rate and variable rate receivables/borrowings are evaluated by the Trustee based on parameters such as interest rates, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2012, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- Fair value of unquoted available-for-sale financial assets is the sales contract price.
- The Trustee entered into a derivative financial instrument (interest rate swap) with a financial institution with an investment grade credit rating.

- At 30 June 2012, the Trustee had an interest rate swap agreement in place with a notional amount of $50m whereby the Trustee pays a fixed rate of interest of 7.49% and pays a variable rate equal to 5.125% on the notional amount. The swap has been valued using a discounted cash flow valuation technique which is fair value. Any gain or loss is taken to the statement of comprehensive income.

Secured bank loan

On 21 April 2011 the bank facilities were renewed. These facilities have been restructured and extended to 31 July 2013. As part of this restructure, covenants over interest cover and overall LVR were agreed. As at 30 June 2012 no breach of these covenants has been reported. The revolving cash advance facility is secured by fixed and floating mortgages or charges over all the Trustee's assets and undertakings. The total amount repayable on maturity is $50m.

Unsecured Commonwealth Government loan

This loan has been provided to the Trustee by the Department of Health and Ageing on behalf of the Commonwealth Government for the express purpose of capital works to provide residential aged care services in the aged care planning region of West Moreton in Queensland. The loan will be fully drawn down to $5m by early August 2012, it is then repayable in 119 equal monthly instalments of $41,666 per month commencing in September 2012 with a final instalment of $41,666 due in August 2022.

12.2 Financial instruments measured at fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, i.e. as prices, or indirectly, i.e. derived from prices.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The hierarchy of the fair value measurement of the Trustee's financial assets and financial liabilities are as follows:

	Level 1	Level 2	Level 3	Total
30-Jun-12	$'000	$'000	$'000	$'000
Liabilities				
Interest rate swap	4,047	-	-	4,047
Net fair value	**4,047**	**-**	**-**	**4,047**
30-Jun-11				
Liabilities				
Interest rate swap	3,165	-	-	3,165
Net fair value	**3,165**	**-**	**-**	**3,165**

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

13. PROVISIONS

	Employee Benefits $'000	Workplace Injury $'000	Total $'000
Opening balance at 1 July 2011	**13,101**	**2,257**	**15,358**
Additional provisions raised during the year	14,308	1,524	15,832
Amounts used	(11,753)	(1,303)	(13,056)
Actuary report adjustment	-	62	62
Balance at 30 June 2012	**15,656**	**2,540**	**18,196**

Employee Benefits and Workplace Injury	2012 $'000	2011 $'000
Current	12,893	11,137
Non-current	5,303	4,221
Total	**18,196**	**15,358**

Other provisions – Restructuring, onerous contracts & insurance	2012 $'000	2011 $'000
Current	716	100
Non-current	2,351	-
Total	**3,067**	**100**

Analysis of total provisions	2012 $'000	2011 $'000
Current	13,609	11,237
Non-current	7,654	4,221
Total	**21,263**	**15,458**

Employee benefits

A provision has been recognised for employee benefits relating to annual leave and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 2.3(n).

Workplace injury

Along with two other aged care providers, the Trustee is licensed to self insure workplace injury risks associated with employment in Queensland and accepts the risks previously insured via WorkCover Queensland. In return the Trustee has greater control of the management of workplace injury and rehabilitation. The above provisions have been calculated by an independent actuarial consultant.

Restructuring provision

The provision relates to the organisational restructure of the Trustee. The restructuring plan was drawn up and announced to employees in the 2012 financial year when the provision was recognised in the financial statements. The restructuring is expected to be completed by 2013.

Onerous contracts

The Trustee entered into a contract for the staged acquisition of four parcels of land at Sovereign Hills. The costs associated with this contract represent an economic outflow required to settle the legal obligation and as such a provision has been made to reflect this liability. The non-current portion of the liability has been discounted to its present value.

Insurance claim

During 2010-2011 the Trustee lodged an insurance claim for damage caused by severe weather incidents. This claim is ongoing and is expected to be paid with the exception of a $100,000 excess which has been provided for.

14. INTEREST BEARING LOANS AND BORROWINGS

	NOTE	2012 $'000	2011 $'000
CURRENT			
Insurance loan		-	278
Unsecured Commonwealth Government loan		420	-
Total current interest bearing loans and borrowings		**420**	**278**
NON-CURRENT			
Secured bank loan		50,000	67,500
Unsecured Commonwealth Government loan		3,300	2,500
Total non-current interest bearing loans and borrowings		**53,300**	**70,000**

15. RESERVES

	NOTE	2012 $'000	2011 $'000
Asset revaluation reserve		162,385	186,759

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in the reserve.

16. RELATED PARTIES DISCLOSURES

Compensation of key management personnel

Key management personnel are the directors and the executive leaders of the Trustee. Key management personnel compensation includes the following expenses recognised during the reporting period:

	NOTE	2012 $'000	2011 $'000
Short-term employee benefits		2,064	1,487
Post-employment benefits		254	282
Other long-term benefits		192	206
Termination benefits		1,131	-
Total compensation		**3,641**	**1,975**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. Dduring the financial year non-executive directors did not receive any benefits other than expense reimbursements.

17. SEGMENT INFORMATION

	Residential Aged Care		Other Business	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Primary reporting – Business segments:				
Revenue:				
Resident charges	38,551	37,247	11,151	8,309
Government subsidies	127,567	103,391	33,524	26,342
Accommodation bond retentions	2,974	3,000	10,690	8,305
Fair value increment on retirement village assets	-	-	(12,158)	(41,541)
Profit on disposal of assets	-	-	50	53
Capital grants	32	15	1,450	218
Interest income	-	-	2,461	2,072
Donations	7	27	404	2,141
Other revenue	475	180	35,697	33,030
Total revenues	**169,606**	**143,860**	**83,269**	**38,929**
Expenses:				
Care employee expenses	(72,947)	(63,538)	(21,607)	(23,252)
Other employee expenses	(34,734)	(33,300)	(29,176)	(14,662)
Management fees	(8,178)	(8,201)	(5,526)	(4,696)
Interest expense	-	-	(6,426)	(7,905)
Depreciation & amortisation	(10,926)	(12,054)	(2,634)	(27,026)
Other expenses	(29,515)	(27,625)	(43,179)	(26,874)
Total expenses	**(156,300)**	**(144,718)**	**(108,548)**	**(104,415)**
Segment result from ordinary activities before income tax	**13,306**	**(858)**	**(25,279)**	**(65,486)**
Income tax expense relating to ordinary activities	-	-	-	-
Net profit from ordinary activities after related income tax expense	**13,306**	**(858)**	**(25,279)**	**(65,486)**
Segment assets:				
Segment current assets	10,995	15,747	6,380	8,338
Segment non-current assets	413,198	431,764	611,239	622,931
Total segment assets	**424,193**	**447,511**	**617,619**	**631,269**
Segment liabilities:				
Segment current liabilities	230,972	222,230	417,590	412,499
Segment non-current liabilities	50,345	59,377	12,586	14,844
Total segment liabilities	**281,317**	**281,607**	**430,176**	**427,343**
Net segment assets	**142,876**	**165,904**	**187,443**	**203,926**
Component of segment liabilities included above:				
Accommodation bond liabilities	205,845	201,189	-	-
Segment interest-bearing liabilities	-	-	50,000	67,500

Segment information is provided to fulfil the requirements of the *Aged Care Act 1997*. In accordance with the Act the result of Residential Aged Care is disclosed separately to the other operations of the Trust. Costs that are directly attributable to Residential Aged Care are directly allocated to this segment while shared costs are allocated based on appropriate allocation methods.

18. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Trustee as lessee

The Trustee has entered into commercial leases on office premises. These leases have an average life of between 1 and 5 years with many having renewal option included in the lease. There are no restrictions placed upon the Trustee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	NOTE	2012 $'000	2011 $'000
Within one year		900	862
After one year but not more than five years		689	1,590
More than five years		-	-
Total operating lease commitments as lessee		**1,589**	**2,452**

Operating lease commitments – Trustee as lessor

	NOTE	2012 $'000	2011 $'000
Within one year		24	67
After one year but not more than five years		14	38
More than five years		-	-
Total operating lease commitments as lessor		**38**	**105**

CAPITAL COMMITMENTS

	NOTE	2012 $'000	2011 $'000
Thornlands – Aged Care Facility & Retirement Village		8,470	8,470
Ipswich – Aged Care Facility & Retirement Village		2,574	455
Sunnybank – Aged Care Facility Refurbishment		1,621	2,122
Emu Park – Aged Care Facility & Retirement Village		75	-
Port Macquarie – Aged Care Facility & Retirement Village		22,495	24,295
Currumbin Waters – Aged Care Facility Refurbishment		1,385	-
Pinjarra Hills – Aged Care Facility		-	1,802
Total capital commitments		**36,620**	**37,144**
Capital estimated to be expended within the next 12 months		5,655	19,349

Property, plant and equipment commitments

The Trustee had contractual obligations to purchase plant and equipment for $368,000 at balance date (2011: $nil) principally relating to the purchase of electric beds. This commitment is expected to be settled within 12 months from balance date. The 2011 commitment was settled during the 2011/12 financial year.

Commitments relating to retirement village assets

The Trustee has no contractual obligations to purchase retirement village assets.

At balance date the Trustee had no material contractual obligations in respect of repairs and maintenance of retirement village assets. The maintenance of retirement village assets is the responsibility of the residents in accordance with their residence agreement.

Guarantees

The Trustee has provided the following guarantees at 30 June 2012:

- Secured bank guarantees of $3,712,330 subject to annual review; and
- Registered equitable mortgage with the Commonwealth Bank of Australia by RSL Care Limited as trustee for the Trust over all of the Trust assets and undertakings.

Contingent liabilities

Estimates of material amounts of contingent liabilities not provided for in the financial report:

Due to current market conditions in the Independent Living Unit sector, the Trustee has reduced the price of a "right to reside" in a unit for a number of units. In accordance with Section 66 of the Retirement Villages Act 1999 (Qld) the Trustee is required to pay the former resident an exit entitlement at the original agreed value pending negotiations with former residents seeking an agreement to lower the agreed value. Therefore a contingent liability has been created which is not possible to quantify at this time due to uncertainly surrounding the timing of sales occurring before revaluations are agreed and uncertainly regarding the amount of any possible outflow.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

19.1 Financial instrument risk

Risk management objectives and policies

The Trustee is exposed to various risks in relation to financial instruments. The Trustee's financial assets and liabilities by category are summarised in note 12.1. The main types of risks are market risk, credit risk and liquidity risk.

The Trustee's risk management is coordinated at its headquarters, in close cooperation with the Trustee, and focuses on actively securing the Trustee's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Trustee does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Trustee is exposed are described below.

19.2 Market risk analysis

The Trustee is exposed to market risk through its use of financial instruments and specifically to interest rate risk and certain other price risks, which result from both its operating and investing activities.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt arrangements. In order to increase certainty of interest payments, a portion of this debt has been fixed via a swap arrangement. At 30 June 2012 $50m of the debt is subject to this swap agreement at 7.49% with an expiry date of 16 June 2013.

The exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates of those financial assets and financial liabilities, is managed via a combination of (i) interest rate swap transactions, (ii) fixed rate agreements and (iii) market applicable interest rates.

The sensitivity analyses below relate to the position as at 30 June in 2012 and 2011 and have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives are all constant at 30 June 2012.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments.

The sensitivity of the relevant statement of comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 30 June 2012 and 2011

Interest rate sensitivity

At 30 June 2012, the Trustee is exposed to changes in market interest rates through bank borrowings at variable interest rates. The Trustee's investments in short and long term deposits all pay fixed interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 2.0% (2011: +/- 2.00%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

At 30 June 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2012		2011	
	Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Change in surplus				
• Increase in interest rate by 2%	(427)	(427)	(444)	(444)
• Decrease in interest rate by 2%	427	427	444	444
Change in equity				
• Increase in interest rate by 2%	(427)	(427)	(444)	(444)
• Decrease in interest rate by 2%	427	427	444	444

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

No sensitivity analysis has been performed on foreign exchange risk, as the entity is not exposed to foreign currency fluctuations.

19.3 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Trustee. The Trustee is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc. The Trustee's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

Classes of financial assets	NOTE	2012 $'000	2011 $'000
Carrying amounts:			
Cash & short-term deposits	6	11,031	19,449
Trade & other receivables	7	3,214	3,348
Long term loan	12	2,787	3,687
Total		**17,032**	**26,484**

The Trustee continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls.

The Trustee's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

Some of the unimpaired trade and other receivables are past due as at the reporting date. Information on financial assets past due but not impaired are as follows:

	Gross Amount $000	Past due and impaired $000	Past due but not impaired $000	$000	$000	$000	Within initial trade terms $000
			(days overdue)				
2011			**<30**	**31-60**	**61-90**	**>90**	
Trade receivables	438	63	-	130	-	-	245
Sundry debtors	2,960	-		-	-	-	2,960
Other receivables	12	-	-	-	-	-	12
Total	**3,411**	**63**	**-**	**130**	**-**	**-**	**3,218**
2012							
Trade receivables	521	193	81	23	-	-	224
Sundry debtors	2,873	-	-	-	-	-	2,873
Other receivables	13	-	-	-	-	-	13
Total	**3,407**	**193**	**81**	**23**	**-**	**-**	**3,110**

In respect of trade and other receivables, the Trustee other than from subsidies paid by the Commonwealth and Queensland Governments is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Trade receivables are reviewed annually for impairment. As at 30 June 2012 an amount of $297,000 is outstanding greater than 30 days. The Trustee has made a provision of $193,000 for impairment.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The carrying amounts disclosed above are the Trustee's maximum possible credit risk exposure in relation to these instruments.

The Trustee receives the majority of revenue from subsidies paid by the Commonwealth and Queensland Governments.

19.4 Liquidity risk analysis

Liquidity risk is that the Trustee might be unable to meet its obligations. The Trustee manages its liquidity needs by monitoring its forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Trustee's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Trustee considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Trustee's existing cash resources and trade receivables exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months, except the amount receivable from the Scartwater (Aged Care) Trust.

As at 30 June 2012, the Trustee's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
30 June 2011	**Within 6 months**	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
30 June 2012	$'000	$'000	$'000	$'000
Interest-bearing borrowings	210	210	53,330	-
Trade & other payables	632,433	-	-	-
Total	**632,643**	**210**	**53,330**	**-**

This compares to the maturity of the Trustee's financial liabilities in the previous reporting period as follows:

30 June 2011				
Interest-bearing borrowings	278	-	70,000	-
Trade & other payables	623,152	-	-	-
Total	**623,430**	**-**	**70,000**	**-**

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

The Trustee's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Trustee's operations and to provide guarantees to support its operations. The Trustee has trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Trustee also enters into derivative transactions.

Finance management review on a regular basis the financial risk exposure and evaluate treasury management strategies in the context of current and forecast economic and industry conditions. The Trustee's overall risk management strategy seeks to assist it in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The finance management team operates under policies approved by the Board of Directors including a Treasury Policy.

The Trustee is exposed to market risk, credit risk and liquidity risk.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Trustee's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Trustee's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarises the maturity profile of the Trustee's financial liabilities based on contractual undiscounted payments.

Year ended 30 June 2012	**On demand $'000**	**Less than 3 months $'000**	**3 to 12 months $'000**	**1 to 5 years $'000**	**> 5 years $'000**	**Total $'000**
Interest-bearing loans & borrowings	-	105	315	53,330	-	**53,750**
Other liabilities	-	-	-	-	-	**-**
Trade & other payables	-	11,503	620,930	-	-	**632,433**
Financial guarantee contracts	-	-	-	-	-	**-**
Interest rate swap	-	525	1,575	1,947	-	**4,047**
	-	**12,133**	**622,820**	**55,277**	**-**	**690,230**

Capital management

Senior Management ensures that adequate cash flows are generated to fund its activities and that returns from investments are maximised. The Finance & Audit Committee ensures that the overall risk management strategy is in line with this objective.

The Finance & Audit Committee operates under policies approved by the Trustee. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

The net gearing ratio for the year ended 30 June 2012 was 16% (2011: 19%)

Collateral

The Trustee did not hold any collateral as at 30 June 2012 and 30 June 2011.

20. EVENTS AFTER THE REPORTING PERIOD

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation. The Trustee has the right to amend the financial statements after they have been issued.

21. NON-CURRENT ASSETS HELD FOR SALE

In June 2012 the Trustee entered into a contract for the sale of its property and land at Coral Coast Drive, Palm Cove, Queensland. The sale, which has not been reflected in this financial report, is expected to be completed in October 2012.

22. AUDITORS' REMUNERATION

The auditor of RSL Care Limited as Trustee for the RSL QLD War Veterans' Homes Trust is Grant Thornton.

	NOTE	2012 $'000	2011 $'000
Amounts received or due & receivable by Grant Thornton for:			
• An audit or review of the financial report of the entity		89	67
• Other services in relation to the audit of the entity		61	53
• Other non-audit services		16	20
Total auditors' remuneration		**166**	**140**

23. ECONOMIC DEPENDENCY

The Trustee is dependent on government funding under the *Aged Care Act 1997* (C'th) for operation of its residential aged care facilities and community care packages. There has been no indication that the government will be changing this type of funding.

24. TRUST CORPUS

The Trust was established by a Deed of Trust dated 13 December 1983 between the Returned Services League Queensland Branch as the Settlor and the Company as the Trustee. The Settlor paid an original endowment of $25 to the Company to establish the Trust. This initial trust corpus is not shown in the financial statements as all figures have been rounded to the nearest $'000.

25. TRUSTEE AND TRUST DETAILS

The registered office and principal place of business of the Trust is:-

RSL Care
301 Wickham Street
Fortitude Valley QLD 4006

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 21-67 present fairly the Trust's financial position as at 30 June 2012 and its performance for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations); and the Trust Deed, and
2. In the Directors' opinion there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of the Company.

MR PATRICK McINTOSH
Chairman

27 September 2012

Grant Thornton

Independent Auditor's Report

To the Members of RSL (QLD) War Veterans' Homes Trust

We have audited the accompanying financial report of RSL (QLD) War Veterans' Homes Trust (the "Trust"), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Directors of the Trustee Company.

Responsibility of the Directors of the Trustee Company for the financial report

The Directors of the Trustee Company for the Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Trust Deed. This responsibility includes internal controls the Directors of Trustee Company determine necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Trustee Company, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

In our opinion, the financial report of RSL (QLD) War Veterans' Homes Trust:

i presents fairly, in all material respects, the Trust's financial position as at 30 June 2012 and of its performance and cash flows for the year then ended; and

ii complies with Australian Accounting Standards and the relevant legislation.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Dan Carroll

DAN CARROLL
Director - Audit & Assurance

Brisbane, 27 September 2012

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