RSL Care Limited as Trustee for RSL (QLD) War Veterans' Homes Trust Directors' Report

The Directors of RSL Care Limited ACN 010 488 454 (**Company**), the Trustee for RSL (QLD) War Veterans' Homes Trust ABN 90 010 488 454 (**Trust**), present their report on the Trust for the Financial Year ended 30 June 2014 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 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 Chief Executive Officer's Report in the separately issued Year in Review.

Operating Result

The Trust's operating surplus for the year was $11,095,000 as compared to a prior year deficit of $21,988,000.

The improved operating result was primarily driven by the following factors:

- Retirement village assets decrement in value (after including the change in provision for residents' share of capital gain) resulted in a net decrement in value of $2,189,000 compared to a decrement in value of $29,440,000 in 2013.
- A significant improvement in the operating result of the residential care business stream, which contributed an extra $6.5m to surplus, largely driven by revenue increases from ensuring our entitlements to government funded revenue were received and improved cost controls that reduced operating expenditure by 1.3%.
- An improvement in the retirement village occupancy rate to 94% (from 90% at 30 June 2013) which contributed an extra $1.6m to surplus.
- An investment in the transformational change program that enabled the Trust to commence investment in innovation and design initiatives and also to begin piloting some new product concepts for our customers.

Operating surpluses are necessary to ensure required capital expenditure can be funded, future service expansion can be funded, and to build a buffer for unexpected business setbacks. The current year's adjusted operating surplus represents 4.3% of operating revenue (2013: 2.5%).

The Company and Trust are exempted from payment of income tax given the Trust's focus on providing aged care and retirement living solutions to returned services personnel, their families and older Australians irrespective of their personal circumstances.

Going Concern

The Statement of Financial Position discloses total current assets of $46,073,000 (2013: $66,339,000) and total current liabilities of $703,488,000 (2013: $683,786,000). This largely arises because resident loans and accommodation bonds, totalling $671,058,000 (2013: $651,416,000), are classified in full as a current liability, whereas the assets to which the loans and bonds relate (land, buildings and retirement village assets), are classified as non-current assets. Resident loans and accommodation bonds are classified as a current liability because the Trust does not have an unconditional right to defer settlement of resident loans or accommodation bonds for at least 12 months after the reporting period. In practice, the rate at which residents vacate their retirement village units and their aged care accommodation can be estimated. Given that our resident profile is generally consistent with prior periods, these prior periods provide a reliable estimate of future payment trends. As noted in the cash flows from financing activities, $99,939,000 (2013: $97,938,000) of resident loans and accommodation bonds were refunded during the year. These refunded loans were replaced by incoming contributions (including accommodation bonds) of $130,280,000 (2013: $134,355,000). In each of the last five financial years incoming contributions have significantly exceeded the value of refunded resident loans and accommodation bonds. This trend is expected to continue in the following 12 months.

In addition, the Trustee has a liquidity management strategy in place that requires available liquidity to be in excess of 10% of the total accommodation bond liability, to ensure that refunds can be paid as and when they fall due. Liquidity is monitored at least on a monthly basis and cash flow forecasts are prepared on at least a monthly basis to ensure that the liquidity management strategy is adhered to.

After considering all available current information, the Directors have concluded that there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due and payable and the basis of preparation of the financial report on a going concern basis is appropriate.

Principal Activities and Objectives

The principal activities of the Trust during the financial year have been the provision of accommodation, care and services to 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.

The Trust's short and long term objective is to carry on the principal activities of the Trust and apply the surplus generated from the conduct of those activities to pursue the charitable purpose of the Trust for the benefit of the Trust's beneficiaries – ex-service men and women, their dependants and other deserving members of the broader Australian community.

To achieve this objective and to respond to the longer term market and public policy changes in aged services, last year the Trust commenced a transformational change program. The objective of the program is to deliver sustainable improvements to:

- workforce capability (people and culture);
- efficiency and quality (process and systems); and
- customer experience (consumer focus).

This program is expected to improve the Trust's financial performance to allow investment in a wider suite of services for our customers and to enable reinvestment in our operating platform. The improved financial performance for 2014 is a pleasing early indication of the success of this program.

The program will continue to:

- focus on efficiency and leveraging greater value from our current platform (operational excellence);
- invest in innovation and design to deliver sustainable growth and thereby grow our charitable impact (product leadership); and
- create new value propositions to target customer segments that are expected to sustain ongoing growth and expansion of our business into new categories and markets consistent with our Charter (customer experience).

Within this strategic and balanced approach, all programs and projects of work are prioritised to deliver measurable benefits and value to our beneficiaries and to the communities in which they live.

The Trust measures its performance through a suite of key performance indicators and benchmarks set at the Governance, Executive Leadership Team and Organisational Management levels.

Aged care licences, retirement village units and community care

At year end, the Trust's operations include the following:

Aged care licences	
High care	983
Low care	954
Special care	367
Flexible care	856
Total	**3,160**

Retirement village units	
Equity funded	1,652
Rental	185
Concessional	35
Total	**1,872**

Additionally, the Trust has provided services to more than 7,800 other clients via its various community care programs and provides Veterans' Home Care assessment and co-ordination to over 9,000 clients.

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 (B.Bus, GradDipMngt, MBA, MAICD)

Mr McIntosh is the Chairman of the Board and a member of the Strategy and Capital Committee. Mr McIntosh was a Commissioned Officer in the Australian Army for 27 years. For the past 12 years he has worked in the finance sector. He is a Graduate of the Australian Army Staff College and the Australian Defence College.

Mr Russell Pearce (LLB, GAICD)

Mr Pearce is a member of the Risk and Audit Committee and the Nomination and Remuneration Committee. Mr Pearce has over 20 years' experience in the area of anti-corruption: he was formerly Director of Misconduct Investigations at the Crime and Misconduct Commission and is currently employed by the Tasmanian Integrity Commission. He is an independent member of the Audit Risk and Advisory Committee of Tasmania Medicare Local. Mr Pearce has served in the active Army Reserve for 25 years, and holds the rank of Colonel.

Ms Gillian McFee (B.Sos.Sc (Hons), Dip. Urb. Res. Studies, EMBA, FAICD)

Ms McFee is the Chair of the Strategy and Capital Committee and a member of the Risk and Audit Committee. Ms McFee has extensive experience in the aged care, health and human services sectors as a chief executive officer and director in the public, private and not for profit sectors. She was a former Director of UnitingCare Ageing NSW and ACT and formerly held senior Executive leadership roles in NSW Government Departments including as Director, Office on Ageing in the NSW Premier's Department. Ms McFee consults in strategy and change management and holds other non-executive roles including as a Member of the NSW Home Care Advisory Board.

Mr Robert Lourey (B.Bus, MAICD)

Mr Lourey is Chair of the Nomination and Remuneration Committee and a member of the Strategy and Capital Committee. He has extensive experience as the principal human resources executive in large, internationally-based, publicly listed companies across a broad range of industries including international education, media, property development and construction, manufacturing and finance and banking. He is currently head of human resources for Navitas Limited, an ASX-100 company and he is also a director of Australian not-for-profit organisation AccessEAP. He is a former member of the Michael Page plc, Afrox and Afrox Healthcare (RSA) Boards.

Mr Jeffrey McDermid (BEcon, GAICD)

Mr McDermid is the Chair of the Risk and Audit Committee and a member of the Nomination and Remuneration Committee. Mr McDermid has 28 years' experience within the accounting profession and has been a director of not-for-profit and for-profit organisations. His Board roles straddle agricultural equipment supply, property development, human resources, tourism, online retail and technology industries. He is a former partner of WMS Chartered Accountants and Ernst & Young. He is

a Registered Company Auditor and Tax Agent. Mr McDermid brings to the Board a wide variety of skills and experience in financial management, corporate governance and strategic thinking.

Mr Stuart Lummis (BEcon, GradDipProg&ConstMngt, PostGradDipAcctg, FAICD)

Mr Lummis is a member of the Risk and Audit Committee and the Strategy and Capital Committee. Mr Lummis has over 30 years' experience as a senior executive and company director. He is the former chief executive officer of Fig Tree Developments Ltd and is now the Director of Property, Building, Planning and Facilities for the Roman Catholic Archdiocese of Brisbane. Mr Lummis has extensive experience in both large publicly listed groups and not-for-profit organisations. From 2012 until becoming a Board member, Mr Lummis was an advisor to the Board and Management of RSL Care on property matters. He is also a Fellow of the Australian Institute of Company Directors and of the Financial Services Institute of Australia, a member of the Property Council of Australia and a Councillor on the Queensland Heritage Council.

Mrs Claire Higgins (BCom, FAICD) (resigned 15 September 2014)

Mrs Higgins was a member of the Risk and Audit Committee and the Strategy and Capital Committee. She has over 26 years' experience with Australian listed companies. Ms Higgins has further extensive governance experience gained since 2000 as a Board Director and various Audit Committee positions across Victorian and Federal Government and private sector organisations. She is currently Chair of the Victorian Country Fire Authority, and a Director of Vital Healthcare Management Limited, the Victorian State Emergency Service, Portland District Health and Ambulance Victoria. She is also a Fellow of the Certified Practising Accountants in Australia and a Fellow of the Institute of Public Administration Australia.

Mr Edward (Ted) Chitham MC OAM (MAICD) (retired 25 October 2013)

Mr Chitham was the former Chair of the Risk Committee and a former member of the Finance and Audit Committee. Mr Chitham was an RACQ executive for 21 years and was also the Public Officer and Company Secretary of The Royal Australian Regiment Corporation. He is a member of the Queensland Forum of Ex-Service Organisations. He is a Graduate of the Australian Army Staff College and of the United States Marine Corps Command and Staff College.

Ms Glenis Jay (MAICD) (retired 25 October 2013)

Ms Jay was the former Chair of the Strategy and Capital Committee and a former member of the Nomination and Remuneration Committee. Ms Jay has 30 years' experience in management. She is a former Manager of Strategic Marketing (QLD Museum) and a former Manager of Marketing at the Workshop Rail Museum. She is also the former Chair of Ipswich Tourism and an inaugural Director and Board Member of the South Bank Business Association.

Company Secretary (LLB (Hons), LLM)

Ms 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, internal audit, business continuity 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.

Directors' Attendance at Meetings

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

Director	Directors' Meetings		Strategy & Capital Committee		Finance & Audit Committee		Risk Committee		Risk and Audit Committee		Nomination & Remuneration Committee	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
P McIntosh	11	11	4	4	4	4	1	1	-	-	-	-
R Pearce	11	9	-	-	1	1	1	1	3	3	2	2
G McFee	11	10	4	4	1	1	1	1	3	3	-	-
R Lourey	11	9	4	4	-	-	-	-	-	-	2	1
J McDermid	11	11	-	-	4	4	1	1	3	3	2	2
S Lummis	8	8	3	3	-	-	-	-	3	3	-	-
C Higgins	8	8	3	3	-	-	-	-	3	3	-	-
E Chitham	4	4	-	-	4	4	1	1	-	-	-	-
G Jay	4	4	1	1	-	-	-	-	-	-	1	1

[1] Number of meetings held whilst the Director was a Board member 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 a director or officer of the Company (except where the liability relates to a breach of certain provisions of the *Corporations Act 2001 (C'th)* and against liability for certain legal costs.

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, 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 provides services from a number of properties which it has developed over the years 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 substantial compliance with these requirements.

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.

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. At the date of this report, there has been no indication that the government will be changing this type of funding.

Non Audit Services

There were non-audit services of $6,000 provided to the Trust by the external auditor during the Financial Year (2013: $5,600).

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 requires each member to contribute a maximum of $10. At 30 June 2014, the total amount that members of the Company were liable to contribute if the Company was wound up was $680 (2013: $520).

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s.60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* (C'th) is presented on page 8 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

Mr Pat McIntosh AM CSC
Chairman

26th day of September 2014

Grant Thornton

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Auditor's Independence Declaration
To the Directors of RSL Care Limited as Trustee for RSL QLD War Veterans' Home Trust

In accordance with the requirements of section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012, as lead auditor for the audit of RSL Care Limited as Trustee for RSL QLD War Veterans' Home Trust for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Andrew Newman
Partner - Audit & Assurance

Brisbane, 26 September 2014

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RSL Care Limited as trustee for the RSL (QLD) War Veterans' Homes Trust
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014

	NOTE	2014 $'000	2013 $'000
Revenue	4	255,205	240,993
Other income	4	1,683	6,518
Fair value increment/(decrement) on retirement village assets	10	2,035	(37,983)
Retirement village residents share of fair value (decrement) / increment		(4,224)	8,543
Net gain/(loss) on fair value of financial instruments	2.3(p)	-	(317)
Employee benefits expense		(177,003)	(173,850)
Occupancy expenses		(17,486)	(16,901)
Finance costs		(2,386)	(3,261)
Depreciation & amortisation expense	5b	(14,711)	(13,515)
Rates & taxes		(4,436)	(4,086)
Repairs, maintenance & replacements		(10,290)	(12,793)
Other expenses		(17,292)	(15,336)
Surplus/(deficit) for the year		**11,095**	**(21,988)**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Net gain/(loss) on revaluation of land & buildings	9.3	(2,405)	(100,937)
Total other comprehensive income for the year		**(2,405)**	**(100,937)**
Total comprehensive income for the year		**8,690**	**(122,925)**
Surplus/(deficit) attributable to:			
RSL (QLD) War Veterans' Homes Trust		11,095	(21,988)
Total comprehensive income attributable to:			
RSL (QLD) War Veterans' Homes Trust		8,690	(122,925)

The accompanying notes form part of these financial statements

RSL Care Limited as trustee for the RSL (QLD) War Veterans' Homes Trust
Statement of Financial Position
As at 30 June 2014

	NOTE	2014 $'000	2013 $'000
CURRENT ASSETS			
Cash & cash equivalents	6	11,378	24,380
Trade & other receivables	7	23,262	27,698
Prepayments	8	1,933	2,051
Non-current assets held for sale	21	9,500	12,210
Total Current Assets		**46,073**	**66,339**
NON-CURRENT ASSETS			
Trade & other receivables	7	3,075	2,740
Non-current prepayments	8	774	967
Property, plant & equipment	9	299,095	316,601
Retirement village assets	10	571,426	560,808
Intangible assets	11	9,401	3,450
Total Non-Current Assets		**883,771**	**884,566**
TOTAL ASSETS		**929,844**	**950,905**
CURRENT LIABILITIES			
Trade & other payables	12	687,082	667,935
Interest-bearing loans & borrowings	15	500	500
Other current financial liabilities	13.1	-	1,188
Provisions	14	15,906	14,163
Total Current Liabilities		**703,488**	**683,786**
NON-CURRENT LIABILITIES			
Interest-bearing loans & borrowings	15	6,583	54,083
Other non-current financial liabilities	13.1	-	1,081
Provisions	14	3,689	4,561
Total Non-Current Liabilities		**10,272**	**59,725**
TOTAL LIABILITIES		**713,760**	**743,511**
NET ASSETS		**216,084**	**207,394**
EQUITY			
Trust corpus	22	-	-
Accumulated surplus		157,041	145,946
Reserves	16	59,043	61,448
TOTAL EQUITY		**216,084**	**207,394**

The accompanying notes form part of these financial statements

RSL Care Limited as trustee for the RSL (QLD) War Veterans' Homes Trust
Statement of Changes in Equity
As at 30 June 2014

	NOTE	Accumulated Surplus $'000	Asset Revaluation Reserve $'000	Total Accumulated Funds $'000
Balance at 30 June 2012		**167,934**	**162,385**	**330,319**
Decrement in value of freehold land & buildings		-	(100,937)	(100,937)
Deficit for the year		(21,988)	-	(21,988)
Total other comprehensive income		(21,988)	(100,937)	(122,925)
Balance at 30 June 2013		**145,946**	**61,448**	**207,394**
Decrement in value of freehold land & buildings	9.3	-	(2,405)	(2,405)
Surplus for the year		11,095	-	11,095
Total other comprehensive income		11,095	(2,405)	8,690
Balance at 30 June 2014		**157,041**	**59,043**	**216,084**

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 2014

	NOTE	2014 $'000	2013 $'000
Cash flow from operating activities			
Receipts from:			
Residents and subsidies		245,360	226,091
Donations & grants received		593	620
Net GST received from ATO		3,723	4,874
Payments to:			
Suppliers and employees		(230,210)	(229,069)
Net cash generated from operating activities	6.3	**19,466**	**2,516**
Cash flow from investing activities			
Payments:			
Property, plant and equipment		(239)	(8,400)
Retirement village assets		(8,583)	(13,799)
Intangible Assets		(7,094)	(3,385)
Proceeds:			
Capital grants		183	19
Managed trust		632	47
Sale of property, plant & equipment		3,199	2,977
Net cash generated used by investing activities		**(11,902)**	**(22,541)**
Cash flow from financing activities			
Payments:			
Resident loans		(46,340)	(47,617)
Accommodation bonds		(53,599)	(50,321)
Interest-bearing loans & borrowings		(47,500)	833
Refundable deposits		(2,270)	-
Finance costs		(2,386)	(5,356)
Proceeds:			-
Resident loans		70,687	69,475
Accommodation bonds		59,593	64,880
Rental bonds		(5)	2
Interest received		1,254	1,477
Net cash generated from financing activities		**(20,566)**	**33,373**
Net (decrease) / increase in cash held		**(13,002)**	**13,348**
Cash at the beginning of the financial year		24,380	11,032
Cash at the end of the financial year	6	**11,378**	**24,380**

The accompanying notes form part of these financial statements

RSL Care Limited as trustee for the RSL (QLD) War Veterans' Homes Trust
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For the year ended 30 June 2014

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1. CORPORATE INFORMATION AND STATEMENT OF COMPLIANCE

The financial statements of RSL Care Limited as trustee for the RSL (QLD) War Veterans' Homes Trust for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 26 September 2014.

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 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.

RSL Care Limited as trustee for the RSL (QLD) War Veterans' Homes Trust has adopted the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the *Australian Charities and Not-for-profits Commission Act 2012* (C'th) and the Deed of Trust. RSL Care Limited as trustee for the RSL (QLD) War Veterans' Homes Trust is a not-for-profit entity for the purpose of preparing the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 New and amended accounting standards and interpretations

(i) New and amended standards adopted by the Trustee

The Trustee has adopted the following new and amended Australian Accounting Standards and AASB Interpretations in the current year.

AASB 119 Employee Benefits

A number of amendments have been made to AASB 119 with changes to the accounting for employee benefits. Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within twelve (12) months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Trust does not expect all annual leave for all employees to be used wholly within twelve (12) months of the end of the reporting period, annual leave is included in 'other long-term benefit' and

discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 Presentation of Financial Statements. These amendments have had no significant impact on the entity.

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Trust has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 Financial Instruments: Disclosures.

2.3 Summary of Accounting Policies

a) Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust 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.

i. Rendering of services

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

ii. 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 revenue in the statement of profit or loss and other comprehensive income.

iii. Rental income

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

iv. Accommodation bond and resident loans income

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

v. 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 reliably measured. Bequests are recognised when the legacy is received.

vi. Other revenue

Other Revenue includes revenue received that is not separately disclosed elsewhere.

c) Government grants

If conditions are attached to a grant which must be satisfied before the Trust 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 Trust 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 Trust 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.

d) Operating expenses

Operating expenses are recognised in the statement of profit or loss and other comprehensive income upon utilisation of the service or at the date of their origin.

e) Income tax and other taxes

i. 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* (C'th).

ii. 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 gross 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.

f) 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.

g) 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.

i. 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 class previously recognised in the statement of profit or loss and other comprehensive income, in which case, the increase is recognised in the statement of profit or loss and other comprehensive income. A revaluation deficit is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it offsets an existing surplus on the same asset class recognised in the asset revaluation reserve.

Buildings are independently valued each year and fair value is recorded on net value in the statement of financial position.

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

As no finite life for land can be determined, related carrying amounts are not depreciated.

ii. 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 is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other 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.

iii. 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	10% - 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 profit or loss and other 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.

h) 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.

i. Trustee as a lessee

When 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.

ii. 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.

i) 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 in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing of funds.

j) 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 profit or loss 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.

k) Intangible assets

i. Acquired intangible assets

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

ii. Subsequent measurement

All computer software 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 (r). The following useful lives are applied:

- Software and software licences: 1-3 years
- Enterprise applications: 8 years

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.

Residential care licences and community care package licences are measured at nil value and have been since June 2011. Historically, the Trust has recognised bed licences at cost or deemed cost (in instances where they are acquired for no cost or a nominal amount) when they are activated. The Trustee has determined that the bed licences are an indefinite life intangible asset and therefore subject to an annual impairment review. In FY2011, an impairment assessment was conducted and the Trustee estimated the fair value of the bed licences at that date approximated to nil value. The Trust reviews the value of licences annually and has determined that the fair value of the licences continues to be fairly stated at nil value for the year ending 30 June 2014. This is due to the conclusion that there is no active market for large parcels of licences.

Amortisation has been included within depreciation and amortisation.

l) Financial instruments – initial recognition and subsequent measurement

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

m) Financial assets

i. 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 Trust 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 Trust 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, and derivative financial instruments.

ii. Subsequent measurement

For the purpose of subsequent measurement, financial assets other than 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).

iii. 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 the statement of profit or 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 profit or loss.

Financial assets designated upon initial recognition at fair value through the statement of profit or loss are designated at their initial recognition date and only if the criteria under AASB 139 are satisfied. The Trust 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 Trust 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 as these instruments cannot be reclassified after initial recognition.

iv. 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 profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

v. 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 Trust 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

    i. the Trust has transferred substantially all the risks and rewards of the asset, or
    ii. the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust 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 Trust'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.

vi. 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 indicates a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

n) Financial liabilities

i. 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 the Trust's financial liabilities at initial recognition.

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

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification, and is described below.

iii. 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 profit or loss.

Financial liabilities designated upon initial recognition at fair value through the statement of profit or loss are 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 at fair value through profit or loss.

iv. 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 profit or loss 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 profit or loss and other comprehensive income.

v. 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.

vi. 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 profit or loss.

o) 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.

p) 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; or
- 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 13.

q) Derivative financial instruments

The Trust no longer uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. The Trustee recognised the current interest rate swap at fair value.

The swap liability at 30 June 2014 is nil (2013: $2.27m). The swap was paid out in December 2013. The cost of payout was a loss for 2014 of $115,532 compared to a loss of $317,000 in 2013.

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 profit or loss.

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

r) 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 impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

s) 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 Trusts' 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 Trustee's 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 risk 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.

t) 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.

u) Provisions

i. 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 profit or loss and other comprehensive income net of any reimbursement.

ii. Employee benefits provision

Employee benefits 'expected to be settled wholly' within twelve (12) months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities.

The liability for annual leave is recognised in the provision for employee benefits. The Trust assesses the annual leave benefit that is greater than the 12 month entitlement on an annual basis, and determines whether it is material to discount the liability. For the year ending June 2014, the Trust has not discounted the liability that is greater than 12 months.

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.

iii. 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 Trust self-insures for Workers Compensation and appropriate provisions are taken up each year on the basis of an annual actuarial report.

v) Comparatives

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

w) Going concern

The Statement of Financial Position discloses total current assets of $46,073,000 (2013: $66,339,000) and total current liabilities of $703,488,000 (2013: $683,786,000). This largely arises because resident loans and accommodation bonds, totalling $671,058,000 (2013: $651,416,000), are classified in full as a current

liability, whereas the assets to which the loans and bonds relate (land, buildings and retirement village assets), are classified as non-current assets. Resident loans and accommodation bonds are classified as a current liability because the Trust does not have an unconditional right to defer settlement of resident loans or accommodation bonds for at least 12 months after the reporting period. In practice, the rate at which residents vacate their retirement village units and their aged care accommodation can be estimated. Given that our resident profile is generally consistent with prior periods, these prior periods provide a reliable estimate of future payment trends. As noted in the cash flows from financing activities, $99,939,000 (2013: $97,938,000) of resident loans and accommodation bonds were refunded during the year. These refunded loans were replaced by incoming contributions (including accommodation bonds) of $130,280,000 (2013: $134,355,000). In each of the last four financial years incoming contributions have significantly exceeded the value of refunded resident loans and accommodation bonds. This trend is expected to continue in the following 12 months.

In addition, the Trustee has a liquidity management strategy in place that requires available liquidity to be in excess of 10% of the total accommodation bond liability, to ensure that refunds can be paid as and when they fall due. Liquidity is monitored at least on a monthly basis and cash flow forecasts are prepared on at least a monthly basis to ensure that the liquidity management strategy is adhered to.

After considering all available current information, the Trustee has concluded that there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due and payable and the basis of preparation of the financial report on a going concern basis is appropriate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Trust'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.

a) Judgements

In the process of applying the Trustee's accounting policies, management has made the following judgements, as noted in 3b), 3c), 3d) and 3e), which have the most significant effect on the amounts recognised in the financial statements.

b) 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.

c) 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 profit or loss and other 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 2014. For retirement village assets, the valuations comprise the "in-one-line" value of completed unsold/repurchased

stock and rental dwellings; and assessed market value of the proprietary interest (DMF) secured by the existing resident contracts associated with those occupied dwellings.

The key assumptions used to determine the fair value of retirement village assets is further explained in Note 10. Comprehensive external valuations of retirement village assets are undertaken annually and for other assets are undertaken regularly to ensure recognition of fair value.

d) Impairment of non-financial assets

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.

e) 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 9.3. 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	2014 $'000	2013 $'000
Revenue			
Fees		60,023	52,408
Subsidies		175,107	168,263
Grants		292	141
Retentions and Deferred Management Fees		15,983	14,924
Interest revenue		1,254	1,477
Donations		593	411
Rent received		85	1,083
Consulting fees		-	17
Other revenue		1,868	2,269
Total revenue		**255,205**	**240,993**
Other Income			
Profit on sale of plant & equipment		600	208
Net gain on onerous contract provision		-	2,652
Insurance recoveries		1,083	3,658
Total other income		**1,683**	**6,518**

5. SURPLUS/(DEFICIT) FOR THE YEAR

	NOTE	2014 $'000	2013 $'000
Surplus/(deficit) has been determined after:			
a. Expenses			
Finance costs - external		2,386	3,261
Bad debts		15	35
Loss on disposal of assets		1,883	116
Operating lease expenditure		825	929
b. Depreciation & amortisation of non-current assets			
Buildings & leasehold improvements	9.3		
- at valuation		7,665	7,757
- at cost		69	69
Plant & equipment - at cost	9.3	1,787	1,723
Air-conditioning - at cost	9.3	166	149
Furniture, fixture & fittings - at cost	9.3	242	229
Office equipment - at cost	9.3	17	14
Information technology - at cost	9.3	2,029	1,249
Motor vehicles - at cost	9.3	804	1,195
Low value asset pool - at cost	9.3	788	735
Amortisation of non-current assets			
Software - at cost	11	1,144	395
Total depreciation and amortisation		**14,711**	**13,515**
c. Employee benefits expense			
Salaries & wages		134,810	134,467
Superannuation		13,155	12,104
Employee benefit provision expense		13,843	12,981
Employee insurance provision		1,677	884
Other employee benefits expenses		13,518	13,414
Total employee benefits expense		**177,003**	**173,850**

6. CASH AND SHORT-TERM DEPOSITS

	NOTE	2014 $'000	2013 $'000
CURRENT			
Cash at bank & on hand		2,575	1,827
Short-term deposits		5,383	19,010
Capital replacement fund	6.1	3,420	3,543
Total cash & short-term deposits		**11,378**	**24,380**
Reconciliation of cash			
Cash at the end of the financial year end as shown in the cash flow statement is reconciled to the statement of financial position as follows:			
Cash at bank & on hand		2,575	1,827
Short-term deposits		5,383	19,010
Capital replacement fund	6.1	3,420	3,543
Total cash & short-term deposits		**11,378**	**24,380**

The effective rate on short term bank deposit was 2.35% (2013: 2.6%). The effective rate on the Business Online Saver account was 2.4% (2013: 2.75%).

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

At 30 June 2014, the Trust had available $57m (2013: $10m) of undrawn committed borrowing facilities. At 30 June 2014, $3m of the facility had been drawn down (2013: $50m).

6.1 Capital Replacement Fund

Under the *Retirement Villages Act 1999* (QLD) and *Retirement Villages Act 1999* (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 Trust'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	2014 $'000	2013 $'000
Maintenance Reserve Fund/Capital Works Fund		4,931	4,423

6.3 Reconciliation of cash flows from operating activities

	NOTE	2014 $'000	2013 $'000
a. Reconciliation of surplus to net cash flows from operations			
Surplus/(deficit)		11,095	(21,988)
Non-cash adjustment to reconcile surplus to net cash flows:			
Depreciation & impairment of property, plant & equipment	5b	13,567	13,120
Amortisation & impairment of intangible assets	5b	1,144	395
Net loss/(gain) on sale of assets		1,283	116
Accommodation bond retentions		(2,728)	(2,897)
Adjustment to residents' liabilities		(13,255)	(12,027)
Net loss/(gain) on retirement village assets		2,189	29,440
Net loss/(gain) on fair value of financial instruments		-	(1,778)
Non Operating Items:			
Capital donations		(182)	(19)
Finance costs	5a	2,386	5,356
Interest Income		(1,254)	(1,477)
Changes in assets & liabilities:			
(Increase)/decrease in trade receivables		4,095	(55)
(Increase)/decrease in other current assets		1,663	(4,496)
(Decrease)/increase in trade payables		(1,409)	1,366
(Decrease)/increase in provisions		872	(2,540)
Net cash flows from operating activities		**19,466**	**2,516**

7. TRADE AND OTHER RECEIVABLES

	NOTE	2014 $'000	2013 $'000
CURRENT			
Trade receivables	7.1	19,477	23,571
Provision for impairment	7.1	(193)	(193)
Sundry receivables		3,967	4,304
Loans receivable		7	7
Security deposit		4	9
Total current trade & other receivables		**23,262**	**27,698**
NON-CURRENT			
Loans receivable	7.2		
Scartwater (Aged Care) Trust		3,068	2,726
Maryborough Retirement Village MRF		7	14
Total non-current		**3,075**	**2,740**

7.1 Trade receivables

The FY14 bond receivable balance is $15.18m (2013: $21.19m).

Trade receivables are reviewed annually for impairment. As at 30 June 2014 an amount of $331,000 is outstanding greater than 30 days (2013: $274,000), excluding bonds receivable. The Trust has made a provision of $193,000 for impairment (2013: $193,000).

7.2 Loan receivable

In 2005, the Trustee entered into the Scartwater (Aged Care) Trust Deed under which it agreed 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. Separate financial statements are prepared and audited for this facility. During the year the Trust's loan to the Scartwater (Aged Care) Trust has increased by $342,000 (2013 reported a decrease of $40,000). Although Scartwater (Aged Care) Trust is economically dependent on the Trust, the Trustee does not currently intend to call on the loan.

During 2010-11 the Trustee committed to a loan of $35,000 for a five year term to the Maryborough Retirement Village MRF with $7,000 repayable in annual instalments. The balance owing is $14,000 (2013: $21,000).

8. PREPAYMENTS AND NON-CURRENT PREPAYMENTS

	NOTE	2014 $'000	2013 $'000
CURRENT			
Prepayments		1,933	2,051
Total current prepayments		**1,933**	**2,051**
NON-CURRENT			
Non-current prepayments		774	967
Total non-current prepayments		**774**	**967**

Prepayments consist of payment for services to be provided from external parties in the future. The current portion is the services expected to be provided in the next financial year and the non-current portion is the services to be provided in the future years.

9. PROPERTY,PLANT AND EQUIPMENT

	NOTE	2014 $'000	2013 $'000
LAND & BUILDINGS			
Freehold land at:			
Valuation		76,875	85,315
Cost (recent acquisition)		-	-
Total land		**76,875**	**85,315**
Buildings & leasehold improvements			
Buildings - at valuation		200,463	205,400
Less accumulated depreciation		-	-
		200,463	**205,400**
Buildings - at cost		65	-
Less accumulated depreciation		(2)	-
		63	**-**
Leasehold - at cost		544	544
Less accumulated depreciation		(388)	(319)
		156	**225**
Total buildings & leasehold Improvements		200,682	205,625
Total land & buildings		**277,557**	**290,940**
Plant & equipment			
At cost		21,411	20,068
Less accumulated depreciation		(11,097)	(9,334)
		10,314	**10,734**
Air-conditioning			
At cost		2,396	2,193
Less accumulated depreciation		(1,253)	(1,088)
		1,143	**1,105**
Furniture, fixtures & fittings			
At cost		2,905	2,675
Less accumulated depreciation		(1,690)	(1,447)
		1,215	**1,228**
Office equipment			
At cost		306	288
Less accumulated depreciation		(253)	(236)
		53	**52**
Information technology			
At cost		8,564	10,748
Less accumulated depreciation		(4,848)	(6,602)
		3,716	**4,146**
Motor vehicles			
At cost		7,083	7,548
Less accumulated depreciation		(4,516)	(4,378)
		2,567	**3,170**
Low value asset pool			
At cost		8,329	7,612
Less accumulated depreciation		(7,269)	(6,481)
		1,060	**1,131**
Total plant & equipment		**20,068**	**21,566**
Total work in progress		**1,470**	**4,095**
Total property, plant & equipment		**299,095**	**316,601**

9.1 Land and building valuations

Freehold land and buildings were valued at fair value as at 30 June 2014. 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.

The valuer used the following methodology to determine fair value of the Trust's assets at 30 June 2014:

1. Retirement Villages:
    a. The Trust owned stock is valued at estimated net realisable value.
    b. Occupied stock is valued based on the discounted value of the future Deferred Management Fee flows plus the current value of the exit entitlement.
2. Residential Aged Care:
    a. Calculated the sustainable trading potential for each site (maintainable EBITDA) and capitalised at 13%.
    b. Assessed the potential for bond growth.
    c. Conducted a depreciated replacement cost analysis to support the valuation calculated in a. and b.

Land held for resale has been valued at assessed net realisable value based on either the valuer's valuation or offers currently at hand.

9.2 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. If the parties mutually agree to terminate this joint venture the Trust may, in that event, incur a liability. At present this event is not considered likely nor can it be reliably measured. For these reasons no contingent liability has been disclosed.

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.

9.3 Movements in carrying amounts

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

Year ended 30 June 2014	Freehold land	Building & leasehold improvements	Work in progress	Plant - at cost	Air-con - at cost	FF&F - at cost	Office equip - at cost	Information technology - at cost	MV's - at cost	Low value asset pool - at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2013	**85,315**	**205,625**	**4,095**	**10,734**	**1,105**	**1,228**	**52**	**4,146**	**3,170**	**1,131**	**316,601**
Additions	-	396	4,060	1,371	204	232	18	1,599	625	717	**9,222**
Transfers from WIP	-	-	-	-	-	-	-	-	-	-	**-**
Transfer assets held for resale	2,710	-	-	-	-	-	-	-	-	-	**2,710**
Transfer to software	-	-	(6,685)	-	-	-	-	-	-	-	**(6,685)**
Transfers to retirement village assets	-	-	-	-	-	-	-	-	-	-	**-**
Revaluation increment/(decrement)	(4,800)	2,395	-	-	-	-	-	-	-	-	**(2,405)**
Disposals	(6,350)	-	-	(4)	-	(3)	-	-	(424)	-	**(6,781)**
Depreciation expense	-	(7,734)	-	(1,787)	(166)	(242)	(17)	(2,029)	(804)	(788)	**(13,567)**
At 30 June 2014	**76,875**	**200,682**	**1,470**	**10,314**	**1,143**	**1,215**	**53**	**3,716**	**2,567**	**1,060**	**299,095**

9.4 Software/intangible assets

As there has been significant investment in software intangible assets, the categories of software and Information technology equipment have been separated. Note 11 Intangible Assets gives further details of the software assets.

9.5 Restricted assets

Included in the above total of freehold land is $400,000 representing land located at Longreach gifted to the Trust in 2003. In the event the Trust 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 $2.7m representing land located within the Lake Macquarie region gifted to the Trust in 2006. 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 Social Services.

9.6 Capitalised finance costs

	NOTE	2014 $'000	2013 $'000
Finance costs incurred			
The effective interest rate used in the allocation of finance costs		8.83%	10.87%
- Work in Progress		336	584

10. RETIREMENT VILLAGE ASSETS

	NOTE	2014 $'000
Opening Balance		560,808
Additions - work in progress	9.3	-
Transfers from the Trustee's Assets		-
Additions - Capital Improvements & CRF		8,583
Fair value adjustments		2,035
Total retirement village assets - at valuation		**571,426**

A valuation of retirement village assets by independent valuers was undertaken at 28 February 2014 and adjusted for material changes at 30 June 2014. The valuations comprise the "In One Line" value of completed unsold/repurchased stock and rental dwellings; and assessed market value of the proprietary interest (DMF) secured by the existing resident contracts associated with those occupied dwellings.

11. INTANGIBLE ASSETS

	NOTE	2014 $'000	2013 $'000
Software & software licenses			
Opening cost or valuation balances		4,470	1,385
Transferred in		6,685	3,237
Additions, separately acquired		410	148
Disposals		-	(300)
Closing cost or valuation balance		11,565	4,470
Amortisation & impairment			
Opening Balance		(1,020)	(625)
Amortisation	5b	(1,144)	(395)
Impairment loss		-	-
Closing accumulated impairment		(2,164)	(1,020)
Net software & software licences		9,401	3,450
Total intangibles		**9,401**	**3,450**

12. TRADE AND OTHER PAYABLES

	NOTE	2014 $'000	2013 $'000
CURRENT			
Unsecured liabilities			
Resident loans	12.1	426,355	411,039
Accommodation bonds & resident funding	12.2	244,703	240,377
Other loans	12.3	2,590	3,649
Rental bonds		71	75
Trade payables		2,515	3,357
Accrued expenses		6,583	5,711
Other trade payables		1,718	1,482
Unearned revenue		2,547	2,245
Total trade & other payables		**687,082**	**667,935**

12.1 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 Trust 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.

12.2 Accommodation bonds and resident funding

Accommodation bonds and resident funding represents amounts received from residents entering the Trust's aged care facilities for the purpose of receiving low-level care as defined by the *Aged Care Act 1997* (C'th). Each accommodation bond is refundable within 14 days upon receipt of Probate or Letters of Administration for deceased residents, or 14 days from advice of departure for residents transferred to another facility. 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* (C'th).

12.3 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.

13. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities

13.1 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	2014 $'000	2013 $'000
Non-current			
Loans receivable	7	3,075	2,740
Current			
Cash & cash equivalents	6	11,378	24,380
Trade & other receivables	7	23,255	27,691
Loans receivable	7	7	7
Total Financial Assets		**37,715**	**54,818**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Non-current			
Borrowings		6,583	54,083
Other - Interest rate swap		-	1,081
Current			
Trade & other payables	12	687,082	667,935
Borrowings		500	500
Interest rate swap		-	1,188
Total Financial Liabilities		**694,165**	**724,787**

See note 2.3 (l), (m) & (n) for a description of the accounting policies for each category of financial instruments. Information relating to fair values is presented in the related notes. The methods used to measure fair value are described in note 13.2.

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 2014, 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. The Trustee paid out the swap in December 2013. The cost of paying out the swap was taken to the statement of profit or loss.

(i) Secured bank loan

On 28 June 2013 the Trust's bank facilities were renewed. These facilities have been restructured and extended to 31 July 2015. As part of this restructure, covenants over interest cover, leverage and gearing ratios were agreed. As at 30 June 2014 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 Trust's assets and undertakings. The total amount repayable on maturity is $3m.

(ii) Unsecured Commonwealth Government loan

This loan has been provided to the Trust by the Department of Social Services 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 is fully drawn down to $5m and is repayable in 119 equal monthly instalments of $41,667 per month commencing in September 2012 with a final instalment of $41,667 due in August 2022.

13.2 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 Trust's financial assets and financial liabilities are as follows:

	Level 1	Level 2	Level 3	Total
30-Jun-14	$'000	$'000	$'000	$'000
Liabilities				
Interest rate swap	-	-	-	-
Net fair value	**-**	**-**	**-**	**-**
30-Jun-13				
Liabilities				
Interest rate swap	2,270	-	-	2,270
Net fair value	**2,270**	**-**	**-**	**2,270**

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.

14. PROVISIONS

	Employee Benefits	Workplace Injury	Other Provisions - restructuring, onerous contracts & insurance	Total
	$'000	$'000	$'000	$'000
2014				
Opening balance at 1 July 2013	16,329	2,147	248	18,724
Additional provisions raised during the year	14,226	1,729	184	16,139
Amounts used	(13,455)	(986)	(148)	(14,589)
Actuary report adjustment	-	(679)		(679)
Balance at 30 June 2014	**17,100**	**2,211**	**284**	**19,595**

Employee Benefits and Workplace Injury	2014 $'000
Current	15,622
Non-current	3,689
Total	**19,311**

Other provisions - Restructuring, onerous contracts & insurance	2014 $'000
Current	284
Non-current	-
Total	**284**

Analysis of total provisions	2014 $'000
Current	15,906
Non-current	3,689
Total	**19,595**

(i) 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 (u) (ii).

(ii) 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 Trust has greater control of the management of workplace injury and rehabilitation. The above provisions have been calculated by an independent actuarial consultant.

(iii) Insurance Claim

In the year ending June 2013 the Trust lodged an insurance claim for damage caused by a severe weather incident in January 2013. Three sites were affected, with the Bundaberg facility the worst affected. The claims have not yet been finalised and the anticipated amount that will not be recovered under the insurance claim has been provided for.

15. INTEREST BEARING LOANS AND BORROWINGS

	NOTE	2014 $'000	2013 $'000
CURRENT			
Unsecured Commonwealth Government loan		500	500
Total current interest bearing loans and borrowings		**500**	**500**
NON-CURRENT			
Secured bank loan		3,000	50,000
Unsecured Commonwealth Government loan		3,583	4,083
Total non-current interest bearing loans and borrowings		**6,583**	**54,083**

16. RESERVES

	NOTE	2014 $'000	2013 $'000
Asset revaluation reserve		59,043	61,448

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.

17. RELATED PARTIES DISCLOSURES

Compensation of key management personnel

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

	NOTE	2014 $'000	2013 $'000
Total compensation		**2,549**	**4,211**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

No Director or related party has entered into a material contract with the Trust since the end of the previous financial year and there are no material contracts involving Director's interests subsisting at year end. Directors may have family members or relatives who utilise the services that the Trust provides. Such transactions are conducted at arm's length.

18. SEGMENT INFORMATION

	Residential Aged Care		Other Business	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Primary reporting - Business segments:				
Revenue:				
Resident charges	43,408	39,992	13,893	13,103
Government subsidies	137,340	130,800	37,768	37,463
Retentions & Deferred management fees	2,728	2,897	13,255	12,027
Fair value increment on retirement village assets	-	-	2,035	-
Profit on disposal of assets	10	6	590	203
Capital grants	3	3	264	16
Interest income	-	-	413	524
Donations	11	18	582	393
Other revenue	1,668	12,076	38,294	36,765
Total revenues	**185,168**	**185,792**	**107,094**	**100,494**
Expenses:				
Care employee expenses	(89,392)	(84,803)	(34,409)	(32,124)
Other employee expenses	(25,014)	(30,098)	(29,122)	(28,075)
Interest expense	(699)	(57)	(1,159)	(2,485)
Depreciation & amortisation	(9,999)	(10,170)	(4,712)	(3,345)
Other expenses	(39,334)	(45,219)	(47,327)	(71,898)
Total expenses	**(164,438)**	**(170,347)**	**(116,729)**	**(137,927)**
Segment result from ordinary activities before income tax	**20,730**	**15,445**	**(9,635)**	**(37,433)**
Income tax expense relating to ordinary activities	-	-	-	-
Net profit from ordinary activities after related income tax expense	**20,730**	**15,445**	**(9,635)**	**(37,433)**
Segment assets:				
Segment current assets	34,265	56,013	11,808	10,326
Segment non-current assets	264,828	275,578	618,943	608,988
Total segment assets	**299,093**	**331,591**	**630,751**	**619,314**
Segment liabilities:				
Segment current liabilities	270,408	266,432	433,080	417,354
Segment non-current liabilities	8,217	47,780	2,055	11,945
Total segment liabilities	**278,625**	**314,212**	**435,135**	**429,299**
Net segment assets	**20,468**	**17,379**	**195,616**	**190,015**
Component of segment liabilities included above:				
Accommodation bond liabilities	244,703	240,377	-	-
Segment interest-bearing liabilities	-	-	3,000	50,000

Segment information is provided to fulfil the requirements of the *Aged Care Act 1997* (C'th). 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.

18.1 Reconciliation of segment revenues and expenses

	2014 $'000	2013 $'000
Statement of Profit or Loss and Other Comprehensive Income		
Revenue		
Revenue	255,205	240,993
Other income	1,683	6,518
Reversal of provision for onerous contract	-	(2,652)
Fair value increment/(decrement) on retirement village assets	2,035	8,543
	258,923	**253,402**
Add:		
Intracompany revenue	33,339	32,884
Total Segment Revenue	**292,262**	**286,286**
Expenses		
Retirement village residents share of fair value increment/(decrement)	(4,224)	-
Onerous Contract	-	2,652
Fair value increment/(decrement) on retirement village assets	-	(37,983)
Net gain/(loss) on fair value of financial instruments	-	(317)
Employee benefits expense	(177,003)	(173,850)
Occupancy expenses	(17,486)	(16,901)
Finance costs	(2,386)	(3,261)
Depreciation & amortisation expense	(14,711)	(13,515)
Rates & taxes	(4,436)	(4,086)
Repairs, maintenance & replacements	(10,290)	(12,793)
Other expenses	(17,292)	(15,336)
	(247,828)	**(275,390)**
Add:		
Intracompany expenses	(33,339)	(32,884)
Total Segment Expenses	**(281,167)**	**(308,274)**

19. COMMITMENTS AND CONTINGENCIES

a) 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 options 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	2014 $'000	2013 $'000
Within one year		610	900
After one year but not more than five years		1,640	2,085
More than five years		-	-
Total operating lease commitments as a lessee		**2,250**	**2,985**

b) Operating lease commitments – Trustee as lessor

	NOTE	2014 $'000	2013 $'000
Within one year		72	58
After one year but not more than five years		-	58
More than five years		-	-
Total operating lease commitments as a lessor		**72**	**116**

c) Capital Commitments

	NOTE	2014 $'000	2013 $'000
Total capital commitments		144	119
Capital estimated to be expended within the next 12 months		144	119

(i) Property, plant and equipment commitments

The Trustee has no contractual obligations to purchase plant and equipment at balance date (2013: nil).

(ii) Commitments relating to retirement village assets

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

At balance date the Trustee has 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.

(iii) Guarantees

The Trustee has provided the following guarantees as at 30 June 2014:

- Secured bank guarantees of $3,526,469 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.

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

At 30 June 2014, the Trustee held several properties which had been identified for divestment. Two contracts have to date been entered into over these properties.

These properties have been measured at assessed fair value less expected costs to sell.

22. 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.

23. 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

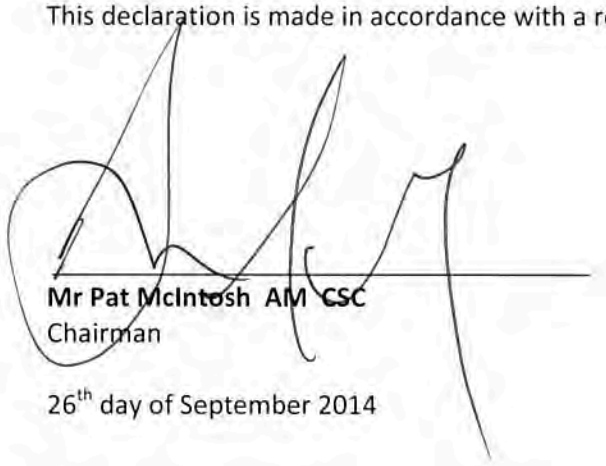
The Directors of the Trustee declare that:

1. The Financial Statements and Notes comply with:

    a. Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations), the *Australian Charities and Not-for-profits Commission Act 2012* (C'th) and the Trust Deed; and
    b. give a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the year ended on that date.

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 Trustee.



Mr Pat McIntosh AM CSC
Chairman

26th day of September 2014

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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 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-profits Commission Act 2012 and Trust Deed. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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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 independence requirements of the Accounting Professional and Ethical Standards Board and the Australian Charities and Not-for-profits Commission Act 2012.

Auditor's Opinion

In our opinion the financial report of RSL QLD War Veterans' Homes Trust is in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

a giving a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the year then ended on that date; and

b complying with Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-profits Commission Regulation 2013.

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GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Andrew Newman
Partner - Audit & Assurance

Brisbane, 26 September 2014