

CONFIDENTIAL REPORT



PortAugusta
CITY COUNCIL

REPORT FOR:	Council		
MEETING DATE:	27 April 2015		
REPORT FROM:	Director, Community Services		
REPORT TITLE:	Information Update No 3 - Expressions of Interest Aged Accommodation		
FILE NAME:	F10/2812	RECORD NO:	AR15/13260

COMMUNITY VISION & STRATEGIC PLAN OBJECTIVE/S
1.3 We use and manage our financial and physical resources in the best interests of our community, now and for the future.
4.2 Facilitate services and develop partnerships to enable appropriate care for people in our communities.

PURPOSE

To provide Elected Members with further information regarding the valuation rationale of Nerrilda Nursing Home and AM Ramsay Village and a proposed Service Delivery Strategy from Little Company of Mary Healthcare Ltd (Calvary).

RECOMMENDATION

Council

1. Receives and notes the additional information provided regarding the valuation of Nerrilda Nursing Home and AM Ramsay Village as well as the Service Delivery Strategy proposed by Calvary.
2. Thanks representatives from Little Company of Mary Healthcare Ltd (Calvary) for their personal attendance and expresses appreciation for their commitment to negotiations to date.

BACKGROUND

At the meeting held on 23rd March 2015, Council endorsed the Chief Executive Officer, Director Corporate Services, Director City & Cultural Services and Director Community Services, proceeding with full negotiations regarding the transfer of Nerrilda Nursing Home and AM Ramsay Village to Little Company of Mary Healthcare Ltd (Calvary) and that a further report be provided that includes:

- The rationale and financial information associated with any proposed sale value.
- The identification of any stated objectives within the sale prospectus that significantly impact on the potential sale value.
- Any implications/benefits and costs associated with including Homestead Park in the current sale.

DISCUSSION

In 2014, Nelson Partners were jointly engaged by Little Company of Mary Healthcare and Port Augusta City Council to determine the fair and reasonable market value on a “going concern” basis, (including freehold, real estate, goodwill, fixtures, fittings, plant and equipment and bed approvals) of both Nerrilda Nursing Home and A M Ramsay Village for potential realisation purposes.

A copy of the resultant reports are attached for members’ information.

Information contained within the valuation report has been used as the basis for the offer by Little Company of Mary Healthcare.

The assessment criteria as stated in Council’s prospectus document includes:

- Ensure transmission of employment for all staff currently employed at Nerrilda Nursing Home and AM Ramsay Village
- Maintain access for low income residents
- Ensure a foundation that supports growth in bed numbers in the longer term (ie more than 7 years from now).

All of the above criteria will financially impact an incoming Approved Provider of care and ultimately the sale value of the facilities.

Members should note that it is widely acknowledged within the aged care industry that stand alone providers of residential aged care are highly unlikely to remain sustainable under the current regime, and this is worse in regional areas that cannot attract high accommodation prices due to low socio-economic demographics.

Little Company of Mary Healthcare have provided a proposed Service Delivery Strategy (attached) and will present this to Council at it’s meeting on 27th April 2015.

CONFIDENTIALITY PROVISIONS

Organisations have requested ‘Commercial-in-Confidence’ in relation to their responses and therefore Confidentiality Provisions are appropriate in this instance.

It is considered that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting business, or proposing to conduct business, or would prejudice the commercial position of the Council.

It is recommended that Council maintains the confidential provisions as outlined above until **31 July 2015, or until determination is made by Council in relation to this matter.**

RISK MANAGEMENT

1: Financial/Budget

The financial implications of the future options of Council’s Aged Care Facilities will be demonstrated as part of a final presentation to Council once negotiations have been completed.

The following matters need to be considered during negotiations:

Debenture 220 (Nerrilda Nursing Home building loan) balance is currently \$749,150.61 with a further instalment due in June 2015. This ‘credit foncier’ loan expires in 2021.

Debenture 222 (AM Ramsay Village building loan) balance is currently \$419,155 with a further instalment due in July 2015. This ‘credit foncier’ loan expires in 2017.

Capital Grants were received from the Department of Health and Ageing of \$620,000 for Nerrilda Nursing Home and \$1,370,000 for AM Ramsay Village. A request has been made for detailed information as to the amount that the Department of Social Services would attempt to recover from Council. At the time of writing this report, this information had not been received.

It has recently been advised by the Department of Social Services that a novation of the Capital Grant agreement is no longer permitted. However, Council can 'state its case' for cessation of the capital grant agreements to the Department of Social Services.

"Each case is assessed on its merits but the presumption is that the Commonwealth should seek repayment of its interest unless a strong argument to the contrary can be made in writing. In light of the fact that a decision not to seek repayment is just as much a decision about the allocation of Commonwealth resources as is a decision to seek repayment. The Commonwealth may seek repayment of all or part of the grant, having regard to the particular circumstances of the case.

In considering the merits of any case, the following questions should be addressed:

Is the facility being sold on the commercial market?

If the answer is yes the Commonwealth should seek repayment of the grant.

Is the facility being transferred in a way that results in financial/asset gain to the grant recipient?

If the answer is yes the Commonwealth should seek repayment of the grant.

Is there any convincing argument that to seek to repayment of the grant would frustrate the achievement of an identified Commonwealth aged care policy objective (for example, an argument that repayment of the grant would jeopardise the ongoing viability of the grantee's aged care services)?

If the answer is yes the policy objective should be identified and how seeking repayment of the grant would frustrate the achievement of the identified aged care policy objective should be addressed.

If an existing provider proposes to rebuild a service on the same site and to continue to operate that service, has the provider demonstrated a need to rebuild because it would be uneconomic or not practical to upgrade the existing facility, especially where such requirements could not have been foreseen at the time of the most recent Commonwealth capital grant?

If the answer is yes, the Commonwealth may choose not to seek repayment of previous grants, taking into account all other circumstances of the case.

Is the financial situation of the recipient such that there is little likelihood that an attempt to seek repayment of funds would be successful?

If the answer is yes the argument should be fully documented with supporting evidence. The legal position of the recipient may also need to be considered."

Leave liabilities as at 30th June 2014 were as follows:

Nerrilda	\$151,452 (LSL)	\$155,359 (AL)
Ramsay	\$132,583 (LSL)	\$109,265 (AL)

It can be usual for sick leave entitlements of 75% of the current liability to be transferred in this type of negotiation.

Employee Relations advice has been provided that if an employee is offered a position within the transferring business prior to the transmission of the business, that redundancy payments are not applicable as per "Transmission of Business" clauses in relevant awards.

'Refundable Accommodation Deposits' and 'Accommodation Bonds' of residents at Nerrilda Nursing Home and AM Ramsay Village total \$2,998,242 as at 28th February 2015. These funds are currently held in a separate account with the Local Government Finance Authority and must be paid to the new Approved Provider on the date of transmission of approved bed places.

2: Legal

With the increased level of care being provided in Residential Aged Care Facilities comes increased clinical risk with the potential for legal action to be taken against the facilities.

Providers specialising in health and aged care have purpose designed systems in place to support facilities to minimise risk in relation to clinical care and the shifting paradigm to sub-acute care within the Aged Care sector.

Legal opinion will be sought in relation to draft agreements that may occur as a result of the negotiation process.

3: Environment

n/a

4: Community

4.1 General

Port Augusta, as with the rest of the nation is an ageing community. The key reason to consider future options is to ensure that the needs of the community of Port Augusta are met and that our residents receive the best quality aged care outcomes into the future.

ANNE O'REILLY
20/04/2015

Service Delivery Strategy – Port Augusta

Context:

The provision of support and care options for older Australians has been in a period of transformation for a number of years. The introduction of the Living Longer, Living Better has seen a high degree of changes to the provision of both residential and community care. These changes have focused on aspects of financial arrangements, provision of information and access for consumer and the overall structure and delivery of services and are the most significant change for a number of years.

In parallel there has also been a range of changes that have been gradually introduced within the area of seniors housing, these changes have been introduced mainly by providers in response to changes within the market. There is only limited government policy on seniors housing and it is generally regulated on a state by state basis.

The major changes that are currently being experienced as a result is a shift in consumer expectations with a greater emphasis on physical environment and 'lifestyle' attributes and services. People are now older and frailer when entering services, increasing the level of care and support required and the increasing prevalence of dementia is changing the needs of physical environment and approaches to provision of care in residential and community settings.

A recent report by the Australian Institute of Health and Welfare identified that of older Australians above the age of 65 years, 80% will use formal aged care services within the 8 years before they die, 46% of program clients used combinations of community care and permanent residential aged care and permanent residential aged care was the last service used by 54% of people (AIHW, 2015).

Based upon census data the estimated population above the age of 65 within the Port Augusta area is slightly above 2000 people, this number is expected to rise by approximately 25 % over the next twenty years. The need for appropriate seniors housing has been identified in previous planning by Port Augusta Council.

Position:

Over a period of time, Port Augusta Council and Calvary Retirement Communities have been in discussion and negotiation on the sale of the two existing residential aged care services and land banking for the future development of housing options within the Port Augusta community.

Calvary Community Care is the largest provider of community services within the Port Augusta region and currently provides 91 home care packages and a respite cottage within the community. These services are well established and have been in operation over a number of years.

Calvary Retirement Communities currently provides care to over 950 people in residential aged care facilities in 12 separate sites, this includes rural communities such as Singleton, Muswellbrook and Taree. In addition, we support 358 units across a 12 sites.

The combination of the current service provision and potential sale of services would enable Calvary Care to develop a continuous model of service delivery to older people living within the Port Augusta community. The main benefits of such a model with the one provider would be full integration of services and enable a wider flexible access of services for people within the community.

The immediate Service Delivery model would build on the current relationships between the various services, but hopefully be enhanced by the broader range of services operated by Calvary Retirement Communities. This would be reflected in areas such as information technology, clinical governance and effective operating models. The model would also build on existing Calvary Services based within South Australia and continue to enhance the services offered to the community of Port Augusta, such as the current Telehealth project.

The below diagram is a representation of the strategic model of service delivery for older people in the Port Augusta Region.

Strategic Model of Service Delivery:



The development of Seniors Housing enables a third option for people in accommodation as an alternative to living in their own home or entering residential care. This housing is developed to a universal design standard to enable access from older persons at various levels of frailty and mobility. The basic services of the senior's housing development generally include general property maintenance, social and recreational activities, security and general operation of the development.

With the changes of the Living Longer, Living Better, many aged care providers and operators of independent living villages are looking at new ways to deliver this integrated model of care. In recent times, there have been a number of innovative models that have emerged and are being developed.

The co-location of the services with a residential aged care service provides a number of immediate benefits in the support and care needs. It is envisaged a single management structure would be used to coordinate support

functions across the site, but also assist with the guiding of the best care support when required. This could be a short term period (due to illness) or longer term (as care needs are increasing).

The co-location also will facilitate activities that include both residents of the seniors housing together with the residential facilities on a regular basis. Past experience is that this will also develop increased opportunities for volunteering and support to residential care residents from within the seniors housing. The co-location also enables couples with different care and support needs to reside close together within the overall village.

In the event that structured care services are required, there is no limitation or restriction on community programs being delivered to people within a senior's housing development. The initial access to community supports can be supported and assisted by the management team from the RACF. The additional benefit is that the purpose built physical environment is supportive and enables the community services delivered in a safe environment.

This model of service delivery is currently in operation in eight separate communities within the Calvary Retirement Communities. It is possible for this model to operate with separate providers of the various services but the effectiveness of the overall service is greatly improved if there is a single service provider operating with an integrated model of service delivery.

We believe that this model of service delivery gives people a greater choice of services required and an easy transition between services as and when required. The integration of services enables access to most appropriate service at the most appropriate time in line with the needs of each individual.

It is important to note that the pricing structures within the community and residential care services are regulated by government legislation and the financial assessments of each individual person. Pricing structures within the seniors housing are usually influenced by market demand and a therefore consistent with general socio economics of the area. Both of these factors are important aspects to ensure there is fair and equal access across the range of services.

Reference:

Australian Institute of Health and Welfare, 2015, *"Use of aged care services before death"*.

VALUATION REPORT

FOR AN

Aged Care Facility

ON

A "going concern" basis

KNOWN AS

**Nerrilda Nursing Home
71 Stokes Terrace
Port Augusta West
South Australia**

JOINTLY INSTRUCTED BY

**Mr P Bradley
National Director, Aged Care and Retirement
LCM Healthcare
National Office, Level 18, 68 Pitt Street
Sydney New South Wales**

And

**Ms A O'Reilly
Director, Community Services
Corporation of the City of Port Augusta
PO Box 1704
Port Augusta South Australia**

&

ON BEHALF OF

LCM Healthcare

and

The Corporation of the City of Port Augusta

Refer "Executive Summary"

DATE OF INSPECTION / VALUATION

7th May 2014

DATE OF REPORT

10th June 2014

Our Ref: 14-0313.ACF



VALUATION SERVICES

Aged Care
Health Care
Retirement Villages
Hospitality
Service Stations
Child Care Centres
One Off Going Concerns
Business

CONSULTING SERVICES

Feasibility Studies
Property Negotiations
Cash Flow Budgets
Property Research & Analysis
Australia Wide Service

NSW HEAD OFFICE

Suite 306, 29 Solent Circuit
Baulkham Hills NSW 2153
Phone: (02) 9659 9611
Email: admin@nelsonpartners.com.au

QUEENSLAND - BRISBANE

Phone: 0488 333 526
Email: adminqld@nelsonpartners.com.au

VICTORIA - MELBOURNE

Phone: 0488 333 526
Email: adminvic@nelsonpartners.com.au

ALL CORRESPONDENCE TO

PO Box 6839
Baulkham Hills Business Centre
NSW 2153
Fax: (02) 9659 9622
www.nelsonpartners.com.au

Nelson Partners Australia Pty Ltd
Trustee for NPA Unit Trust
ABN 79 040 484 104



TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
PROPERTY DETAILS	6
LEASE DETAILS	7
LAND USE	8
LOCATION	9
THE LAND	10
ENVIRONMENTAL CONSIDERATIONS	10
SERVICES	11
DESCRIPTION OF IMPROVEMENTS	11
EQUIPMENT	18
APPROVALS/STATUTORY AUTHORITIES	19
DAILY FEES AND BONDS	21
BUSINESS OVERVIEW	23
TRADING DETAILS	25
ALTERNATIVE USES	27
MARKET EVIDENCE	28
S.W.O.T. ANALYSIS	34
COMMENTS	35
GOODS AND SERVICES TAX	36
APPROACH TO VALUATION	37
INSURANCE	39
GENERAL	39
VALUATION	41
FINANCIAL ANALYSIS	42
ANNEXURES	

Nerrilda Nursing Home, Port Augusta West, South Australia



EXECUTIVE SUMMARY

We have received written joint instructions from Mr P Bradley, National Director Aged Care and Retirement, LCM Healthcare, Sydney and Ms A O'Reilly, Director Community Services, The Corporation of the City of Port Augusta, Port Augusta, to determine the fair and reasonable market value on a "going concern" basis, (including leasehold (Crown Lease), real estate, goodwill, fixtures, fittings, plant and equipment and bed approvals) of the Nerrilda Nursing Home at Port Augusta in South Australia on behalf of our joint instructing parties, for potential realisation purposes.

This report provides:

- A.** "Going concern" value "as is" for 46 high care funded places including 1 respite;
- B.** Added value of surplus land, if any, and
- C.** Comments on Living Longer Living Better Reforms from 1st July 2014

We have had regard to the standard instructions issued by major financiers and model instructions to valuers prepared by the Australian Property Institute (API) 2006 in the preparation of this report.

Our report has been prepared for potential realisation purposes, as requested. This report can only be relied upon if undertaken within **90 days** of the valuation date given no major market changes and confirmation by written evidence by the writer of this report.

The subject existing Facility is a traditional Residential Aged Care Facility for high care comprising 46 funded places within variable configurations in a "purpose-built" building with associated health focus day centre situated within the northern area of Port Augusta in South Australia.

The business is operated by The Corporation Of The City Of Port Augusta and is situated on Crown Land subject to designation as aged persons cottage homes as gazetted on 27th March 1986.

This single level building has been built in 2 stages; the original 1986 building with upgrades and an increase in numbers in 2006 to provide the current configuration. The main change was the removal of 4 bed wards, conversion to 2 beds, upgrading of bathrooms and a new wing of single and twin rooms. Overall, the subject can be described as a typical high care building although having the benefit of single rooms with access to the bathrooms for approximately 26 of the 46 beds. There are 3 distinct wings and the ability for secure areas within the building. The site is elevated and overlooks the native reserve flood way and is situated within a mixed residential area with both public and private housing on the north side of Port Augusta.

This high care Facility is run in association with Ramsay Village low care on the south side of Port Augusta and is within the Flinders Far Northern Regional Planning Area.

The health focus activities is a separately funded programme which utilises a major "purpose-built" room and associated amenities 4 days per week during set periods for support and respite type activities. One day a week the room area is utilised by the Facility and also adjoins the main training education room. This report acknowledges the physical building but has not placed any added value on the programme which we understand is funded to 2015, however we have acknowledged an added value consideration for the room.

Nerrilda Nursing Home, Port Augusta West, South Australia



EXECUTIVE SUMMARY (Cont'd)

This report is based on a "stand alone" valuation of the subject high care Facility and represents an asset valuation for market value and does not incorporate any associated financial interests or activities.

Overall, the improvements within the original sections reflect the period of construction and are somewhat dated although materially provides satisfactory accommodation for high care residents. The new wing and upgraded bathrooms in the old 4 bed wards are of a higher standard than the older original sections of this Facility.

Given the Living Longer Living Better commencement from 1st July 2014 accommodation bonds will be permissible on entry from the residents in the new format of RAD and DAP. We have had discussions in respect to the RAD and DAP forecasts by current management and these are noted later in this report although we consider DAP or equivalent accommodation charges will be the primary income flow for this Facility.

The overall business model has been a traditional high care reflecting in operational income and expenses and occupancy. We note there has been some pressure in recent years on operational expenses although details are provided later in this report.

We have been provided with past financial trading details including year to date, transferred bond details, Commonwealth data, statutory information including lease criteria over the Crown Land and information including site plan and building certification data.

Overall market evidence has been limited over the past 5 years and has been partly due to the Global Financial Crisis and the Productivity Commission's Report process and the Industry waiting for clear direction on the proposed Aged Care Reforms although there are signs of changes now occurring to the market.

Reference to Market Evidence and Comments later in this report.

Given the Aged Care Reform Bills have passed both Houses of Parliament, the 1st July 2014 will be a key date for the Aged Care Reforms although the introduction of a number of principles remain unknown at this stage. Given the advice from the Commonwealth on reforms the final impact is unclear at this stage although this report assumes the overall result will not materially change the business operation.

The key components in the reform, which will be over a 10 year period, are that the major reforms will commence as at 1st July 2014, with a 2 year establishment period, and further negotiations for all legislation and stakeholders' input to allow for the detailed aspects of the major reforms to the sector. This is not uncommon and has been a process in the past for major reforms to the sector. Reference to the Industry Overview and our summary to date on the Government's response, although now changing given the new Government since September 2013.

It should be noted that these are major reforms being proposed for the Industry. The final details of these reforms are not totally clear, as at the date of this report and therefore this report is based on acknowledgement of the direction given by the Government, however, is within the market climate prevailing at this stage. There are further details regarding accommodation bonds due during the first half of 2014.

We would consider that any potential intending mortgagee/board will monitor the potential changes when the details are reviewed and further review the impact on this sector, both positive and negative.

Nerrilda Nursing Home, Port Augusta West, South Australia



EXECUTIVE SUMMARY (Cont'd)

As a result of the above and the remaining unknowns in respect to actual details there is clearly no evidence available for valuation purposes. Therefore care is needed in regard to viewing past evidence and the current valuation as any material changes to the market over the next 2 years is likely to have an impact upon the valuation.

It is our understanding that the Commonwealth will provide further principal guidelines although given the restructuring and new Authority a number of the areas could not be fully known until the end of 2014. We acknowledge the General Election which occurred in September 2013 and resulted in a change of Government which may now result in further changes in respect to the Residential Aged Care Reforms and commencement dates.

Our opinion at this stage is that there will be changes to the funding and structure however the subject should not be adversely affected overall given the current guidelines available together with the number of bonds and the high care structure in place at this Facility.

Further, as noted we assess this Facility on a "stand alone" basis having due regard to past trading as well as potential future trading given Living Longer Living Better Reforms and also assuming the Crown Lease continues on transfer to the incoming purchaser for "continued use" with no adverse costs.

Our Approach to Valuation (Pages 37 to 39) is to provide an "as is" value of the "going concern" assuming a fair and reasonable commercial Ebitda and based on a capitalisation method with a dollar per place check method. We have also had regard and comments in respect to the Living Longer Living Better changes, although assume a continuation of a core high care business model.

Given the Aged Care Reforms we assume monitoring of the final outcomes will be viewed during this negotiation period and that there is no material impact that has not been provided as at the date of this report which would affect the calculations.

The above assessments are based on fair market value given a realisation by a willing vendor, in accordance with the International Assets Valuation Standards Committee. Their definition of market value is "the estimated amount at which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion, given a time frame of up to six months". "Asset" includes property.

This report has been prepared based on the information provided being true and correct, in particular the trading for valuation purposes.



Nerrilda Nursing Home, Port Augusta West, South Australia



PROPERTY DETAILS

Title

The land is described as: Section 327, HP 540200 Volume 5754, Folio 546
Hundred of Copley in the Area named Port Augusta West
in the State of South Australia

We have been provided with a Title Search dated 24th August 2004 and this together with data from Council has been the basis of our legal description of the above. Please note we have been unable to confirm.

The following encumbrances, caveats and notices are on the Title:

Easements

Subject to the Easement to the Minister for Infrastructure (CT 5430/524)

Schedule of Interests

Land dedicated for Aged Persons Cottage Homes purposes pursuant to the Crown Lands Act, 1929 by gazette 27.3.1986.

Notations

Documents Affecting This Title

Nil

Registrar-General's Notes

Nil

Administrative Interests and Crown Notes

Authority docket D.L. 4717/84

We are not aware of any other easements, rights-of-way, encroachments, road widening affectation and/or restrictive covenants other than as noted in the Title Search which might affect the subject property, however, these could be checked by current searches/enquiries with all statutory authorities.

Dimensions and Area

The land has a frontage to Stokes Terrace of about 149.99 metres, side boundaries of about 200.02 metres plus about 79.84 metres and about 219.53 metres plus about 80.27 metres and a rear boundary measurement of about 105.26 metres, copy of Plan attached, subject to survey to confirm.

The area of the subject site is about **4.17 hectares**.

Ownership

The Title Search indicates the subject lot is owned by **THE CROWN** with the custodian **THE CORPORATION OF THE CITY OF PORT AUGUSTA**.

The business and the Commonwealth approvals stand in the name of **THE CORPORATION OF THE CITY OF PORT AUGUSTA**.

We assume the transfer of the Crown Lease is available at no cost to provide realisation on a "going concern" basis for valuation purposes.

We assume the total entities are available as part of this realisation to reflect the "going concern" acquisition.

Nerrilda Nursing Home, Port Augusta West, South Australia



PROPERTY DETAILS (Cont'd)

Statutory Value

According to the Rates Enquiry printout from Port Augusta Council dated 2nd April 2014 the following values apply:

Capital Improved Value	\$4,500,000
Site Value for the whole of Section 327	\$ 450,000

Given the ownership and advice there is no rateable general rates on the subject only service charges.

Identification

The property has been identified from the street address, aerial map and copy of the plan as well as a site inspection.

Whilst the boundaries have been physically identified upon inspection and there do not appear to be any encroachments, the reporting valuer is not a surveyor and no warranty can be given without the benefit of an Identification Survey.

LEASE DETAILS

The subject land has been dedicated for aged persons cottage homes purposes pursuant to the Crown Lands Act, 1929 by gazettal 27th March 1986.

Demised premises	: Section 327 (Volume 5754, Folio 546)
Known as	: 71 Stokes Terrace, Port Augusta West, South Australia, 5700
Owner	: The Crown
Custodian	: The Corporation of the City of Port Augusta
Commencement Date	: 27th March 1986
Permitted Use	: Aged Persons Cottage Homes purposes pursuant to the Crown Lands Act, 1929 by Gazette 27.3.1986

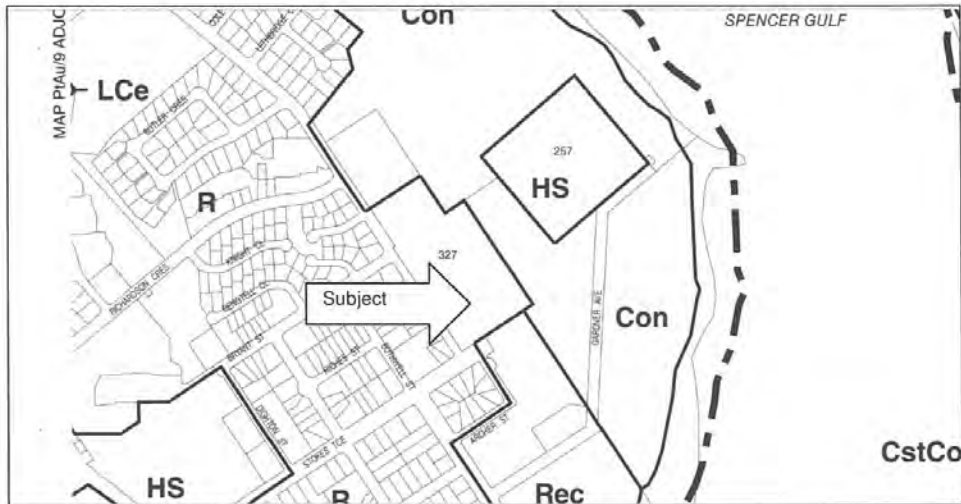
Comments on Lease

- This allocation we assume will be able to be transferred to a new Custodian as part of any realisation based on "continued use".
- No detailed information was provided although requested.

LAND USE

Zoning

On-line enquiries of SA Council Maps for the Port Augusta City Council indicate the subject land has a **Residential** zoning or policy under the terms and conditions of the Port Augusta Council Development Plan.



Objectives:

- 1: A residential zone comprising a range of dwelling types, including a minimum of 15 per cent affordable housing.
- 2: Increased dwelling densities in close proximity to centres, schools, public transport routes and public open spaces.
- 3: Within Port Augusta West, small-scale convenience shopping, office, medical and community facilities to serve the local community located in designated areas as shown on the Port Augusta West Structure Plan Map PtAu/1 (Overlay 1) Enlargement C.
- 4: Development that contributes to the desired character of the zone.

We assume a Certificate will be provided to confirm the above.

Enquiries/Approvals

The subject development appears to comply with the current zoning provisions and given the Crown Lease 1986 would have "existing rights".

We assume that there are no major overlays other than noted within the zoning objectives above.

Our valuation assumes the completion of all works has occurred and complies with Statutory Authorities to all operations of the Facility.

LOCATION

The subject complex is situated at Port Augusta West being approximately 305 kms from Adelaide CBD and within the northern residential area of Port Augusta being about 1.5 kms north of the town centre and on the northern west side of Spencers Gulf. The northern inlet of Port Augusta is situated to the north of Port Pirie and on the eastern side of the Spencer Gulf and north-east of Whyalla on the western side of Spencers Gulf.

Port Augusta provides a mixed rural and semi industrial location in respect to the major power stations, crossover of the east-west rail and north-south railway and is the gateway to the northern area of South Australia and the Northern Territory via the Sturt Highway. There are mixed rural activities and defence locations in this area. Port Augusta provides services to the local and wider communities.

Surrounding development comprises mixed residential within this generally elevated location with both public and private housing well established together with caravan parks and local public and private schools. Due to its actual position it overlooks a low area of native landscape which also provides for a localised watercourse and is nearby to the upper regions of Spencer Gulf.

Port Augusta provides local services, commercial areas including a small public hospital, Aged Care and health care services.

Reference is made to the Competition section of this report which provides an overview of the nature of the competition.

Location Maps



Source: Google maps

Access

Access to the general area from the south is by the Augusta Highway, from the north by the Sturt Highway and from the east by the Eyre Highway.

Direct access within the town environment is the A1 Highway which is known as Victor Parade which provides access to the north side which is known as Port Augusta West with Stokes Terrace being a divided residential roadway for this area and providing a cul-de-sac type environment for direct access to the subject property.

Nerrilda Nursing Home, Port Augusta West, South Australia



LOCATION (Cont'd)

Access (Cont'd)

The subject property is also on the corner of Chinnery Street which is a typical residential formed sealed roadway.

Stokes Terrace is a bitumen sealed carriageway with concrete kerbing and guttering and constructed footpaths.



Chinnery Street



Stokes Terrace

THE LAND

The overall Section 327 is a large parcel of land with access frontage off Stokes Terrace and a long side frontage to Chinnery Street. Reference is made to the plan attached.

It is slightly irregular in shape and falls across the block.

Overall the subject land is within an elevated area which falls to the north-eastern side boundary. The site has had cut and fill operations within the building environment to provide for the overall level building site.

There is native landscaping and trees surrounding the main improvements and to the rear.

Overall, the site is sandy soil which is typical of the area with satisfactory natural drainage in this arid location.

ENVIRONMENTAL CONSIDERATIONS

Given the nature and age of the improvements together with the residential surrounding development and bushland, we assume there is a low risk.

Whilst the land appears suitable for the present use, no soil tests or environmental studies have been made available to us. Please note that this valuation is subject to there being no surface or sub-surface soil problems including instability, toxic or hazardous wastes or building material hazards in or on the property that would adversely affect its existing or potential use or reduce its marketability. Should any problem be known or arise then the valuation should be referred back to us for comment.

We have not been provided with any formal professional reports on the subject.

Nerrilda Nursing Home, Port Augusta West, South Australia



SERVICES

Connected: electricity, telephone, town water (and tanks), sewerage and LP gas.

Fire alarms, fire fighting equipment and sensors are installed together with an upgraded residents' call button system.

Split system air-conditioning is installed and phone system and Wifi throughout. There is also an Aged Care channel and computers installed.

DESCRIPTION OF IMPROVEMENTS

Erected on the land is a two stage single level "purpose-built" Facility providing high care accommodation for currently 46 places within single and twin rooms.



Source: Google maps

We have been provided with access and a copy of a fire evacuation plan that has been the basis for the following description. (Copy attached).

Our inspection shows a two staged circa 1986 and 2007, single level complex accommodating a total of 46 residents in single and two bed rooms with and without private ensuites. There are 3 distinct accommodation areas plus core central Facilities and the health respite day centre area. The main access provides access to both the residential and the day area together with back of house services. There are core hallways which connect the wings and the living areas.

There is a full commercial kitchen on-site and a small laundry which is utilised for the residents' items only.

Nerrilda Nursing Home, Port Augusta West, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Overview of Construction

A brief description is as follows:

Footings	:	Appear reinforced concrete slab on ground
Floor	:	Reinforced concrete slab on ground to Engineer's specifications
Walls - External	:	Face brick with part rendered
- Internal	:	Part rendered plasterboard and glass feature
Ceilings	:	Variable plasterboard
Windows	:	Anodised aluminium
Roof	:	Multi pitched and style construction with iron covering

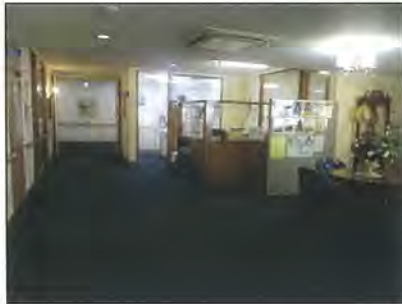
Layout

The building has a central core, central hallway with the 2006/2007 wing at right angles together with 2 internal courtyards and back of house areas.

Entrance is via a foyer which provides access to the day centre and residential past office areas.

In addition there is a double garage, a large workshop plus a shed shelter and off street parking together with secure rear areas.

Reference is made to the reduced floor plan attached at the rear of this report.



Accommodation

The following is an overall view of the accommodation and facilities.

Rooms

Given the 2 stages there are differences in room layouts and accommodation on-site. The original rooms comprise single rooms without private ensuites and generally a shared bathroom between 4 single rooms plus converted previous 4 bed wards to twin rooms with access to ensuites or bathrooms. The 15 bed wing has both singles and twins with 2 twins having private ensuites and clearly a more modern appearance.

The rooms within the older section are reflective of the mid 1980s design and fit out incorporating handbasins, built-in timber wardrobes, split system air-conditioning which has been upgraded, vinyl floors, TV mounted facilities and electric bedding of variable layout.

Nerrilda Nursing Home, Port Augusta West, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

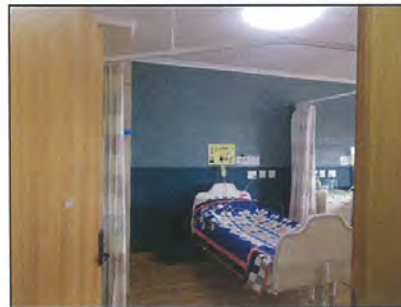
Accommodation (Cont'd)

Rooms (Cont'd)

The overall accommodation has 36 rooms for 46 residents.

Type	Room Number	Total	Total Beds
1 bed room without ensuites	1-12,15,18,22,26-35,50	26	26
2 bed rooms without ensuites	13,14,16,17,21,25	6	12
2 bedrooms with ensuites	19,20,23,24	4	8
Total		36	46

The standard of fit out ranges and reflects the 1980s and the mid 2000 and includes split system air conditioning to all rooms.



Nerrilda Nursing Home, Port Augusta West, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Resident and Staff Facilities

Lounge/Dining/Recreation Areas

Given the design there are a number of lounge and common areas throughout the building and both larger and smaller areas are provided including private dining. There are main combination lounge/dining areas with serveries strategically situated within the building.



There is an on-site hairdresser area as well and access to outdoor areas including the pergola and gazebo areas.

In addition there is the training education room and the day centre area which can be utilised for multi-purpose activities.



Bathrooms

There are a range of bathrooms from the original tiled 1980s bathroom to the 2006 upgraded vinyl bathrooms within the new sections and renovated previous 4 bed areas. All bathrooms have grip rails, handbasin, low down suites, showers and toilet facilities.

There is also an assisted bath area in the main building.

Staff, common area and visitors' amenities are also available.

Nerrilda Nursing Home, Port Augusta West, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Resident and Staff Facilities (Cont'd)

Bathrooms (Cont'd)



Clean and Dirty Utility Rooms

There is a range of clean and dirty utility areas throughout the building which are reportedly considered adequate by the current on-site staff.

Administration/Reception Area

There is a foyer with open plan access to both the Aged Care and day centre. Within the foyer there is a screened reception area plus associated office, amenities and private dining/interviewing room.

Kitchen

A full commercial kitchen including a walk-in coolroom and freezer together with pantry area is situated within the central core area of the service section and accessible for the service delivery areas as well as the service corridors to provide access to the dining areas.

This full commercial kitchen is equipped has the ability for regiformic production for weekend core food deliveries.

We assume a full commercial on-site operation in keeping with current health requirements for food preparation. We note that there are 3 small domestic style kitchenettes within the 3 dining areas within the main building.



Main



Kitchenette

Nerrilda Nursing Home, Port Augusta West, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Resident and Staff Facilities (Cont'd)

Laundry

A small commercial style laundry is on-site with a core single commercial washer and dryer and 1 domestic style washer given that the bulk laundry is contracted off-site. There is a sorting area and storage areas available within the service corridors.



Support Areas

These are located in each section of the building and include a nurses' station, cleaners' utility rooms and general purpose storeroom together with plant areas.

The support areas reflect the period of construction and there have been no material changes from the 1980s layout.

Staff Facilities

These are located adjoining within the service corridor between the laundry and kitchen and comprise a staff area, staff amenities and access to external areas via the service corridors.

Design Comments and Internal Finish

Based on our inspection and the plans provided clearly the main core building reflects the 1980s with the 2006/2007 extensions and renovations.

Clearly the design was reflective of the period of the 1980s high care with shared bathrooms with the main module 4 room ratio in different sections together with the original 4 bed wards now 2 beds plus the 2006/2007 extension which reflects a higher presentation and standard although still reflecting a high care model.

Overall, there are no private single ensuite rooms on-site, only a limited number of twin rooms with ensuites.

Nerrilda Nursing Home, Port Augusta West, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Design Comments and Internal Finish (Cont'd)

The internal finishes clearly reflect the 1980s within the older sections including bathrooms with the upgraded new wing in 2006. Overall internal finishes and presentation is satisfactory given the periods of construction and use.

Reference is made to the reduced Floor Plan and comments in the Statutory Enquiries section of this report.

Other Improvements

As noted, there is a day centre as part of the main building which has a large open plan area, activities, small doctor's rooms, amenities and access to a large training education room.

In addition, we acknowledge that a double garage at the rear and the large original bus shelter is now an archive metal deck storage shed.

Gross Building Area (Approximately from Plans/Data Supplied)

Total gross building area	Not provided
---------------------------	--------------

Ground Improvements

The existing landscape provided is reflective of the climate although there are roses and a well established area adjacent to the main foyer. There are also lawn areas within the fenced key areas and adjacent to the car parking with the balance of the site being open with native trees and shrubs.

On-site car parking is provided directly in front off the terrace for visitors and then a secure area to the rear side of the main building for staff parking. Overall it appears to be appropriate for the size of the Facility.

Age and Condition

As previously noted the original building was built in 1986 and the extension in 2006 together with minor internal changes.

Our inspection and discussions with on-site staff indicate no material issues with the overall building other than normal items associated with a building of this age.

Our valuation assumes the standard complies with all statutory requirements.

Our valuation assumes all statutory approvals are in place and certification has occurred to allow for the 46 places from the Local and State authorities.

We assume a certificate will be provided ongoing for food on the premises from Council in association with Occupation Permit requirements.

Nerrilda Nursing Home, Port Augusta West, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Age and Condition (Cont'd)

The building has been constructed to a Class 9A structure under the Building Code of Australia. We assume this is current and fully complies.

We have not inspected woodwork or other parts of the structure which are covered, unexposed or inaccessible and we are therefore, unable to report that any such part of the structure is free from defect.

We have not been provided with any Engineering tests, Structural Survey or Qualified Building Report and to this extent this valuation is qualified. Further, we have not been informed of estimates to enable the building to comply with the Building Code of Australia, which may require upgrading if requested under the relevant sections of the Act.

Our valuation assumes the following are available:

- (a) A Survey Report showing that the improvements are contained within the subject allotment.*
- (b) A building Certificate and a satisfactory final inspection/Occupation Certificate advice should be obtained from the Local Government Authority to ensure compliance with a Planning Permit.*
- (c) A Pest Certificate to confirm the property to be free from infestation (whether active or dormant).*

If any of the above reports/certificates disclose matters which may affect the value of the property, our valuation may require revision.

EQUIPMENT

Overall the Facility is provided with satisfactory to average quality furnishings and equipment given high care, although a continuing upgrading programme is required in this style of Facility.

Nerrilda Nursing Home, Port Augusta West, South Australia



APPROVALS/STATUTORY AUTHORITIES

Private Aged Care Facilities fall under two areas of control.

1. Commonwealth Department of Health and Ageing, under the Aged Care Act of 1997 provides a Certificate of Approval to operate the Facility and receive recurrent funding. Other Acts include the Aged Care Principles 1997.
2. Local Government Building and Planning requirements.

Commonwealth

The Aged Care Act sets down new guidelines for approvals, accreditation, building certification and continuing improvement of all facilities in Australia.

RAC Service ID/Name : 6974/Nerrilda Nursing Home
 Approved Provider : Corporation of the City of Port Augusta
 No. of Places : 46 high care including 1 respite
 Concessional Ratio : 16.8% -Whyalla, Flinders & Far North

This valuation assumes the above approvals remain current, with no sanctions imposed or changes to the status of the Facility.

Accreditation

We have obtained a copy of the Accreditation Decision for the subject Facility which indicates 3 years accreditation has been granted to 3rd November 2015. This was the result of 44 out of 44 expected outcomes being gained in the last review.

The Decision shows a satisfactory result for all standards.

Standards	Preliminary Team Rating
Management Systems, Staffing & Organisational Development	Compliant
Health and Personal Care	Compliant
Residential Lifestyle	Compliant
Physical Environments & Safe Systems	Compliant

Our valuation assumes the ongoing Facility will comply with all 44 expected outcomes and that there will be no adverse affects or sanctions on this Facility.

Building Certification

This is a requirement under the Aged Care Reforms of 1997. Consultants are engaged by the Commonwealth to assess Facilities, which are rated out of 100 points of the building. We have been provided with a report (inspection date 3rd September 2009) which shows the building as a Class 9A prior to the 2006/2007 additions.

Nerrilda Nursing Home, Port Augusta West, South Australia



APPROVALS/STATUTORY AUTHORITIES (Cont'd)

Building Certification (Cont'd)

The following shows areas of assessment

Summary Area	Max Points	Weighted Score
1. Safety (fire rating, egress provision, alarms and detectors, fire fighting, smoke free compartments, etc)	25.00	19.75
2. Hazards (internally, externally, special hazards to particular subgroups, materials)	12.00	12.00
3. Privacy (beds per room, ratio of shower and toilets utilised by residents)	26.00	19.10
4. Access, Mobility, Occupational Health and Safety (number of storeys, age of Facility, number of lifts, ramps, grab rails, fixtures and fitting)	13.00	12.80
5. Heating/Cooling	6.00	4.20
6. Lighting/Ventilation (both natural and illuminated)	6.00	5.00
7. Security (individual rooms and Facility in general)	<u>12.00</u>	<u>8.00</u>
Total	100.00	80.85

Commonwealth computer records as at March 2014 show the subject is certified.

We note the safety score is reflective of no sprinklers in this building at the time of our report, however we also note no sprinklers as at the date of this report.

Prudential Statements and Audits

As there will be accommodation bonds, there is a requirement by the Commonwealth to have a Prudential Statement carried out by an independent auditor as at 30th June each year.

Further, as a result of the conditional adjustment payments that are being made by the Commonwealth, there is an additional requirement from 2005 for a general-purpose audit.

Council and Fire Safety

Council is now responsible for fire issues as well as the normal building certification and approval process.

Refer Triennial Fire Safety Certificate dated 27th October 2011.

Overall we assume no major work is outstanding which requires immediate action. If this is not correct, our valuation may require revision.

Nerrilda Nursing Home, Port Augusta West, South Australia



DAILY FEES AND BONDS

As noted earlier major changes occurred on 20th March 2008 with the introduction of the new ACFI Funding Instrument for all new residents. This will result in the different funding fee based for the existing Facility noted below although it is indicated that it will be of a similar nett result.

ACFI Payment Levels – from 1st July 2013 to 30th June 2014

Funding Level	Activities of Daily Living	Behaviour Supplement	Complex Health Care Supplement
High	\$94.79	\$31.03	\$58.15
Medium	\$68.42	\$14.88	\$40.27
Low	\$31.43	\$ 7.18	\$14.14
Nil	\$ 0.00	\$ 0.00	\$ 0.00

Resident Fees:

Non Standard Resident	\$ 52.79	\$ 52.79	\$ 52.79	\$ 52.79	\$ 52.79	\$ 52.79	\$ 52.79
Standard Resident (Pensioner)	\$ 46.50	\$ 46.50	\$ 46.50	\$ 46.50	\$ 46.50	\$ 46.50	\$ 46.50
Pensioner Supplement	\$ 7.84	\$ 7.84	\$ 7.84	\$ 7.84	\$ 7.84	\$ 7.84	\$ 7.84

RCS Funding – pre 20th March 2008 Residents

The following is the Commonwealth Daily Fee schedules throughout Australia as at **1st July 2011** for general Aged Care Facilities prior to any adjustments, which have been the basis for this report. This table is for existing residents who entered prior to 20th March 2008 but reflects 20th March 2014 updates.

Commonwealth Fee RC	1	2	3	4	5	6	7
All States of Australia	\$139.92	\$126.87	\$109.30	\$ 77.26	\$ 47.07	\$ 38.98	\$ 29.94
Late RCS payment	\$104.92	\$ 91.87	\$ 74.30	\$ 42.26	\$ 27.07	\$ 18.98	\$ 9.94

Residential Aged Care Supplements (New)

These rates are applicable from 1st August 2013 to 30th June 2014

Residential Aged Care Dementia and Severe Behaviours Supplement

From 1st August 2013, a Dementia and Severe Behaviours Supplement was introduced in recognition of the additional costs of providing care to these residents. This rate is \$16.15 per day.

Nerrilda Nursing Home, Port Augusta West, South Australia



DAILY FEES AND BONDS (Cont'd)

Supplements

The cost of providing Aged Care Facility care is supplemented by Commonwealth Government benefits, which are paid directly to the Facility on a monthly basis. The main ones are noted below.

As with ACFI payments there are different rates depending on the date of admission. These are the indicative rates available from the Commonwealth.

Payroll Tax

Rates apply to a single Aged Care Facility with group ownership being the aggregate number of beds. These vary from State to State.

Respite residents

- | | |
|------------------------------------|------------------|
| • High care residents | \$109.30 per day |
| • Low care residents | \$ 38.98 per day |
| • High care level greater than 70% | \$ 85.76 per day |
| • High care level less than 70% | \$ 50.40 per day |
| • Low care level | \$ 35.95 per day |

Concessional and Assisted Residents pre 20th March 2008

- | | |
|---|-----------------|
| • Up to 40% total bed days after 1st October 1997 | \$13.67 per day |
| • Over 40% total bed days after 1st October 1997 | \$20.91 per day |
| • Assisted Resident Supplement from | \$ 8.61 per day |

Residential Care Subsidy – Accommodation Supplement (maximum)

If on the day the service meets building requirements mentioned in Section 21.11B of the principles	\$34.20 per day
---	-----------------

OR

If on the day of service does not meet those requirements	\$28.75 per day
---	-----------------

Transitional Accommodation Supplement

- | | |
|--|-----------------|
| • Item 1 – from 19th March 2008 to 20th September 2010 | \$ 7.84 per day |
| • Item 2 – from 19th September 2010 to 20th March 2011 | \$ 5.23 per day |
| • Item 3 – from 19th March 2011 to 20th September 2011 | \$ 2.61 per day |

Transitional Supplement

- | | |
|--|-----------------|
| • Transfer or Pre 1997 special residents | \$20.91 per day |
|--|-----------------|

Nerrilda Nursing Home, Port Augusta West, South Australia



DAILY FEES AND BONDS (Cont'd)

Supplements (Cont'd)

Conditional Adjustment Payment

This commenced as at 1st July 2004 based on 1.75% of the standard care fee paid by the Commonwealth. It will rise to 7% over the first 4 years, with 8.75% from 1st July 2008.

Our valuation assumes no major adjustment would be required on the transfer of approvals.

BUSINESS OVERVIEW

The subject business is a general high care generally without any material accommodation bonds given the building and location.

As a result the business has relied on new "residents" entering and paying a standard accommodation daily fee. This will noticeably change under the Living Longer Living Better Reforms.

Occupancy is the key to the trading and we note this has been under some pressure in recent times.

Competition

There is a limited range of Aged Care Facilities in Port Augusta given both principal Aged Care Facilities are operated by the same Approved Provider. There is hospital placement as well as community places in this location. Wider catchment areas and facilities are not considered directly in competition to the subject.

The subject Aged Care Facility is within the Whyalla, Flinders and Far North Planning Region, within the Port Augusta Local Government Area. There are a range of Aged Care Facilities in the general area.

Service	High Care Places	Low Care Places	Community Care Places
A M Ramsay, Port Augusta ⁺		62	
Bonds	Accommodation prices range from \$260,000 to \$280,000. Rooms are single room with private ensuite.		
Calvary CACPs Flinders & Northern, Port Augusta			66
Calvary CACPs Whyalla, Port Augusta			15
Calvary EACH Dementia Port Augusta, Port Augusta			5
Calvary EACH Far North SA, Port Augusta			5

⁺ Controlled by Council also.

Data above is based on the My Aged Care website as at 27th May 2014.

Nerrilda Nursing Home, Port Augusta West, South Australia



BUSINESS OVERVIEW (Cont'd)

Demographics

ABS Census 2011 estimated resident population – Port Augusta LGA

	Age 60-64 years	Age 65-69 years	Age 70-74 years	Age 75-79 years	Age 80+ years	Total population in Area
Male/Female	852	651	497	331	479	13,985
%	6.1%	4.7%	3.6%	2.4%	3.4%	100%
VIC	5.5%	4.2%	3.3%	2.6%	4.1%	
Australia	5.6%	4.3%	3.3%	2.5%	3.9%	

Occupancy

We have been provided with occupancy details by management which show the following:

Period	Percentage	Average Beds per Day
2010/2011	95.9%	43.2
2011/2012	96.9%	44.6
2012/2013	95.6%	44.0
Year to date 2014	95.5%	43.9
Client's Budget	Not provided	Not provided

We have also sighted actual Commonwealth records for February 2014 which shows 1,251 bed days or 97.1%.

Based on a long-term budget for valuation purposes we have adopted 95%.

Management

This Facility is a general care to high care.

The overall management of the Facility is via the Council, which has a Manager overseeing the operation and employs a Facility Manager who controls the day-to-day management on-site.

We have had discussions with both the Manager and the Facility Manager during our inspection.

We assume the employment of appropriate staff for the Facility will continue and be available ongoing at this Facility. The Aged Care Industry is experiencing pressure with staffing both levels and numbers in many areas. Our valuation assumes there will be professional on-site management long-term.

The financial management from our inspection and request for details would appear to be in keeping with the expectations of the Industry for this size operation given the ownership.

Nerrilda Nursing Home, Port Augusta West, South Australia



BUSINESS OVERVIEW (Cont'd)

Management (Cont'd)

This report assumes that ongoing management will ensure continuation of full accreditation and no adverse conditions that would impact on the business and general operation of this Facility.

Further we assume that appropriate staff will be available and employed given the size of this Facility and with "ageing in place", staff numbers will increase.

TRADING DETAILS

We have been provided with financial statements for Council and management income and expenditure accounts for the subject for the financial years 2011 to 2013 and management figures year to date February 2014 was also provided. In addition we have been provided with Bond Schedules and the Commonwealth monthly return (February 2014) for the subject.

We have not been provided with certification of trading figures being audited given the group "ownership", however, we have no reason not to believe the reports as presented. Our valuation assumes the figures as presented are true and correct for valuation purposes. We note general purpose audits are required each year by 30th November to the Department.

The figures exclude depreciation, leasing, interest and internal management fee, but include an allowance for administration and management for a single holding operation and exclude any additional owner/personal drawings.

The figures supplied have been analysed and adjusted for **valuation purposes** and are summarised below. The main analysis is normally of the past 3 years' trading.

Comments on Past Trading

Income levels have varied during the period under review although occupancy has not materially changed.

We note 2013 and year to date figures are marginally below 2012 gross revenue, although a major sundry income item was noted which reflected donations of \$120,225.

General expenses are detailed other than within the accounting, advertising and Bank charges given the ownership, therefore adjustments are required. We note medical supplies and incontinent costs appear high although we acknowledge this is a high care facility. We also note that general costs include other data processing fees which appear to reflect costs to the Council which we have reallocated to management administration fee costs.

Overall, costs have remained static during the period under review, however are well above expectations for this size Facility including general insurance.

Utility costs reflect the ownership and adjustments are required for the rates in a commercial environment although it is our understanding rates would be concessional under the proposed acquisition.

Catering costs are considered well above fair and reasonable, however we note that there is a contractual style arrangement in place.

Nerrilda Nursing Home, Port Augusta West, South Australia



TRADING DETAILS (Cont'd)

Comments on Past Trading (Cont'd)

Internal costs have been adjusted to reflect the data processing area.

The repairs, maintenance and replacements allowance have varied by generally well above expectations for a Facility of this size and age.

Staff expenses have increased as a percentage of revenue, although we were advised that the 2013 and particularly year to date the staff have been able to cash in entitlements under a Council incentive. Overall, staff costs are not in keeping with an operation for this size Facility and represents far in excess of a fair and reasonable level as a percentage.

No nett surplus is available in any period during the period under review.

Overall, a key aspect of the performance of this Facility appears to be in the relatively low ACFI funding occurring for a high care Facility.

We acknowledge this is a regional location, however ACFI is well below comparable regional Facilities that we have assessed at high care levels.

Comments on Vendor's Projections

We have been provided with Council's budget for 2013-2014 but not individual detailed budgets for the Aged Care. Refer spreadsheet.

Estimated Trading for Full year – Valuation Purposes

We acknowledge the Aged Care Reforms to commence on 1st July 2014 are currently proposed however the final details are not clear although there will be consolidation of high and low care residents and changes to operational aspects of the sector.

Our budget is based on the current funding model and without regard to potential changes that may result with further changes in Government policy. We have incorporated the estimates on the impact of the changes to ACFI from 1st July 2013.

The following key assumptions are required.

- ACFI funding as per July 2013 continues without material changes post 2014
- Assume 46 places high care places, all funded, although under Living Longer Living Better from 1st July 2014.
- Assume no material accommodation bonds given the high care nature and location.
- Occupancy allowance of 95.0% overall long-term.
- No "extra services" status assumed.
- Average sound management for costs.
- No major changes to staffing awards, which would adversely impact on the subject.

Nerrilda Nursing Home, Port Augusta West, South Australia



TRADING DETAILS (Cont'd)

Estimated Trading for Full year – Valuation Purposes (Cont'd)

We have assessed the estimated current trading based on average sound management, **on a single holding basis**, information supplied, and adjust for the full year for valuation purposes, as shown on the spreadsheet, "NP VP "AS IS" / ADJ LT" as follows:

Adopt for valuation purposes – Ebitda "as is" *	Not applicable
Adopt for valuation purposes – Ebitda long term	\$550,000 per annum

* Refer Financial Analysis at the rear of the report.

The above reflects the nature of the current management on an "as is" basis and long term has a potential for valuation purposes with adjustments in the Approach to Valuation section.

In accordance with Industry practices, the estimated nett profit does not include interest, charges on borrowing, depreciation, allowances for Sick and Long Service Leave or owner's remuneration other than allowances for administration.

The above expenditure does not allow for capital works or upgrading in addition to normal maintenance as may be required by the Department.

In preparing this section of the report, we have assumed the GST will not affect the trading as Aged Care is GST free.

Our valuation assumes the management details provided are true and correct given the source and vendor.

Accommodation Bonds

We have been provided with a schedule as at 28th March 2014 which indicates 4 bonds although the bonds were reportedly transfers between 2003 and 2008 and there has been no new bonds on-site since. The bond liability indicates in the order of **\$170,000**, therefore not material.

We acknowledge that post July 2014 under the Aged Care Reforms accommodation bond lump sums will be able to be charged for incoming residents that are non concessional/supported residents. Given the location, nature of the site and accommodation we consider that there will not be material lump sum bonds but rather under the new system DAPs apply to the non concessionals.

We note 30 concessional ratio of the 45 residents representing 60.6%, therefore non concessional/non supported residents are not material.

ALTERNATIVE USES

We consider that the subject property has limited alternative uses due to the Crown Lease and the "purpose-built" nature of the site. We are therefore of the opinion that the highest and best use for the subject is as a "going concern" Aged Care Facility.

MARKET EVIDENCE

As noted previously the April 2012 announcement of the reforms to the Industry commencing from 1st July 2014 are unclear and not finalised at this stage. As a consequence of these reforms there is no market evidence available that indicates any regard to these reforms given the nature of the reforms, in our opinion. As a result we have shown an overview of the market evidence available and comments accordingly since the 2008 changes.

Regional market evidence for Aged Care throughout Australia is limited and in particular within South Australia. As a result we have viewed a cross section of market evidence in association with the nature of the Facility and direction of the Aged Care Reforms.

The following is an overview only, although there is limited evidence available for this site.

We acknowledge the most recent sales in 2012 and 2013 which clearly have shown a significant gross price per bed which is considered to reflect the different bond levels prevailing or potentially available. The lower core value figures generally reflect a lower passing Ebitda on the vendor's figures which reflects a trade up allowance cost for the incoming operator. We have recently seen in late 2013 an increase starting to show up.

The Aged Care market had been described as a "sellers' market" for over 10 years up to the end of 2007 with a period of 3-4 years prior having a strong market demand from existing and new entrants into the Industry including corporate players. The second half of 2008 had shown a softening in the market in respect to corporate purchasers and a return to a more stable market place, in our opinion although a longer selling period is likely until general economic and market conditions change.

In 2009 there was marketing of a number of Facilities, in particular in Victoria, that had been under pressure via requirements to have a "quick sale" or receivership issues. In the initial 2010 trading there was increased interest with negotiation occurring on a number of smaller Facilities which are not impacted by "forced" sale situations. We are also aware of negotiations for modern Facilities that are either exchanged or pending exchange including in the three Eastern States. We are aware of current exchanges and negotiations occurring that supports that high care Facilities are still retaining sound underlying demand from the market, although limited in volume.

Clearly the 2009/2010 evidence was impacted by the flow on affect of the global financial crisis and the uncertainty within the general economy and changing institutional lending criteria. A number of receivership / "forced" sales, including two groups, one small and one large, have also impacted on the market within Victoria. In particular leasehold evidence has shown businesses with issues for trading or accommodation bonds have seen new adjustments occurring to the nett realisation.

Market evidence across Australia was thin during 2009, continuing the post 2008 situation. We are aware of 3 high care facilities in Queensland which had been on the market for over 2 years and were realised towards the end of 2011, together with a freehold facility in Melbourne as well which was realised in mid 2011. There have been limited activities of conventional high care facilities and we are aware of an unofficial number of high care facilities in regional New South Wales on the market which have not attracted purchasers at this stage. General evidence of mixed high and low care facilities have occurred during 2011, in particular in Victoria, although the market would indicate an overall softening and a heavy discount for any facility which has issues associated with its trading. New South Wales and Victoria have seen very limited evidence during 2011 and 2012, although increasing in 2013 including group purchases.

As noted earlier the market evidence has been limited during 2008 to 2010 other than for "forced" sales generally within the market. Our enquiries indicate that there are other Facilities on the market however given the number of Facilities available under pressure the main buying and interest has been shown in this area.

Nerrilda Nursing Home, Port Augusta West, South Australia



MARKET EVIDENCE (Cont'd)

We consider that the "forced/quick" sale situation including issues with Facilities is driving the market to a bargain situation for those Facilities in comparison to the past historical fair and reasonable market transactions prior to late 2008. We acknowledge that there is limited number of high care Facilities that have or are in the process of being sold which reflects a "holding" of values in the \$80,000-\$120,000 per bed range with higher for potential bonded Facilities.

Issues with a number of the other sales, have resulted in a softening of the market for these properties and discounts occurring below fair and reasonable levels, in our opinion.

The key transactions have been on a gross basis prior to bond adjustment. The establishment of the realisation price has been based on the "going concern" value with the nett bond liability added to establish a gross price.

We acknowledge a number of sales have reflected bond levels well below a fair and reasonable level. An additional payment has occurred for the uplift in bonds on a nett present value basis.

Our approach to valuation has therefore been based on a "going concern" value, which is considered long-term security and reflects the "trading up" allowance. The accommodation bonds from this site are shown as a separate security class.

There are two distinctly different components to the market evidence. The first component is traditional Aged Care sales, reflecting yields for Facilities on a "going concern" basis. The second component is the short-term accommodation bond values attached to the available units within this development.

Our research and knowledge of the Industry, Australia wide, has shown limited sales of modern, "purpose-built" low/high care freehold businesses. Therefore wider evidence and analysis of the Aged Care market is required.

We have had regard to sales of Aged Care Facilities and capitalisation rates of nett operating income to determine the "going concern" basis. It is practice that generally two contracts are prepared, namely the real estate and the business; and as a result, transfer notices only reflect the real estate component.

The general economic global financial crisis (GFC) in late 2008 has changed the involvement of Groups within the market, in our opinion up to late 2012.

There was a major press release as at 20th December 2012 by Bupa and Innovative Care Group of the sale of 10 Facilities totalling 1,114 places to Bupa. In addition, in 2013 we have seen the Lend Lease portfolio sale of 30 Facilities and 2 other small Victorian portfolios also sold "in one line". We acknowledge there are positive signs now occurring within the market place.

Aged Care Facility Sales

The following table shows the significant range of market transactions when accommodation bonds are involved, in particular large lump sum accommodation balances. The clear analysis is of the core value and the forecast yields on the nett purchase price of these facilities.

We consider the core sale for South Australia was in July 2013 in the northern suburbs under the Metropolitan Area. This was a modern "purpose-built" single level Facility of 125 places sold by Baptist Care to Regis Group for a gross consideration of \$14,500,000. This Facility had a limited number of accommodation bonds although significant potential for accommodation bonds given the accommodation on site. On a nett basis it showed \$100,000 initial price excluding bond liability on an estimated yield of 17% under purchasers operation.

Nerrilda Nursing Home, Port Augusta West, South Australia



MARKET EVIDENCE (Cont'd)

Aged Care Facility Sales (Cont'd)

Summary – mixed high and low care with bonds and/or part ESS									
Facility	Gross RACF Price (\$)	Sale Date	Type	Beds	Gross Value (\$/bed)	Bonds	Core Value (\$/bed)	Forecast EBITDA Per Bed	Forecast Yield (%)
Northern Suburb SA	\$14,500,000	July 2013	HC	125	\$116,000 or \$100,000 nett	Yes	\$100,000	\$17,000	17.0% LT
Modern "purpose-built", low bond pool.									
Northern Suburb SA	4,250,000	2013	LC	50	\$85,000	Yes	\$50,000	\$10,000	20%
This was originally built by the Salvation Army, sold to the private sector and resold to the private sector in 2013 after an extended selling period. Comprised a series of cottages with central amenities and connected by walkways. The gross purchase price reflected sound bond pool and operational trading.									
Western Melbourne	\$8,000,000 (combined)	Mid 2013	HC/LC	55	\$145,450	Yes	\$107,000	\$18,500	17.3%
Two staged building with 14 low care rooms. Freehold/business purchase with bond uplift proposed.									
North Metro Melbourne	\$10,000,000	Ex March 2013	HC/LC	60	\$175,000	Yes	\$100,000	\$11,000	17.0%
Single level two stage purpose built Facility with single rooms. Fair only real estate area, excellent occupancy and increased bond levels.									
Regional Vic	\$10,500,000 ³	Ex Nov 2012	HC/LC	60	\$175,000	Yes	\$ 91,667	\$15,000	16.0% ¹
Modern single level quality building with single and limited twin rooms. Sound occupancy although fair EBITDA and bond level.									
North Perth Metro	\$12,700,000 ⁺	S/D Mar 2013	HC/LC	82	\$162,000	Yes	\$80,000	\$15,000	19.0%
Multi stage single level main building with single and twin rooms. Sound ACFI level and EBITDA for WA. Potential uplift in bond levels.									
Eastern Fringe Range Melbourne	\$11,250,000	June 2013	HC/LC	100	\$112,500	Yes	\$55,000	\$6,800 After trade up	12.0%
Mixed building complex with very poor past trading and issues. Large potential reflects "quick sale".									
Brisbane Metro	\$11,500,000	Mid 2011	HC/LC	150	\$76,667	Yes	\$52,670	Loss Year 1	
Charity sale of a mixed Residential Aged Care Facility with capital requirements and major restructuring. Shown to reflect a poor trading Facility.									

The following are additional evidence, although not considered directly comparable to the subject.

Melbourne South-east Victoria	\$17,500,000	Mid 2013	HC/LC	110	\$159,000	Yes 1 only	\$157,000 - \$110,000 after bonds	Initial \$18,000	Initial 11.5% Budget 16.0% 18-20%
Modern Facility operated as high care, however single rooms are available for bonds. Purchaser estimates \$7,000,000 from bonds post settlement on 27 single rooms.									
Dandenong	\$16,500,000	Mid 2013	HC/LC	110	\$150,000	Yes	\$112,727	\$20,000 After "trade up"	17.7%
Two stage development, poorly trading and low bond pool with major uplift available.									
East Melbourne Metro	\$39,500,000 Inc vacant land	Ex Jan 2013	HC/LC/ESS	134	\$295,000	Yes	\$76,000	\$17,000 After trade up	23.0% Initial 17.0%
Quality modern 4 year old purpose built complex. Large range of room sizes over 3 levels. Sound occupancy with fair ACFI and EBITDA									
Additional Evidence									
<ul style="list-style-type: none"> In addition to the above we acknowledge the late 2012 sales of two RACFs on the Gold Coast which were sold "in one line". The purchase by Queensland Charity of a small complex in the inner northern suburbs of Brisbane during 2012. Far South Coast of NSW 2012 purchase of a 92 place modern multi level facility with poor trading and low bond pool, purchased by Living Care. Pending sale of a 50 place low care Facility in SA, older style cottage style with sound bond level for location. There has also been some interest in older Facilities in NSW during 2012/YTD 2013. Far North Coast Qld modern 120 places, poor trading both occupancy and bond levels, sold during 2012 									

Nerrilda Nursing Home, Port Augusta West, South Australia



MARKET EVIDENCE (Cont'd)

Aged Care Facility Sales (Cont'd)

Summary – mixed high and low care with bonds and/or part ESS (Cont'd)									
Facility	Gross RACF Price (\$)	Sale Date	Type	Beds	Gross Value (\$/bed)	Bonds	Core Value (\$/bed)	Forecast EBITDA Per Bed	Forecast Yield (%)
Peninsular Vic	\$19,500,000 ⁴ Ex land	Ex 2012 S/D 3/2013	HC/LC	106	\$184,000*	Yes	\$106,150	Est \$17,000-	Est - 16%
Two stage fairly modern complex with surplus land adjoining acquired. Sound ACFI, bond levels increasing and good location.									
North-East Melbourne	\$34,000,000 ⁵	Mar-2012	HC/LC	109	\$311,927	Yes	\$ 91,743	\$15,000	16.4%
Modern new multi level quality Facility in good location. Had been trading up with increase ACFI available, although excellent bond levels.									
Northern Metro Melbourne	\$23,000,000	Sep 2011 SD Mar 2012	LC	120	\$191,669	Yes	\$ 87,500	\$14,000	16.0%
Large single level complex part of Strata title including Retirement Village. Fair only occupancy and EBITDA although improvement available under sound management. Bond levels modest and have been increased since purchase.									
Northern Brisbane Region	\$18,600,000 ¹	Sep 2012	LC	93	\$200,000	Yes	\$ 52,000	\$10,000	20.0%*
Multi stage complex with about one third redeveloped with new building. Very low EBITDA at time of purchase. Charity to Private sector.									
Regional Qld	\$20,000,000 ²	June 2012	HC/LC	120	\$170,000	Yes	\$130,000	\$15,000	N/A
Modern new complex in large regional city. Had management problems in past. Potential major uplift in the number of bonds.									
Fringe Western Melbourne Metro	\$11,500,000	Aug 2011	LC & HC Part ESS	100	\$115,000	Yes	\$ 55,000	\$11,000	20.0% Plus
Fairly modern 2 stage development, all single rooms with ensuites. Been on market for about 2 years. Fair occupancy and low bond pool. Appears excellent buying given upside that has been proven since settlement. Poor vendor management.									
Bayside Melbourne	\$22,000,000	Dec 2010	LC & HC	91	\$241,758	Yes	\$ 60,000	\$ 6,000	10.0% Initial
Mildura Victoria	\$ 7,500,000 ⁶	Dec 2010	HC/ES	70	\$107,143	Yes	\$86,800	\$16,900	16.0%
Bayside Melbourne	\$18,500,000	Nov 2010 ...	LC	70	\$264,285	Yes	\$ 85,700	\$13,750	16.0%
Sunshine Coast QLD	\$12,300,000	Sep-10	LC & HC	120	\$102,500	Yes	\$ 86,700	\$19,000	22.0%

Key to table:

- * Estimated given variable bond pool
- ¹ Gross price reflects mixed construction building, poor trading and yield prior to allowance for trading up cost
- ² Approx gross price given 'Private and Confidential', major uplift in bonds for the as new Facility
- ³ Sale on coastal Victoria, uplift in bonds available
- ⁴ Sale and settlement in 2012, large surplus land adjoining, not shown in gross price subject to 'Private and Confidential' clause
- ⁵ Pending settlement June 2012, as new Facility with further bond uplift
- ⁶ Approximate gross price subject to private and confidential agreement
- ** Prior to any bond uplift after 15% on this "as new" facility
- ** Prior to any bond uplift after 17% on this "as new" facility
- ** This sale transaction is subject to a private and confidential agreement and therefore details are not able to be disclosed but are known to the writer of this report
- ⁰ Gross price includes surplus land core value adjusted for land and building
- *** Pending resale late 2012

We are aware of negotiations in NSW, Victoria and Queensland which are current on both older style and modern Facilities which reflects increased interest although no material increase in core values.

Nerrilda Nursing Home, Port Augusta West, South Australia



MARKET EVIDENCE (Cont'd)

Aged Care Facility Sales (Cont'd)

Summary – general high care sales without accommodation bonds							
Location	No. of Places	Date	Gross Price	\$ per place gross	% yield	Bonds	Comments
Western Melbourne Metro	50	Pending late 2013	Range \$6,000,000 to \$6,500,000	\$120,000 - \$130,000	16%	No	Pending sale with adjoining property, high care.
Bayside VIC	60	Mid 2012	\$ 6,650,000	\$110,833	18.0%	No	"Purpose-built" high care, 70% beds 1 or 2, sound trading
Inner Western Sydney	70	Exchanged mid 2012	\$ 7,300,000	\$91,786	20.0%	No	Older style with house, price per place adjusted
Northern Brisbane Metro	203	Jun-11	\$18,375,000	\$92,364	18.0%	No	3 sites, older style and vacant land
North East Melbourne Metro	56	Jun-11	\$ 5,000,000	\$89,393	N/A	No	Older style high care
Blue Mountains	46	Sep-10	\$ 4,370,000	\$95,000	18.0%	No	Upgraded facility, yield reflects Year 1 trading
South-West Sydney	80	Dec 2011	\$ 6,240,000	\$78,000	20.0%*	No	Older Facility with only 70 beds on-line

*The estimated yield is post settlement given changes to staffing arrangements. Further we note an increase to 78 beds has occurred since sale.

Prevailing General Market Conditions

The following is a review of market conditions prior to the April 2012 announcement by the Commonwealth, the final result of which is unknown at this stage.

During the past 15 years the Aged Care Industry has seen a number of changes to funding, the introduction of the current Act and Regulations and other changes which commenced on 1st October 1997. Sales during this period have generally reflected the strong market conditions up to 2008 and prior to the Global Financial Crisis.

The Aged Care market had been described as a "sellers' market" for over 10 years up to 2007 with the 3-4 years prior having reflected a strong market demand from existing and new entrants into the Industry including corporate players. This clearly changed post the Global Financial Crisis, although the recent market is clearly showing improvements.

During 2008 a softening in the market in respect to corporate purchasers and a return to a more stable market place occurred, in our opinion. The second half was impeded by the economic crisis and enduring higher interest rates and strict lending policies of the major financial institutions. Interest rates fell in the early part of 2009 although lending policies and margins are impacting on the market. Interest rates have moved upwards in late 2009 and early 2010 and continued to have movement both up and down which is also considered to be impacting on borrowing cost considerations.

Major "corporate" interest in the Industry is occurring from new and existing groups gaining economics of scale, however this has softened since 2009 compared to 2005 to 2007.

Nerrilda Nursing Home, Port Augusta West, South Australia



MARKET EVIDENCE (Cont'd)

Prevailing General Market Conditions (Cont'd)

In late 2012 some interest has been shown returning from Groups. The exception was Bupa's purchase in late 2012 of a group of 10 Facilities along the East Coast, then the sale of Lend Lease's 30 Facilities and 2 small Victorian groups now showing an increase in interest. Further, there has been the 2014 announcement of a major purchase in South Australia of 10 sites.

During the period since October 1997 the Aged Care Industry has seen a number of changes to funding, the introduction of the current Act and Regulations and other changes which commenced in March 2008 and July 2012. Further changes are now due from 1st July 2014.

Our enquiries have indicated a strong belief by the proprietors and Industry bodies that the updated March 2008 system result in favourable long-term benefits for quality Facilities in the Industry. This has seen increased Ebitdas given a sound understanding of ACFI funding for operators although ongoing changes will occur post 1st July 2014.

Overall the market since 2009 to 2012 has been limited in respect to the direction although the generally strong underlying principles of the Industry remain unchanged up to the present. The proposal from 1st July 2014 will introduce a number of new areas, although final details/impact are not available.

Our enquiries show interest is occurring within the Industry as a whole however the number of forced sales or Facilities with adverse trading is impacting on market conditions in recent years. There is limited fair and reasonable open market transactions with sound trading levels.

Our updated enquiries with informed sources and brokers in the sector clearly shows increased interest in 2012-2014 which is reflected in the upper priced quality Facilities and the listed sales noted at the beginning of this market evidence.

In contrast to the large sales, the poor trading Facilities or older Facilities with multiple beds per room have not been selling and are on the market and generally will be either broken up for alternative uses or relocated services.

As a result it is clear that the market is tending towards a clear two, possibly three, tier sector with the quality modern "purpose-built" Facilities at the upper level, the mid level being quality older style "purpose-built" and the lower level being the older style modest multi bed type Facilities with limited economic life expectation.

As noted above the market has been affected during 2009-2012 by a number of aspects. We are now seeing limited evidence of the market improving although it is being impacted by lending criteria and caution within the general market place. This also includes such areas as uplift in bonds which is partly being affected by some soft residential markets in different areas of Australia, e.g. South-East Queensland.

Trading results both in respect to operational and accommodation bonds are an integral part of any realisation in this market place.

We acknowledge that the market conditions as evidenced by the acquisitions by groups and other realisations of any Facility that has adverse trading or issues regarding compliance in respect of sanctions etc have been discounted in the market place.

Nerrilda Nursing Home, Port Augusta West, South Australia



MARKET EVIDENCE (Cont'd)

Prevailing General Market Conditions (Cont'd)

Clearly the limited volume of market evidence is resulting in variable indications of the direction overall. This is not uncommon in soft market conditions with quality Facilities/operators, generally not realising therefore market evidence appears to be influenced by 'forced' or the 'retiree sector' evidence. This now appears to be changing.

The above market evidence has been provided following discussions with informed sources. We have not inspected all these properties.

Real Estate Overview

We have had regard to the median house prices from 2009 to 2012 and part year 2013 for the following catchment suburbs.

Suburb	2009	2010	2011	2012	2013	2014*
Port Augusta	\$195,000	\$200,000	\$185,000	\$170,500	\$180,000	\$185,000
Port Augusta West	\$215,000	\$256,500	\$320,000	\$267,500	\$266,000	\$225,000
Stirling North	\$232,500	\$205,000	\$219,000	\$248,000	\$256,500	\$255,000

* part year only Source: www.pdslive

The above shows that there is capacity for accommodation bonds, however it is the volume and the availability that maybe the limiting factor.

S.W.O.T. ANALYSIS

Strengths

- This subject Facility has been built as a high care facility reflecting the nature of the regional location
- No new competition in the area and limited alternative competition
- Proven cash flow business given occupancy although lower average ACFIs
- 3 year Accreditation in place
- Additional respite building within the main building
- The surplus land has potential for extension, subject to approvals

Weaknesses

- Crown Lease
- No surplus recorded
- High staff costs compared to revenue and regional location
- Limited catchment area volume given location

Nerrilda Nursing Home, Port Augusta West, South Australia



S.W.O.T. ANALYSIS (Cont'd)

Opportunities

- Improve ACFI funding with review
- Improve operational efficiency
- Review contractual agreements in place
- Increase size of the Facility subject to full feasibility study
- Potential feasibility for the relocation of low care Facility to this site

Threats

- New Aged Care reforms impact on the business model
- Unknown impact of proposed Aged Care reforms
- Increased staffing costs associated with industrial awards reflecting increased fees
- Changes to Government policy post July 2014 impacts long term
- Increase in competition although unlikely
- Increase in workers compensation premiums
- Sanctions imposed or changes to the status of the Facility

COMMENTS

- The subject is a "purpose-built" Facility but is reflecting the 1980s design for high care. We note that the 2006/2007 extensions continued with the high care modelling.
- There are no material ensuite rooms available.
- Although generally well maintained sections of the building are dated.
- The respite education area is a distinct benefit although it is not materially producing revenue.
- Surplus land is available and may potentially allow for extensions.
- The regional location has normal issues associated with staff and residents' profile and the subject is considered to reflect this.
- We note that a grant was given in 2007 which has a 12 year period reflecting the extensions that were undertaken. We assume that this will not be repayable on transfer given "continued use". If this assumption is incorrect we reserve the right for revision.
- Overall, trading efficiency will need to occur in association with the operations of both Facilities in town and potentially relocation and redevelopment of the low care Facility to this site but subject to a feasibility study.

Nerrilda Nursing Home, Port Augusta West, South Australia



COMMENTS (Cont'd)

- General market conditions have improved in 2013 across the sector compared to past trading since the Global Financial Crisis.
- It is acknowledged that the principles underlying Aged Care have not changed during 2008/2009 and the ageing population will, long-term, result in strong underlying demands.
- We acknowledge that the market conditions as evidenced by the acquisitions in 2009 to 2013 of any Facility that has adverse trading or issues regarding compliance in respect of sanctions etc have been discounted in the market place.
- Given the April 2012 Government announcement and July 2014 commencement on the future major Industry reforms we assume both parties have full understanding of the process given the details and the commencement date due.
- We acknowledge that there is potential for accommodation bonds however we would consider that under the RAD and DAP formula from 1st July 2014 it will not be a material component and likely to be the RAD or periodic payment method given the nature of the accommodation and location.
- Our report assumes all statutory approvals will continue to allow operation of the 46 places on this site.
- Under the Commonwealth requirement, prudential statements as at 30th June each year are a statutory requirement. A copy of the statements should be part of any mortgagees' conditions and continued monitoring.
- This valuation assumes the approvals remain current, with no sanctions imposed or changes to the status of the Facility.

GOODS AND SERVICES TAX

The Aged Care Industry is generally GST free and we also assume no GST on the "going concern" purchase.

This valuation has been assessed on a "going concern" basis. We assume this Facility will not be subject to GST and that appropriate clarification from professional advisers will confirm this aspect.

We note that we have not been provided with legal advice regarding the GST liability and have based our analysis upon our current understanding of the legislation. We are also of the opinion that an intending purchaser of the investment would obtain their own legal advice on the GST position.

However, if any of our assumptions relating to GST prove to be incorrect, we reserve the right to revise our valuation as provided herein, should we deem it to be necessary.

Nerrilda Nursing Home, Port Augusta West, South Australia



APPROACH TO VALUATION

As noted previously there are major reforms proposed although the details and final outcomes of the reforms are not clear or available as at the date of this report, therefore, this valuation is based on the current policies and guidelines and having regard to available past market evidence.

As previously noted, there are two distinct sections to the valuation. The first is for the "existing" "going concern" business with an allowance for "trading up" (if any) to reflect the "as is" value. The second method is based on a dollar value per place.

Aged Care Facilities are a business and as such their long-term value lies in their ability to produce a profit.

We have had regard for the sales of Aged Care Facilities and capitalisation of nett operating income to determine the "going concern" value.

Valuation Calculations "Existing" – 46 places

We have assumed the category mix as budgeted in the income section of this report will occur and that there will be no material changes in the revenue from the Commonwealth.

Expenses have been budgeted in line with the client's forecasts, with adjustments as previously noted in the Trading section for valuation purposes.

The valuation of an Aged Care Facility such as the subject can be assessed by the capitalisation of anticipated nett operating profit in our opinion.

A. "Going Concern" Value

1. Capitalisation of Estimated Nett Profit

We consider a yield of between 17.0% – 19.0% is fair and reasonable given the Aged Care Reforms potential and the subject location, the nature of this Facility, its size and any unknown factors, as well as the inability to have a direct comparison for trading forecasts.

We acknowledge that this is at the upper range of the scale, however we consider it is prudent for the purposes of this report and the unknown factors associated with this business.

We have based the anticipated nett profit on the Profit and Loss figures supplied, together with the estimated expenditure, having regard to Industry figures available and from our analysis of other Aged Care Facilities, assuming a single holding enterprise under sound management conditions.

A key assumption is that a commercial operation can occur on-site with a satisfactory nett surplus.

Nerrilda Nursing Home, Port Augusta West, South Australia



APPROACH TO VALUATION (Cont'd)

A. "Going Concern" Value (Cont'd)

1. Capitalisation of Estimated Nett Profit (Cont'd)

Therefore:

Based on the estimated nett operating costs, excluding interest, personal expenditure and management fees and a nett operating profit of \$550,000 per annum (based on projected long term figures).

Capitalised at 17.0% yields a value of say	\$3,235,000
Capitalised at 18.0% yields a value of say	\$3,060,000
Capitalised at 19.0% yields a value of say	\$2,895,000
Adopt for this approach say	\$3,000,000
Less: Allowance for "trading up" over the first 12 to 24 months and changeover from current operation to full commercial, say	<u>\$ 550,000</u>
	\$2,450,000
Adopt for valuation purposes "as is" value	\$2,500,000

The above reflects a "going concern" value of only \$54,350 per bed average on the assumption that this is a general high care business without material bonds and is considered "fair and reasonable" given the negative cash flow currently prevailing.

2. Sales comparison on a Bed Rate (check only)

In examining the sales on a dollar value per bed basis, it would appear that the subject Aged Care Facility is in the lower range of sales in the market, in its "as is" condition, being in the \$70,000-\$90,000 per bed range based on the additional cost to upgrade.

On a Sales Comparison basis, together with the current market conditions for Aged Care Facilities, and having regard to the sales, we consider a bed rate of the existing Facility to be \$70,000 on a "going concern" "as is" basis, **excluding any major leased equipment.**

Therefore,

46 beds x \$70,000 per bed overall given the "as is" standard in this Facility and current trading level, shows a value of say	\$3,220,000
Less: allowance for "trade up", as above	<u>\$ 550,000</u>
Adopt for this approach	\$2,670,000

Summary

Having regard to the purpose of this valuation, the "as is" condition, the nett trading on losses occurring, above methods, sales evidence, Crown Lease Title only, and current underlying market conditions, we consider the existing "going concern" value of **\$2,500,000** is appropriate for the subject Facility.

In addition is the nett bond figure of \$170,000, which the purchaser would take over.

Nerrilda Nursing Home, Port Augusta West, South Australia



APPROACH TO VALUATION (Cont'd)

"Quick Sale" Realisation Comments

The "Quick Sale" Realisation can be largely affected by the vendor's motivation to sell, i.e., if it is financial pressures or market conditions. In today's prevailing market conditions an over anxious vendor can expect a discount of up to 10%-15%, given the "softening" in demand for "going concern" assets.

As distinctly separate from the above "quick sale" is a "forced sale" realisation situation, whereby realisation is driven by either a Receiver and Manager Appointed or mortgagee exercising power of sale.

Our experience has indicated that incomplete properties or those with poor trading performance are being heavily discounted in the current market climate, which is partly due to the "tightening" in financial lending policy and general downturn in the economy.

The discount factor in a "forced sale" situation will vary depending upon the type of asset etc., however we would envisage a significant discount of up to 20% to 30% of the values assessed is not unrealistic.

INSURANCE

- The cost to replace an Aged Care Facility of modern, "purpose-built" nature is in the order of \$100,000 - \$200,000 per bed or \$1,800 - \$3,000 per sq. metre for direct building costs.
- We recommend a minimum reinstatement/replacement insurance value for the "as is" building is **\$9,000,000**.

Please note the above is provided as a guide only. If a detailed insurance value is required a qualified Quantity Surveyor should be engaged.

GENERAL

Neither the whole nor any part of this report, nor any reference thereto, may be included in any document, circular or statement, without our written approval of the form and context in which it will appear.

This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation.

Neither Nelson Partners Australia Pty Limited trading as Nelson Partners, nor the undersigned, has any interest, financial or otherwise, in the property subject to appraisal or with the parties with whom the Bank is dealing, including the selling agent, if any.

Nelson Partners Australia Pty Limited trading as Nelson Partners hereby declares that it makes no guarantee, promise, warranty, representation or undertaking that the lodgement of this valuation report will result in any predetermined requirement of the instructing party or client being satisfied.

Nerrilda Nursing Home, Port Augusta West, South Australia



GENERAL (Cont'd)

In accordance with amendment to Section 74 of the Trade Practices Act (T.P.A.), it is necessary to state that this valuation is a professional opinion of value, carried out with due skill and care. It is provided for no other purpose than to give a professional opinion of value.

This report is not endorsed for first mortgage bank lending and is not endorsed for second mortgage lending.

The following clause applies to all lenders that **do not fall** under the Banking Act 1959 definition including any Managed Investment Scheme (as defined by the Managed Investments Act 1998). This valuation is prepared on the assumption that the Lender as referred to in the valuation report **or to whom it may be validly assigned** (and no other) may rely on the valuation for mortgage finance purposes and the Lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risks for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the Lender is providing mortgage financing at a conservative and prudent loan to value ratio.

This valuation cannot be relied upon for any solicitors' mortgage facility or any solicitor arrangement or any solicitor arranged loan or mortgage.

We direct your attention to the other qualifying comments/statements contained within this report document.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of ninety days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Liability limited by a scheme approved under Professional Standards Legislation

Nerrilda Nursing Home, Port Augusta West, South Australia



VALUATION

We have determined the fair and reasonable "**existing**" market value of the approved 46 place Nerrilda Nursing Home, component of the real estate, business and approvals, Fee Simple in Possession, Encumbered by resident's loans, on a Leasehold (Crown Lease) "going concern" basis, for potential realisation purposes only on behalf of LCM Healthcare Corporation of the City of Port Augusta (**GST Exclusive**) as at 7th May 2014 is:

1. **"Going Concern" Value "As is" (long-term core security value)**

\$2,500,000*

(TWO MILLION FIVE HUNDRED THOUSAND DOLLARS)

2. **Existing Liability for Bonds to be Transferred**

\$170,000

(ONE HUNDRED AND SEVENTY THOUSAND DOLLARS)

* See special notes within the Approach to Valuation section.

Refer to special comments regarding Industry Reforms announced as at April 2012 and to commence 1st July 2014.

NELSON PARTNERS AUSTRALIA PTY LIMITED

.....
 David J. Nelson, A.D.VAL., A.D.F.M., F.A.P.I.,
 CERTIFIED PRACTISING VALUER,
 REGISTERED VALUER NOS.2422 (NSW), 2244 (QLD) & 044156 (WA)
 VALUER WITHOUT LIMITATION

Ref: 14-0313.ACF

Nerrilda Nursing Home, Port Augusta West, South Australia



FINANCIAL ANALYSIS

NERRILDA VILLAGE		PORT AUGUSTA WEST						
Mar-14		0						
Current Year:		2013	2014	Approved Beds			2014	LT
				High Care /	Low Care with A.L.P.		46	46
				Maximum Beddays per yr.			16790	16790
				Assumed Vacancy Rate			5.0%	5.0%
Places		45	46	46	46	46	95.0%	95.0%
Actual Occupied Bed Days as a %		95.9%	96.9%	95.6%	95.5%	95.5%	95.0%	95.0%
FINANCIAL ANALYSIS (\$)								
	2011	2012	2013	YTD FEB 14	EST FY 14	NP AS IS	NP VP	ADJ LT
Income	\$	\$	\$	\$	\$	\$	\$	\$
Fees - Commonwealth ACFI	2,023,998	2,151,070	2,155,159	1,388,211	2,085,173	1,911,399	2,241,173	
Fees - Commonwealth RCS + other supply	-	-	-	-	-	185,019	-	
Conditional Adjustment Payment	180,728	191,574	183,382	124,039	186,314	183,775	196,518	
Respite	-	-	-	-	-	51,768	54,644	
Resident Fees exc Pension	657,142	704,482	730,677	491,171	737,769	896,750	825,972	
Accom Daily Fees - Residents without Bonds	307,093	383,441	369,200	301,723	453,205	340,873	264,744	
Bond Retention - non cash flow	11,383	14,514	7,378	-	-	12,483	12,483	
Bond Interest on DAP Bonds - cash flow 1/7/14	-	-	-	-	-	-	183,388	
Other - interest on outstanding bonds	-	-	6,250	4,167	6,259	6,000	6,000	
Sundry Income & Adj special payment	88,740	183,934	68,501	20,574	30,903	18,000	18,000	
Total Income	3,269,084	3,629,015	3,520,545	2,329,885	3,499,622	3,576,067	3,002,931	
Expenses	exc GST	exc GST	exc GST	exc GST	exc GST	exc GST	exc GST	
General Expenses								
Accounting & Audits - standalone for VP	-	1,396	-	-	-	16,100	16,100	
Accreditation - allowance	-	-	-	-	-	4,000	4,000	
Advertising	-	-	-	60	90	6,000	6,000	
Bank Charges (ex. Interest Paid)	-	-	-	-	-	3,000	3,000	
Contenance Supplies	63,794	64,544	68,469	42,860	64,378	66,000	45,000	
Chemist & Medical Supplies	72,236	63,337	47,825	31,001	46,566	47,000	50,000	
Cleaning & Laundry (excl contract)	19,935	16,260	11,455	7,191	10,802	12,000	10,000	
General (incl Legal, Computer etc)	11,514	5,235	5,841	-	-	4,600	4,600	
Insurance - General	46,083	47,947	57,180	54,517	54,517	55,000	30,000	
Motor Vehicle - allowance only for VP	6,119	9,866	11,021	5,488	8,243	9,000	6,000	
Printing, Stationery, Postage	12,984	10,439	9,624	6,433	9,692	9,200	9,200	
Resident Amenities - nett for VP	6,545	7,474	6,775	3,853	5,787	6,000	6,000	
Subscriptions - Lice. Fee	6,321	5,748	7,048	5,480	8,231	8,500	8,500	
Sundry Expenses	12,291	24,558	32,926	9,276	13,934	9,200	9,200	
Security	16,515	15,232	16,236	9,879	14,839	16,000	16,000	
Travel, Conferences, Seminars etc	29	2,288	1,091	393	590	1,200	6,000	
Total General Expenses	278,775	274,263	275,489	178,451	237,670	272,800	229,600	
Utilities								
Rates - Council & Water, (S Land Tax if any)	8,051	14,854	8,355	9,285	13,947	16,000	16,000	
Electricity / Gas	58,615	66,132	80,387	47,068	70,698	69,000	69,000	
Telephone - GROSS / NETT FOR VP	8,008	9,277	7,524	4,263	6,403	9,000	12,000	
Total Utilities	74,675	90,264	96,266	60,616	91,049	94,000	97,000	
Sub Total of General & Utilities	351,449	364,527	371,754	237,067	328,719	366,800	326,600	
Catering - Food (Nett) / Supplies	279,789	279,262	366,843	243,875	366,315	366,862	127,604	
Internal								
Rent	-	-	-	-	-	-	-	
Management Fees - Admin Fee, HO Costs	52,145	52,073	58,375	39,333	59,080	69,000	69,000	
Total Internal	52,145	52,073	58,375	39,333	59,080	69,000	69,000	
Repairs, Replacements & Maintenance								
Fire Service/Peet/Gardening	-	-	-	-	-	-	12,000	
Repairs & Maintenance	108,758	116,776	148,786	67,718	101,717	55,200	55,200	
Replacements (incl Plant & Equip)	9,615	7,493	6,430	3,271	4,913	11,500	11,500	
Total R.R. & M.	118,373	124,270	155,216	70,989	106,630	66,700	78,700	
Staff Expenses								
Wages - NURSING & OTHER	1,835,084	1,969,522	2,104,198	1,430,785	2,149,122	1,886,776	1,980,879	
Wages - OTHER	22,242	26,996	25,272	-	-	478,515	414,713	
Wages - ADMINISTRATION	76,310	79,296	85,854	89,284	134,109	-	-	
Wages - CATERING	232,253	256,499	282,207	187,244	281,251	-	-	
Wages - LAUNDRY	23,939	24,029	24,245	18,484	27,763	-	-	
Wages - MAINTENANCE	69,893	46,858	49,027	37,356	56,111	-	-	
Wages - TOTAL NON NURSING	424,738	433,678	466,605	332,367	499,234	478,515	414,713	
Wages - THERAPY / ALLIED HEALTH	78,230	91,674	101,044	60,270	90,529	104,000	104,000	
Provision for LSL & Sick Pay	-	-	-	-	-	-	-	
Contract Admn & Agency - nett for VP	8,957	1,920	10,909	6,523	9,799	12,000	12,000	
Consultants Fees & ACFI Costs say	21,889	1,148	182	327	492	1,200	24,000	
Contract Cleaning & Laundry	81,010	99,164	96,117	52,734	79,209	80,000	80,000	
Training, Uniforms, Amenities etc	24,911	24,766	16,838	19,749	29,664	24,000	24,000	
Superannuation and other on costs	204,498	213,793	233,292	172,865	259,653	228,409	203,462	
Workers Compensation - EST	125,422	125,244	95,250	160,748	160,748	134,885	120,153	
Total Staff Expenses	2,802,739	2,961,109	3,124,434	2,236,369	3,278,450	2,949,786	2,663,207	
Total Expenses	3,604,494	3,781,241	4,076,622	2,827,633	4,139,193	3,819,147	3,263,111	
Net Surplus with lease (if any)	-	335,410	-	152,226	-	556,077	-	497,748
Addbacks / Adjustments rent	-	38,792	-	42,105	-	80,580	-	14,813
Adjusted Net Surplus without lease	-	296,618	-	110,121	-	475,497	-	482,935
NP "AS IS", "YR 1", "ADJ LT" = NELSON PARTNERS BUDGET FOR VALUATION PURPOSES	-	296,618	-	110,121	-	475,497	-	482,935
Adopt	-	296,618	-	110,121	-	475,497	-	482,935
NP "AS IS", "YR 1", "ADJ LT" = NELSON PARTNERS BUDGET FOR VALUATION PURPOSES	-	296,618	-	110,121	-	475,497	-	482,935
Adopt	-	296,618	-	110,121	-	475,497	-	482,935

Nerrilda Nursing Home, Port Augusta West, South Australia



FINANCIAL ANALYSIS (Cont'd)

NERRILDA VILLAGE
AGED CARE

Page 1

Key Assumptions

1. Income based on estimated categories and current standard fees per bed per day as at

28-Feb-14

2. Occupancy levels based on adjusted current and actual past data supplied.

Existing	AS IS	Beds	Bed days
High	95.0%	46	15951
Low	95.0%	0	0
Av	95.0%	46	15951

3. Accommodation Income based on data provided and estimated increase over next 12 months.

Mar-14

NP VALUATION BUDGET INCOME							
ACFI Funding Level							
New Residents post 20/3/08 + Upgrade Residents							
Activities of Daily Living	NUMBER	\$ / DAY	OCC %	\$ / CAT / YR			
High	13	\$94.79	95.0%	427290			
Medium	26	\$68.42	95.0%	616841			
Low	2	\$31.43	95.0%	21797			
Nil	0	\$0.00	95.0%	0			
Post March 08 Residents & Upgraded Residents	41			1,065,927			
Behaviour Supplement							
High	27	\$31.03	95.0%	290511			
Medium	8	\$14.88	95.0%	41277			
Low	4	\$7.18	95.0%	9959			
Nil	2	\$0.00	95.0%	0			
	41			341,746			
Complex Health Care Supplement							
High	7	\$58.15	95.0%	141145			
Medium	23	\$40.27	95.0%	321163			
Low	6	\$14.14	95.0%	29418			
Nil	5	\$0.00	95.0%	0			
	41			481,726			
		ACFI Av Fees	133.60	1,899,399			
Respite Residents							
	HIGH	1	48.29	109.3	157.50	90%	\$1,768
	LOW	0	34.44	38.96	73.42	90%	-
		1	15863.3				51,768
NP VALUATION BUDGET INCOME RCS							
	NUMBER	\$ / DAY	OCC %	\$ / CAT / YR			
CAT 1	2	139.92	95.0%	97,035			
CAT 2	2	126.87	95.0%	87,984			
CAT 3	0	109.30	95.0%	-			
Total	4	Av Fees	126.73	185,019			
Conditional Adjustment Payment							
	at	8.75%		183,775			
Plus Sundry Suppl. Income							
				12,000			
Total Residents Potential							
	46	Av Fees	145.20	2,331,961			
RES \$ / DAY							
	No.	%	\$ / DAY	OCC %	\$ P.A.		
Residents Daily Rate	42	NO BONDS	46.50	95.0%	677,203		
Residents Daily Rate	4	BONDS	46.50	95.0%	84,496		
					741,698		
Pen Supp Rate - Pre Mach 2008	42		7.84	95.0%	114,178		
New Residents post 20/3/08	4	Bonds	7.84	95.0%	10,874		
					10,874		
Accommodation Income							
	No.	%	\$ / DAY	OCC %	\$ P.A.		
Accommodation Supplement	24	52%	25.45	95.0%	211,795		
Non Concessional	7	15%	25.45	95.0%	61,774		
Existing fees - resident conc high care	6	13%	20.35	95.0%	42,338		
Existing fees - PRIVATE resident	4	9%	18.00	95.0%	24,966		
Transitional	0	0%	20.35	95.0%	-		
	41	89%			340,873		
LOW CARE BONDS (+ Any ESS) AND PRIVATE							
	No.	%	\$ / DAY	OCC %	\$ P.A.		
Bond retention amount non cashflow trading existing	4	9%	9.00	95.0%	12,483		
Bond retention amount non cashflow trading NEW	0	0%	10.62	95.0%	-		
Daily fee in lieu of bonds and retention	0	0%	35.62	10.62	46.24		
NON FUNDED PLACES BONDS	0	0%	0.00	95.0%	-		
	4	9%			12,483		
Total Places	46	100%			12,483		
Daily fee in lieu of bonds							
	Bond	Interest	Daily fee				
	200,000	6.50%	35.62				
Total for valuation purposes							
					\$3,552,067		



FINANCIAL ANALYSIS (Cont'd)

NERRILDA VILLAGE
AGED CARE

Key Assumptions

1. Income based on estimated categories and current standard fees per bed per day as 28-Feb-14

2. Occupancy levels based on adjusted current and actual past data supplied.

High Care / Low Care with AIF	%	Beds	Bed days
High	95.0%	46	15951
Low	85.0%	0	0
Av	95.0%	46	15951

3. Accommodation income based on data provided and estimated increase over next 12 months.

NP VALUATION BUDGET INCOME		ADJUSTED FOR LONG TERM			
ACFI Funding Level		NUMBER	\$ / DAY	%	OCC % \$ / CAT /YR
New Residents post 20/3/08 + Upgrade Residents					
Activities of Daily Living					
High		20	\$94.79	44%	95.0% 657368
Medium		23	\$68.42	51%	95.0% 545067
Low		2	\$31.43	4%	95.0% 21797
Nil		0	\$0.00	0%	95.0% 0
Post March 08 Residents & Upgraded Residents		45		100%	0 1224892
Behaviour Supplement					
High		29	\$31.03	64%	95.0% 312030
Medium		10	\$14.88	22%	95.0% 51506
Low		4	\$7.18	9%	95.0% 9959
Nil		2	\$0.00	4%	95.0% 0
		45		100%	0 373585
Complex Health Care Supplement					
High		15	\$58.15	33%	95.0% 302453
Medium		20	\$40.27	44%	95.0% 279272
Low		10	\$14.14	22%	95.0% 49030
Nil		0	\$0.00	0%	95.0% 0
		45		100%	0 630756
			ACFI Av Fees	142.86	2,229,173
Respite Residents					
	HIGH	1	48.29	109.30	157.59 95% 54,644
	LOW	0	34.44	39.98	73.42 95% -
		1			18744.6 54,644
NP VALUATION BUDGET INCOME RCS					
		NUMBER	\$ / DAY		OCC % \$ / CAT /YR
	CAT 1	0	139.92		95.0% 0
	CAT 2	0	126.87		95.0% 0
	CAT 3	0	109.30		95.0% 0
	Total	0		Av Fees #DIV/0!	0
Conditional Adjustment Payment					
					at 8.75%
					196,519
Plus Sundry Suppl. Income					
					say
					12,000
Total Residents Potential		46	Av Fees	156.25	2,492,335
RES \$ / DAY					
	No.	%	\$/DAY	OCC %	\$ P.A.
Residents Daily Rate	31	NO BONDS	46.50	95.0%	499,840
Residents Daily Rate	15	DAF Bonds and RAD	46.50	95.0%	241,858 741,698
Pen Supp Rate - Pre Mach 2008	31		7.84	95.0%	84,274 84,274
New Residents post 20/3/08	15	Long term no Pen Supp.	0.00	95.0%	-
Accommodation Income					
	No.	%	\$/DAY	OCC %	\$ P.A.
Accommodation Supplement	30	65%	25.45	95.0%	264,744
Non Concessional - see below DAF figure post 1/7/14	0	0%	25.45	95.0%	-
Existing leases - resident comc high care	0	0%	20.35	95.0%	-
Existing leases - PRIVATE resident	0	0%	18.00	95.0%	-
Transitional	0	0%	20.35	95.0%	-
		30			264,744 264,744
LOW CARE BONDS (+ Any ESS) AND PRIVATE					
	No.	%	\$/DAY	OCC %	\$ P.A.
Bond retention amount non cashflow trading existing	4	9%	9.00	95.0%	12,483
Bond retention amount non cashflow trading NEW	0	0%		95.0%	-
Daily fee in lieu of bonds and retention	11	24%	48.08	95.0%	183,398
NON FUNDED PLACES BONDS	0	0%	0.00	95.0%	-
		15			195,881 195,881
Total Places		46	100%		
Daily fee in lieu of bonds		Bond	Interest	Daily fee	
		270,000	6.50%	48.08	POST 1/7/2014
Total for valuation purposes ADJUSTED					\$3,778,931

Nerrilda Nursing Home, Port Augusta West, South Australia



FINANCIAL ANALYSIS (Cont'd)

BONDS SUMMARY NERRILDA VILLAGE PORT AUGUSTA WEST SA

Existing Date of Data: 28-Mar-14 Date of Valuation: 28-Mar-14

No.	Date	Bond					Period		Retention		Balance	
		Cash Paid	Cash Debtor	Total Cash	Periodic	Total Value	P.A.	MTH	P.A.	MTH		\$
1	29/09/2003	56,946		56,946		56,946	10.50	126	3,054	254.50	15,270	41,676
2	16/04/2008	75,240		75,240		75,240	5.95	71	3,360	280.00	16,800	58,440
3	1/05/2008	79,360		79,360		79,360	5.91	71	3,360	280.00	16,800	62,560
4	1/11/2006	16,387		16,387		16,387	7.41	89		-	-	16,387
		227,933	-	227,933	-	227,933			9,774		48,870	179,063
4	Bonds				Average	56,983		Average	2,444		Average \$	44,766
									Less Outstanding LS Bonds			-
									Less Period Payments			-
									Adjusted Current Balance			179,063
							Average	6.69	per day	ADOPT VP		170,000

Nerrilda Nursing Home, Port Augusta West, South Australia



INSTRUCTIONS

Nerrilda Nursing Home, Port Augusta West, South Australia



24th March 2014

Ms A O'Reilly
 Director, Community Services
 Corporation of the City of Port Augusta
 PO Box 1704
 Port Augusta SA 5700 [Email: aoreilly@portaugusta.sa.gov.au](mailto:aoreilly@portaugusta.sa.gov.au)

Dear Madam,

Re: Valuation Proposal – Port Augusta

Further to emails from Mr Paul Bradley and Ms Anne O'Reilly, Director, Community Services, Corporation of the City of Port Augusta dated 17th March 2014 we provide the following proposal. This is provided on the understanding the formal instructions will be jointly from both Calvary Group and the Corporation of the City of Port Augusta.

This proposal has been prepared for both parties with identical letters sent.

Services

To provide valuations for the Aged Care Facilities known as **A M Ramsay Village, Port Augusta and Nerrilda Nursing Home, Port Augusta SA.**

The valuation is for intending potential realisation purposes for consideration of the two parties.

As discussed and confirmed that there is 90 days from the date of inspection of the properties and an assignment can occur under our Professional Indemnity Policies and as a standard requirement for major trading Banks currently and without a reinspection being required.

Sites

A M Ramsay Village – 62 bed RAC
 77 Seaview Road, Port August SA

Nerrilda Nursing Home – 45 bed RAC
 71 Stokes Terrace, Port Augusta SA

Fees

Our fee would be \$6,500 plus GST. Fee will be payable per site plus travel allowance of \$550 prior to issue of the report. Please advise how to be invoiced ie portions.

Conditions

Our reports will be conditional upon all data being provided as per our requirements by you to our office.

Limitation of Liability

In the particular circumstances of this case, you agree that the liability to you of this firm, its partners, employees and agents (in contract or tort or under statute or otherwise) for any economic loss or damage caused, including our negligence but not our wilful default shall be limited by our Professional Indemnity Insurance Policy which at the time of this engagement was capped at \$10,000,000 in aggregate in any one year.

**NELSON
 PARTNERS
 AUSTRALIA**

VALUATION SERVICES

Aged Care
 Health Care
 Retirement Villages
 Hospitality
 Service Stations
 Child Care Centres
 One Off Going Concerns
 Business

CONSULTING SERVICES

Feasibility Studies
 Property Negotiations
 Cash Flow Budgets
 Property Research & Analysis
 Australia Wide Service

NSW HEAD OFFICE

Suite 306, 29 Solent Circuit
 Baulkham Hills NSW 2153
 Phone: (02) 9659 9611
 Email: admin@nelsonpartners.com.au

QUEENSLAND - BRISBANE

Phone: (07) 3329 5910
 Email: adminqld@nelsonpartners.com.au

VICTORIA - MELBOURNE

Phone: 0488 333 526
 Email: adminvic@nelsonpartners.com.au

ALL CORRESPONDENCE TO

PO Box 6839
 Baulkham Hills Business Centre
 NSW 2153
 Fax: (02) 9659 9622
www.nelsonpartners.com.au

Nelson Partners Australia Pty Ltd

Trustee for NPA Unit Trust
 AEN 79 040 484 104

...../2

Nerrilda Nursing Home, Port Augusta West, South Australia



77 Seaview Road, Port Augusta SA and 71 Stokes Terrace, Port Augusta SA

-2-

NELSON
PARTNERS
AUSTRALIA

Indemnification

You will provide Nelson Partners with all information material to the assignment to be undertaken by Nelson Partners together with all information requested by Nelson Partners. You recognise and confirm that Nelson Partners will use and rely primarily on the information provided to it by you and on information available from generally recognised public sources in the performance of the services contemplated by this letter without having to independently verify or assume responsibility for the accuracy or completeness of such information, although Nelson Partners may endeavour to verify certain limited information in some circumstances where time permits and the opportunity arises.

Standard Terms and Conditions

We attach for your reference the standard terms and conditions that will apply to this engagement. This letter and the terms and conditions attached comprise the entire agreement ("Contract") for the provision of services.

Acceptance of Engagement Terms

This letter sets out our understanding of the circumstances and our credentials to undertake the assignment pursuant to your request. We have set out the terms and conditions we would like to agree with you for us to undertake this professional assignment. We are confident that we can provide an excellent professional service.

Should the terms and conditions set out in this letter be acceptable to you please confirm your acceptance by signing the duplicate copy of this letter and returning same to us. If you require any further information, or wish to discuss this matter further, please do not hesitate to contact me on +61 02 9659 9611.

Nelson Partners Australia is covered by a Liability limited by a scheme approved under Professional Standards Legislation.

We thank you for this instruction in this matter, please sign below and return to the office.

Attached the standard data requirement for the valuations.

Any questions please come back to the under sign.

Yours sincerely

NELSON PARTNERS AUSTRALIA PTY LIMITED

.....
David J. Nelson, A.D.VAL., A.D.F.M., F.A.P.I.,
CERTIFIED PRACTISING VALUER,
REGISTERED VALUER NOS. 2422 (NSW), 2244 (QLD) & 044156 (WA)
VALUER WITHOUT LIMITATION

Liability limited by a scheme approved under Professional Standards Legislation.

Our ref: A O'Reilly City of Port Augusta 24.3.14

Nerrilda Nursing Home, Port Augusta West, South Australia



From: Paul Bradley [Paul.Bradley@calvarycare.org.au]
Sent: Tuesday, 25 March 2014 12:17 PM
To: Linda Burke; David Nelson
Cc: Anne O'Reilly
Subject: RE: Valuation Proposal Port Augusta

Dear David

Your proposal is accepted by Calvary. I understand Council will also be issuing their consent shortly.

Can you please liaise with Anne O'Reilly at Council with respect to all documents, site inspections, financials and other information required to complete the valuation and keep me informed in the process.

Regards - Paul

Paul Bradley | National Director Aged Care & Retirement | Little Company of Mary Health Care
 Level 18
 68 Pitt Street Sydney NSW 2000
 Phone: (02) 9258 1718 | Mobile: 0409 391 109
 Email: Paul.Bradley@calvarycare.org.au | www.calvarycare.org.au

In the tradition of the Sisters of The Little Company of Mary with values of hospitality, healing, stewardship & respect.

Please consider the environment before printing this e-mail

Confidentiality Notice

This email message is intended for the use of addressed recipients only and may contain information that is confidential and legally privileged. Before opening or using attachments, please check them for viruses or defects, as Little Company of Mary Health Care Limited liability is limited to the resupply of any affected attachments. If you have received this message in error, please delete it along with any attachments from your system and notify Little Company of Mary Health Care Limited immediately. If you are not the intended recipient of this message, you must not disseminate, copy or take action based upon it. Any views expressed in this message are those of the individual sender, except where the sender specifically states them to be the views of Little Company of Mary Health Care Limited.

From: Linda Burke [mailto:LBurke@nelsonpartners.com.au]
Sent: Monday, 24 March 2014 2:34 PM
To: Paul Bradley
Cc: David Nelson
Subject: Valuation Proposal Port Augusta

Dear Sir

We attach herewith our valuation proposal in regard to the above.

If you have any queries please do not hesitate to contact David Nelson.

Regards.

Lynda for David Nelson

Nelson Partners
 Suite 306, 29 Solent Circuit
 Baukham Hills NSW 2153
 P: (02) 9659 9611 F: (02) 9659 9622

PRIVACY AND CONFIDENTIALITY NOTICE

Nerrilda Nursing Home, Port Augusta West, South Australia




TITLE SEARCH AND PLAN

Nerrilda Nursing Home, Port Augusta West, South Australia



Land Services Group 24-08-2004 10:38 PAGE 1/2 RightFAX

 **Title Register Search**
LANDS TITLES OFFICE, ADELAIDE
Issued pursuant to the Real Property Act 1886

REGISTER SEARCH OF CROWN RECORD * VOLUME 5754 FOLIO 546 *

COST : \$15.10 (GST exempt) NO PARENT TITLE
 REGION : FAX 0896410357 AUTHORITY : RT 8862481
 AGENT : LGD7P BOX NO : 000 DATE OF ISSUE : 07/04/2000
 SEARCHED ON : 24/08/2004 AT : 10:38:49 REGISTRATION : 1
 CLIENT REF L HERO

OWNER

THE CROWN

CUSTODIAN

 THE CORPORATION OF THE CITY OF PORT AUGUSTA OF PO BOX 1704 PORT AUGUSTA SA
5700

DESCRIPTION OF LAND

SECTION 327
HUNDRED OF COPLEY
IN THE AREA NAMED PORT AUGUSTA WEST

TOTAL AREA: 4,147 HECTARES CALCULATED

EASEMENTS

SUBJECT TO THE EASEMENT TO THE MINISTER FOR INFRASTRUCTURE (CT 5430/524)

SCHEDULE OF INTERESTS

 LAND DEDICATED FOR AGED PERSONS COTTAGE HOMES PURPOSES PURSUANT TO THE
CROWN LANDS ACT, 1929 BY GAZETTE 27.3.1986

NOTATIONS

DOCUMENTS AFFECTING THIS TITLE

NIL

REGISTRAR-GENERAL'S NOTES

NIL

Page 1 of 2 CONT.

Warning: The information appearing under notations has not been formally recorded in the Register Book and the provisions of the Real Property Act 1886 do not extend thereto.

Nerrilda Nursing Home, Port Augusta West, South Australia



Land Services Group 24-08-2004 10:38 PAGE 2/2 RightFAX



Title Register Search
LANDS TITLES OFFICE, ADELAIDE
Issued pursuant to the Real Property Act 1886

REGISTER SEARCH OF CROWN RECORD

* VOLUME 5754 FOLIO 546 *

REGION : FAX 0886410357
 AGENT : LGD7P BOX NO : 000
 SEARCHED ON : 24/08/2004 AT : 10:38:49

NO PARENT TITLE
 AUTHORITY : RT 8862481
 DATE OF ISSUE : 07/04/2000
 REGISTRATION : 1

ADMINISTRATIVE INTERESTS AND CROWN NOTES

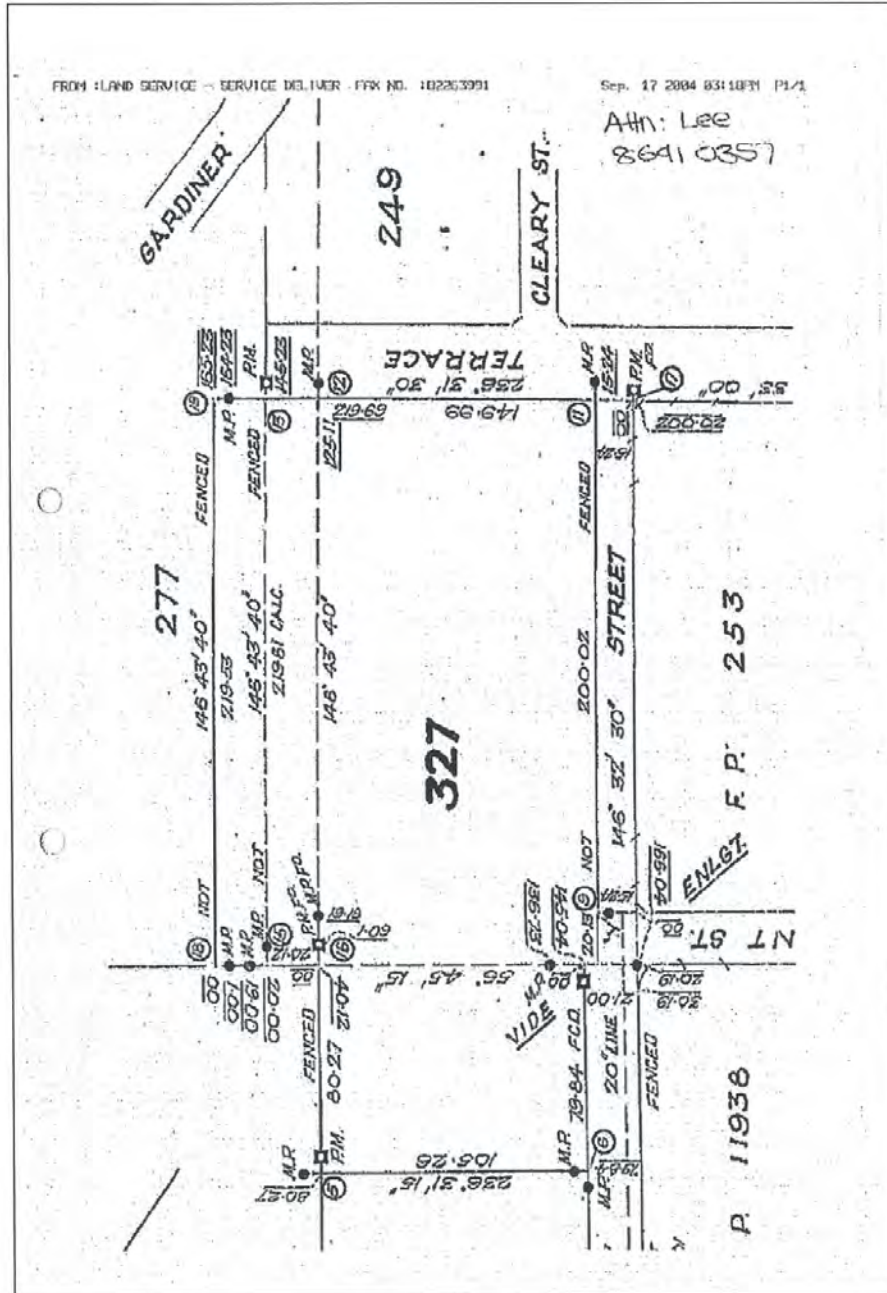
 AUTHORITY DOCKET D.L. 4717/84

Page 2 of 2

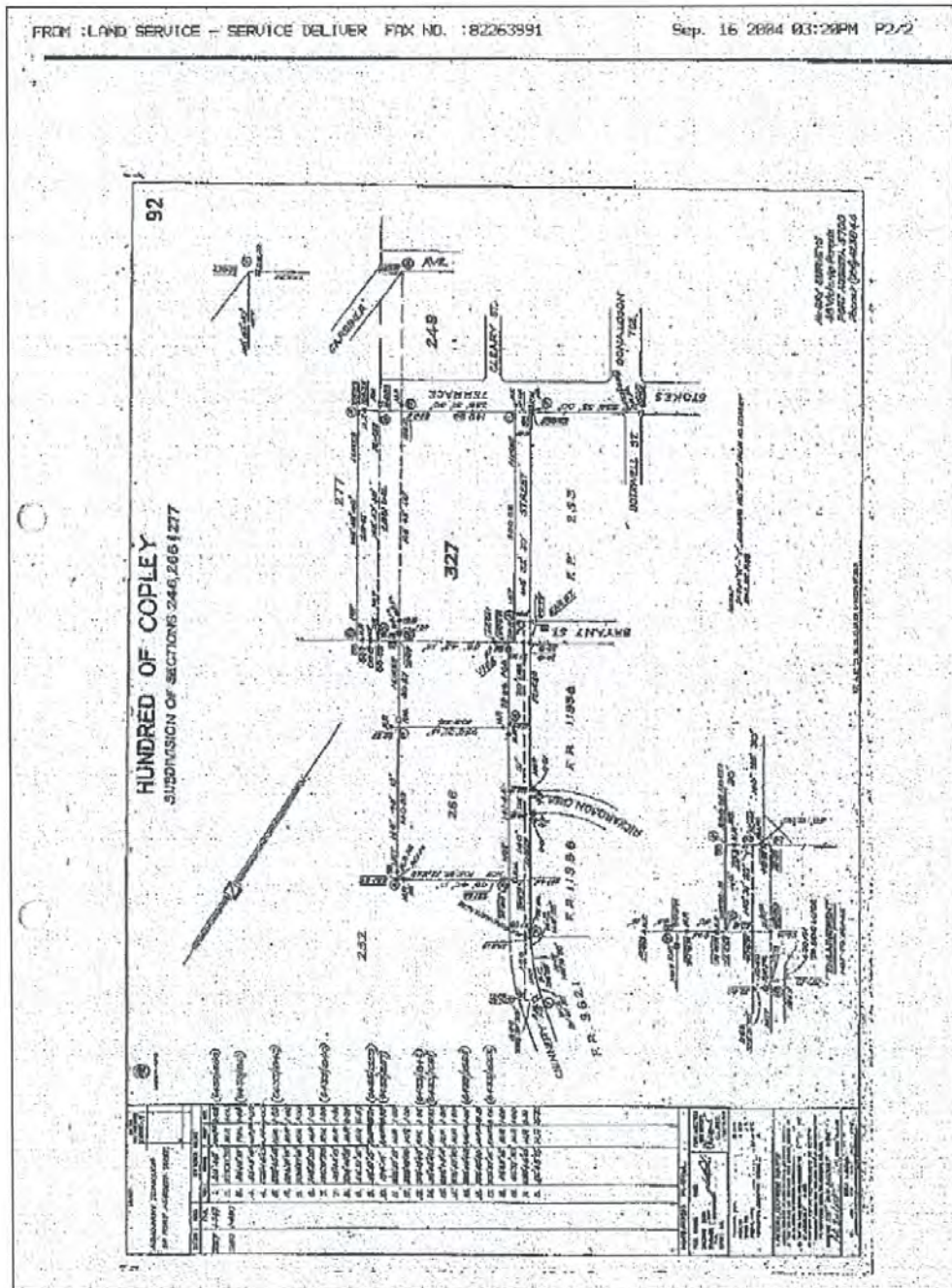
END OF TEXT.

Warning: The information appearing under notations has not been formally recorded in the Register Book and the provisions of the Real Property Act 1886 do not extend thereto.

Nerrilda Nursing Home, Port Augusta West, South Australia



Nerrilda Nursing Home, Port Augusta West, South Australia



Nerrilda Nursing Home, Port Augusta West, South Australia



ACCREDITATION

Nerrilda Nursing Home, Port Augusta West, South Australia



Nerrilda Nursing Home

RACS ID 6974
71 Stokes Terrace
PORT AUGUSTA SA 5700

Approved provider: Corporation of the City of Port Augusta

Following an audit we decided that this home met 44 of the 44 expected outcomes of the Accreditation Standards and would be accredited for three years until 3 November 2015.

We made our decision on 4 October 2012.

The audit was conducted on 3 September 2012 to 4 September 2012. The assessment team's report is attached.

We will continue to monitor the performance of the home including through unannounced visits.

Nerrilda Nursing Home, Port Augusta West, South Australia



EVACUATION PLAN

WELCOME TO NERRILDA NURSING HOME

Name of Resident/Representative _____

Map of Nerrilda
Shaded area shows where you are.



NYS File name: Manof108

Nerrilda Nursing Home, Port Augusta West, South Australia



FIRE SAFETY CERTIFICATE

Nerrilda Nursing Home, Port Augusta West, South Australia



This is to Certify

Nerrilda Nursing Home

was inspected by the
South Australian Metropolitan Fire Service on

27 October 2011

At that time the installed fire safety provisions were considered appropriate, conditional upon maintenance being provided in accordance with required standards.

A. Collins
Fire Safety Officer
Community Safety Department
S.A. METROPOLITAN FIRE SERVICE



VALUATION REPORT

FOR AN

Aged Care Facility

ON

A "going concern" basis

KNOWN AS

A.M. Ramsay Village
77 Seaview Road
Port Augusta
South Australia

JOINTLY INSTRUCTED BY

Mr P Bradley
National Director, Aged Care and Retirement
LCM Healthcare
National Office, Level 18, 68 Pitt Street
Sydney New South Wales

And

Ms A O'Reilly
Director, Community Services
The Corporation of the City of Port Augusta
PO Box 1704
Port Augusta South Australia

&

ON BEHALF OF

LCM Healthcare

and

Corporation of The City of Port Augusta

Refer "Executive Summary"

DATE OF INSPECTION / VALUATION

7th May 2014

DATE OF REPORT

10th June 2014

Our Ref: 14-0312.ACF



VALUATION SERVICES

Aged Care
Health Care
Retirement Villages
Hospitality
Service Stations
Child Care Centres
One Off Going Concerns
Business

CONSULTING SERVICES

Feasibility Studies
Property Negotiations
Cash Flow Budgets
Property Research & Analysis
Australia Wide Service

NSW HEAD OFFICE

Suite 306, 29 Solent Circuit
Baulkham Hills NSW 2153
Phone: (02) 9659 9611
Email: admin@nelsonpartners.com.au

QUEENSLAND - BRISBANE

Phone: 0488 333 526
Email: adminqld@nelsonpartners.com.au

VICTORIA - MELBOURNE

Phone: 0488 333 526
Email: adminvic@nelsonpartners.com.au

ALL CORRESPONDENCE TO

PO Box 6839
Baulkham Hills Business Centre
NSW 2153
Fax: (02) 9659 9622
www.nelsonpartners.com.au

Nelson Partners Australia Pty Ltd
Trustee for NPA Unit Trust
ABN 79 040 484 104



TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
PROPERTY DETAILS	6
LAND USE	7
LOCATION	8
THE LAND	9
ENVIRONMENTAL CONSIDERATIONS	10
SERVICES	10
DESCRIPTION OF IMPROVEMENTS	10
EQUIPMENT	17
APPROVALS/STATUTORY AUTHORITIES	17
BUSINESS OVERVIEW	22
TRADING DETAILS	24
MARKET EVIDENCE	27
S.W.O.T. ANALYSIS	35
COMMENTS	36
GOODS AND SERVICES TAX	37
APPROACH TO VALUATION	37
INSURANCE	41
GENERAL	42
VALUATION	43
FINANCIAL ANALYSIS	44
ANNEXURES	

A.M. Ramsay Village, Port Augusta, South Australia



EXECUTIVE SUMMARY

We have received written instructions from Mr P Bradley, National Director Aged Care and Retirement, LCM Healthcare, Sydney and Ms O O'Reilly, Director Community Services, The Corporation of the City of Port Augusta, Port Augusta, to determine the fair and reasonable market value on a "going concern" basis, (including freehold, real estate, goodwill, fixtures, fittings, plant and equipment and bed approvals) of the A M Ramsay Village at Port Augusta in South Australia on behalf of our joint instructing parties, for potential realisation purposes.

This report provides:

- A. "Going concern" value "as is" for 62 (low care) funded places;
- B. Existing accommodation bonds profile, any potential uplift on a nett present value basis, and
- C. Comments on Living Longer Living Better Reforms from 1st July 2014.

We have had regard to the existing standard instructions issued by major financiers and model instructions to valuers prepared by the Australian Property Institute (API) 2008 in the preparation of this report. We acknowledge both parties know the assets subject to this report.

Our report has been prepared for potential realisation purposes, as requested. This report can only be relied upon if undertaken within **90 days** of the valuation date given no major market changes and confirmation by written evidence by the writer of this report.

The subject existing Facility has changed since originally being constructed as a low care hostel development with internal modifications and extensions to provide for a low care Residential Aged Care. It currently comprises 62 funded places with variable configurations, although these are generally 5 areas within this "purpose-built" building situated in the southern central area of Port Augusta in South Australia.

The business is operated by The Corporation of the City of Port Augusta and is situated on freehold land with 3 road frontages and adjoining Aged Care rental accommodation.

This single level building has predominately been erected in 2 stages, although modifications and changes have occurred. The original building dates back to 1980 with modifications and changes with the last major extensions completed in 2008 for the current configuration. The main accommodation comprises single private ensuite rooms with different configurations and layouts given the nature of the building. There are variable hallway widths and associated doorways depending on which section of the complex and a secured dementia area with associated gardens. There is a central core entry, administration activities area with the 5 separate allocated residential areas off the central core.

Surrounding development comprises mixed residential both public and private housing, villas, historical park activities opposite which is now closed and owned by Council, a former state high school which is now up for sale and local fast food outlets nearby.

This low care Facility is run in association with Nerrilda Nursing Home high care situated on the north side of Port Augusta and is within the Flinders Far North Northern Regional Planning Area.

This report is based on a "stand alone" valuation of the subject low care Facility and represents an asset valuation for market value and does not incorporate any associated financial interest or activities.

A.M. Ramsay Village, Port Augusta, South Australia



EXECUTIVE SUMMARY (Cont'd)

Overall, the improvements reflect the original 1980s low care model with modifications and changes with small extensions to the 2 northern wings being Lyons and Rotary and reconfiguration of ensuites within this area during the 2007/2008 period. The 3 southern wings reflect the original design although there is the conversion of the original flat to 4 rooms.

Given the Living Longer Living Better commencement from 1st July 2014 accommodation bonds will continue to be permissible on entry of all residents, although in a new format of RAD or DAP or combination. Concessional residents will continue to have special arrangements. We have had discussions in respect to the RAD and DAP forecast by current management and these are noted in this report although we consider a combination of RAD and DAP are likely given the catchment area and past actual current bond profile.

The overall business model has been a traditional low care with limited "ageing in place" given the nature of the building but also in association with Nerrilda Nursing Home. We note that since the upgrade in 2008 there has been reduced transfers across to the high care building.

We have been provided with past financial trading details including year to date, Commonwealth data, statutory information and information including site plans, building certification and the proposed Living Longer Living Better.

Overall market evidence has been limited over the past 5 years and has been partly due to the Global Financial Crisis and the Productivity Commission's Report process and the Industry waiting for clear direction on the proposed Aged Care Reforms although there are signs of changes now occurring to the market.

Reference to Market Evidence and Comments later in this report.

Given the Aged Care Reform Bills have passed both Houses of Parliament, the 1st July 2014 will be a key date for the Aged Care Reforms although the introduction of a number of principles remain unknown at this stage. Given the advice from the Commonwealth on reforms the final impact is unclear at this stage although this report assumes the overall result will not materially change the business operation.

The key components in the reform, which will be over a 10 year period, are that the major reforms will commence as at 1st July 2014, with a 2 year establishment period, and further negotiations for all legislation and stakeholders' input to allow for the detailed aspects of the major reforms to the sector. This is not uncommon and has been a process in the past for major reforms to the sector. Reference to the Industry Overview and our summary to date on the Government's response, although now changing given the new Government since September 2013.

It should be noted that these are major reforms being proposed for the Industry. The final details of these reforms are not totally clear, as at the date of this report and therefore this report is based on acknowledgement of the direction given by the Government, however, is within the market climate prevailing at this stage. There are further details regarding accommodation bonds due during the first half of 2014.

We would consider that any potential intending mortgagee/board will monitor the potential changes when the details are reviewed and further review the impact on this sector, both positive and negative.

A.M. Ramsay Village, Port Augusta, South Australia



EXECUTIVE SUMMARY (Cont'd)

As a result of the above and the remaining unknowns in respect to actual details there is clearly no evidence available for valuation purposes. Therefore care is needed in regard to viewing past evidence and the current valuation as any material changes to the market over the next 2 years is likely to have an impact upon the valuation.

It is our understanding that the Commonwealth will provide further principal guidelines although given the restructuring and new Authority a number of the areas could not be fully known until the end of 2014. We acknowledge the General Election which occurred in September 2013 and resulted in a change of Government which may now result in further changes in respect to the Residential Aged Care Reforms.

Our opinion at this stage is that there will be changes to the funding and structure however the subject should not be adversely affected overall given the current guidelines available together with the number of bonds.

Our Approach to Valuation (Pages 37 to 41) is to provide an "as is" value of the "going concern" assuming fair and reasonable commercial Ebitda and based on a capitalisation method with a dollar per place check method. The second component is the existing accommodation bonds together with any nett present value for uplift in bonds, which is considered a short-term security for the Bank.

Given the Aged Care reforms we assume any intending purchaser will monitor the final outcome which may result in a revision to the calculations to this valuation.

The above assessments are based on fair market value given a realisation by a willing vendor, in accordance with the International Assets Valuation Standards Committee. Their definition of market value is "the estimated amount at which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion, given a time frame of up to six months". "Asset" includes property.

This report has been prepared based on the information provided being true and correct, in particular the trading and accommodation bond schedules for valuation purposes.



A.M. Ramsay Village, Port Augusta, South Australia



PROPERTY DETAILS

Title

The land is described as: Lot 80 in Filed Plan 13933, Volume 5120 Folio 102
In the Area named Port Augusta, Hundred of Davenport,
in the State of South Australia

We have obtained a Title Search dated 7th May 2014 and this together with Council records, has been the basis of our legal description of the above.

The following encumbrances, caveats and notices are on the Title:

1. Together with the Easement over the land marked A (T 5160774)

We are not aware of any other easements, rights-of-way, encroachments, road widening affectation and/or restrictive covenants other than as noted in the Title Search which might affect the subject property, however, these could be checked by current searches/enquiries with all statutory authorities.

Dimensions and Area

The land has a combined frontage to Seaview Road of about 107.40 metres, a side boundary to Power Crescent of about 71.93 metres, a splay corner, a frontage to Hipwell Street of about 101.84 metres and an irregular side boundary.

The area of the subject site is about **8,300 sq. metres** (subject to survey).

Ownership

The Title Search indicates the subject lot is owned by **THE CORPORATION OF THE CITY OF PORT AUGUSTA.**

The business and the Commonwealth approvals stand in the name of **THE CORPORATION OF THE CITY OF PORT AUGUSTA.**

We assume the total entities are available as part of this realisation to reflect the "going concern" acquisition.

Statutory Value

According to the Port Augusta City Council Rate Notice for 2013/2014 dated 23rd August 2013 the Site Value for rating purposes under *residential* was \$124,000.

Overall the general Rate Notice is \$653 plus associated fixed charges although a rebate of \$32.65 is noted and as a result the nett payable rates are \$620.35 in total.

A.M. Ramsay Village, Port Augusta, South Australia



PROPERTY DETAILS (Cont'd)

Identification

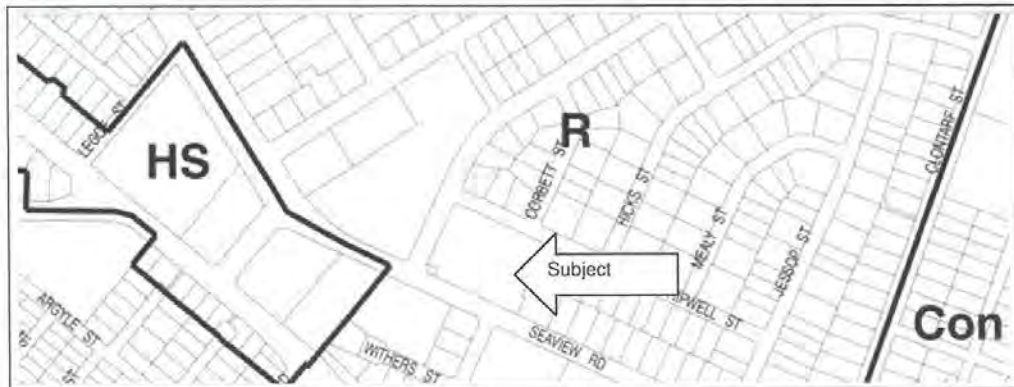
The property has been identified from the street address, aerial map and copy of the plan as well as a site inspection.

Whilst the boundaries have been physically identified upon inspection and there do not appear to be any encroachments, the reporting valuer is not a surveyor and no warranty can be given without the benefit of an Identification Survey.

LAND USE

Zoning

On-line enquiries of SA Council Maps for the Port Augusta City Council indicate the subject land has an **R Residential** zoning or policy under the terms and conditions of the Port Augusta (City) Development Plan.



Objectives

1. A residential zone comprising a range of dwelling types, including a minimum of 15 percent affordable housing.
2. Increased dwelling densities in close proximity to centres, schools, public transport routes and public open spaces.
3. Within Port Augusta West, small-scale convenience shopping, office, medical and community facilities to serve the local community located in designated areas as shown on the Port Augusta West Structure Plan Map PtAu/1 (Overlay 1).
4. Development that contributes to the desired character of the zone.

We assume a Certificate will be provided to confirm the above.

A.M. Ramsay Village, Port Augusta, South Australia



LAND USE (Cont'd)

Zoning (Cont'd)

Enquiries/Approvals

The subject development appears to comply with the zoning provisions and the land component meets with the minimum requirements under the zoning.

We have not been provided with any planning permits/contract for this site.

Our valuation assumes the completion of all works has occurred and complies with Statutory Authorities to all operations of the Facility.

LOCATION

The subject complex is situated at Port Augusta being approximately 305 kms from Adelaide CBD within the southern central area of Port Augusta.

Surrounding development comprises a mixture of public and private housing with parkland opposite, a previous historical reserve, a former state high school together with nearby bulky goods and fast food outlets including service areas.

Port Augusta provides a mixed rural and semi industrial location in respect to the major power stations and the crossover of the east-west and north-south railway. It is the gateway to the northern area of South Australia and to the Northern Territory via the Sturt Highway. There are mixed rural activities and defence locations in this area.

Port Augusta provides services to the local and wider communities and commercial areas including a small public hospital, Aged Care and health care services.

Reference is made to the Competition section of this report which provides an overview of the nature of the competition.

Location Maps



Source: Google maps

A.M. Ramsay Village, Port Augusta, South Australia



LOCATION (Cont'd)

Access

Access to the general area from the south is by the Augusta Highway, from the north by the Sturt Highway and from the east by the Eyre Highway.

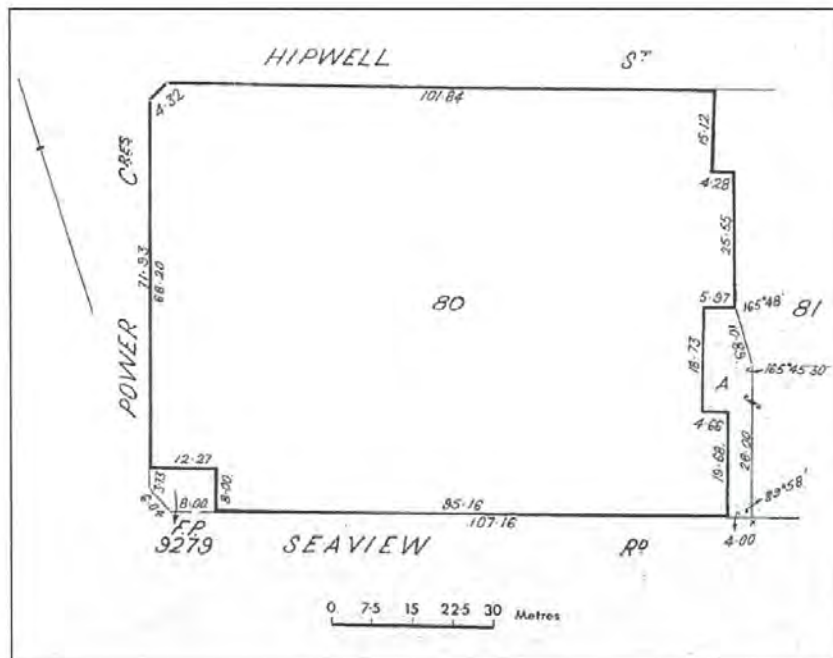
Direct access via the town environment is from the Augusta Highway to the access road to this location with each road being a typical residential dual carriageway with concrete kerbing and guttering.

THE LAND

This is a large consolidated corner allotment having a slight crossfall, although a good building site overall.

The aspect of the building varies depending on the location of the rooms to the site.

The soil types appear to be typically sandy for the area with satisfactory drainage.



A.M. Ramsay Village, Port Augusta, South Australia



ENVIRONMENTAL CONSIDERATIONS

Given the nature and age of the improvements together with the residential surrounding development, we assume there is a low risk.

Whilst the land appears suitable for the present use, no soil tests or environmental studies have been made available to us. Please note that this valuation is subject to there being no surface or sub-surface soil problems including instability, toxic or hazardous wastes or building material hazards in or on the property that would adversely affect its existing or potential use or reduce its marketability. Should any problem be known or arise then the valuation should be referred back to us for comment.

We have not been provided with any formal professional reports on the subject.

SERVICES

Connected: electricity, telephone, town water, sewerage and LP gas.

Fire alarms, fire fighting equipment and sensors are installed together with a residents' call button system.

CCTV monitoring is noted, telephone system installed throughout together with Wifi.

DESCRIPTION OF IMPROVEMENTS

Erected upon the land is a single level multi staged "purpose-built" Facility providing low care "ageing in place", residential wings and a dementia area for up to 62 places.

Overall this is an irregular shaped finger style development with a central core building.



Source: Google maps

A.M. Ramsay Village, Port Augusta, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

We have been provided with access and a copy of the fire exit plan which has been the basis of the following description.

Our inspection shows a multi staged, single level complex accommodating a total of 62 residents in single private ensuite rooms within 5 wings. All wings are interconnected by hallways with a central core service area. The main administration area is off the main entrance and provides a good flow to the upper service areas together with various lounge and dining rooms, commercial kitchen and small on-site domestic style laundries in each wing. Support services are also provided.

Overview of Construction

A brief description is as follows:

Footings	:	Appear reinforced concrete slab to Engineer's certification
Floor	:	Appear reinforced concrete slab to Engineer's certification
Walls - External	:	Face brick work
- Internal	:	Part face brick work, part rendered and part plasterboard
Ceilings	:	Variable plasterboard
Windows	:	Timber frame
Roof	:	Hip style with concrete tiles

Layout

Entry is off the car park area up a covered walkway to a security lobby area with a coded door into the main reception. From the main reception there is a central core service community area with 3 wings to the east and 2 wings to the north with 3 feature courtyards. In addition there is a service area off Hipwell Street and a secured dementia area.



Reference is made to the reduced floor plan attached at the rear of this report.

A.M. Ramsay Village, Port Augusta, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Accommodation

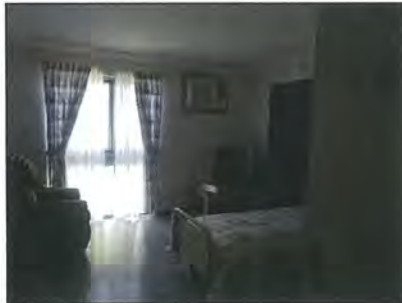
The following is an overall view of the accommodation and facilities.

Rooms

The rooms comprise single rooms with private ensuites throughout the 5 wings. Given the design, the rooms vary in location and aspect. There are a total of 62 rooms for the 62 residents although variable layout and sizes.

The rooms have built-in wardrobes and cupboards, entry areas and adjacent ensuites between each room configuration.

The standard of fit out and furnishings are in keeping with the age and location and includes central heating and air-conditioning in common areas and rooms.



Resident and Staff Facilities

Lounge/Dining/Recreation Areas

Given the design there are a series of small dining areas for each wing as well as a main original Odd Fellows hall/dining area adjacent to the main kitchen.

Activity rooms are also provided together with a multi-purpose room.



A.M. Ramsay Village, Port Augusta, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Resident and Staff Facilities (Cont'd)

Lounge/Dining/Recreation Areas (Cont'd)

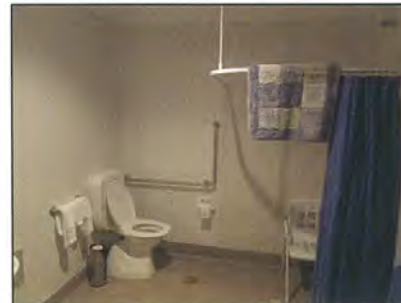


Bathrooms

All rooms have vinyl floors, vinyl or tiled walls, shower recess, grip bars, low down suites and handbasin vanity combination.

There is an assisted bathroom also available.

Staff, common area and visitors' amenities are available.



Clean and Dirty Utility Rooms

There is a limited range of clean and dirty utility areas throughout the building which are reportedly considered adequate by the current on-site staff although may require upgrading given Living Longer Living Better from 1st July 2014 long term.

A.M. Ramsay Village, Port Augusta, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Resident and Staff Facilities (Cont'd)

Administration/Reception Area

There is a formal entry reception with a general office, plus a manager's office, clinical office and support office areas.



Kitchen

A full commercial kitchen including a walk-in coolroom, freezer and pantry is situated in the central core area adjacent to the Odd Fellows hall and between Masonic and Lyons wings.

In addition there are kitchenettes situated in a number of the wings which provide dishwashing, upright stoves, cupboard spaces, microwaves and generally adjoin the dining areas.



Laundry

There is no full on-site laundry service although there are small domestic services available on-site within each of the core wings. A contract laundry service is utilised for the bulk laundry.



A.M. Ramsay Village, Port Augusta, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Resident and Staff Facilities (Cont'd)

Support Areas

These are located in each section of the building although generally towards the core of the building except in the dementia Masonic wing which is situated adjacent to the lounge area.

Staff Facilities

These are principally located off the main service corridor nearby to the kitchen area.

Design Comments and Internal Finish

The design is based on the original low care hostel model which has been modified over the years to provide the current configuration for low care "ageing in place". All rooms are single with private ensuites of similar configuration.

Given the original design of 5 wings and central service areas there is separation by design of each of the accommodation areas.

We consider that improvements to the design could occur with further modifications given the potential for the high care situation post July 2014.

Internal finishes reflect the period of construction with face brick work within a number of the core hallways which although serviceable, is less home-like. The overall internal rooms that had been upgraded are of a good standard and there are some dated rooms requiring upgrading in a number of the small wings.

Reference is made to the reduced Floor Plan and comments in the Statutory Enquiries section of this report.

Other Improvements

There is a serviced area with rainwater tanks, storage areas, tool sheds and a workshop garage at the rear. Access is available from the adjacent units which we assume is part of this site as advised.



A.M. Ramsay Village, Port Augusta, South Australia



DESCRIPTION OF IMPROVEMENTS (Cont'd)

Ground Improvements

The overall site is fenced on the perimeter as well as internal fencing for the secure dementia area. Ground improvements reflect the geographic location and landscaping with paths and limited grass areas available.

On street parking is provided on the side street at the front as well as service area and appears modest for this size complex but reflecting the low care nature, however we acknowledge major street parking is available.

Age and Condition

Construction occurred in 1980 originally as a low care hostel and modifications occurred with major renovations in 1994 and changes and small additions in 2007/2008.

Our valuation assumes the standard complies with all statutory requirements and that it is of a modern design with suitable internal finishes, in keeping with the market demand for bond paying residents.

Our valuation assumes all statutory approvals are in place and certification has occurred to allow for the 62 places from the Local and State authorities.

We assume a certificate has been provided ongoing for food on the premises from Council in association with Occupation Permit requirements.

The building has been constructed to a Class 9A (as at 2009) structure under the Building Code of Australia. We assume this is current and fully complies.

We have not inspected woodwork or other parts of the structure which are covered, unexposed or inaccessible and we are therefore, unable to report that any such part of the structure is free from defect.

We have not been provided with any Engineering tests, Structural Survey or Qualified Building Report and to this extent this valuation is qualified. Further, we have not been informed of estimates to enable the building to comply with the Building Code of Australia, which may require upgrading if requested under the relevant sections of the Act.

Our valuation assumes the following are available:

- (a) *A Survey Report showing that the improvements are contained within the subject allotment.*
- (b) *A Building Certificate and a satisfactory final inspection/Occupation Certificate advice should be obtained from the Local Government Authority to ensure compliance with a Planning Permit.*
- (c) *A Pest Certificate to confirm the property to be free from infestation (whether active or dormant).*

If any of the above reports/certificates disclose matters which may affect the value of the property, our valuation may require revision.

A.M. Ramsay Village, Port Augusta, South Australia



EQUIPMENT

Overall the Facility is provided with satisfactory to average quality furnishings and equipment, although a continuing upgrading programme is required in this style of Facility.

Given the changes with Living Longer Living Better ongoing equipment upgrades will be required.

APPROVALS/STATUTORY AUTHORITIES

Private Aged Care Facilities fall under two areas of control.

1. Commonwealth Department of Health and Ageing, under the Aged Care Act of 1997 provides a Certificate of Approval to operate the Facility and receive recurrent funding. Other Acts include the Aged Care Principles 1997.
2. Local Government Building and Planning requirements.

Commonwealth

The Aged Care Act sets down new guidelines for approvals, accreditation, building certification and continuing improvement of all facilities in Australia.

RAC Service ID/Name : 6039
 Approved Provider : Corporation of the City of Port Augusta
 No. of Places : 62
 Concessional Ratio : 16.8% -Whyalla, Flinders & Far North

This valuation assumes the above approvals remain current, with no sanctions imposed or changes to the status of the Facility.

Accreditation

We have obtained a copy of the Accreditation Decision for the subject Facility which indicates 3 years accreditation has been granted to 16th September 2014. This was the result of 44 out of 44 expected outcomes being gained in the last review.

The Decision shows a satisfactory result for all standards.

Standards	Preliminary Team Rating
Management Systems, Staffing & Organisational Development	Compliant
Health and Personal Care	Compliant
Residential Lifestyle	Compliant
Physical Environments & Safe Systems	Compliant

Our valuation assumes the ongoing Facility will comply with all 44 expected outcomes and that there will be no adverse affects or sanctions on this Facility.

A.M. Ramsay Village, Port Augusta, South Australia



APPROVALS/STATUTORY AUTHORITIES (Cont'd)

Building Certification

This is a requirement under the Aged Care Reforms of 1997. Consultants are engaged by the Commonwealth to assess Facilities, which are rated out of 100 points of the building. We have been provided with a report dated September 2009 which shows the building as a Class 9A. This follows the upgrading that occurred during the 2007/2008 period at the subject.

The following shows areas of assessment

Summary Area	Max Points	Weighted Score
1. Safety (fire rating, egress provision, alarms and detectors, fire fighting, smoke free compartments, etc)	25.00	20.50
2. Hazards (internally, externally, special hazards to particular subgroups, materials)	12.00	12.00
3. Privacy (beds per room, ratio of shower and toilets utilised by residents)	26.00	20.70
4. Access, Mobility, Occupational Health and Safety (number of storeys, age of Facility, number of lifts, ramps, grab rails, fixtures and fitting)	13.00	10.80
5. Heating/Cooling	6.00	5.00
6. Lighting/Ventilation (both natural and illuminated)	6.00	6.00
7. Security (individual rooms and Facility in general)	12.00	10.00
Total	100.00	85.00

Commonwealth computer records as at March 2014 show the subject is certified.

Prudential Statements and Audits

As there will be accommodation bonds, there is a requirement by the Commonwealth to have a Prudential Statement carried out by an independent auditor as at 30th June each year.

Further, as a result of the conditional adjustment payments that are being made by the Commonwealth, there is an additional requirement from 2005 for a general-purpose audit.

Council and Fire Safety

Council is now responsible for fire issues as well as the normal building certification and approval process.

Overall we assume no major work is outstanding which requires immediate action. If this is not correct, our valuation may require revision.

DAILY FEES AND BONDS

As noted earlier major changes occurred on 20th March 2008 with the introduction of the new ACFI Funding Instrument for all new residents. This will result in the different funding fee based for the existing Facility noted below although it is indicated that it will be of a similar nett result.

ACFI Payment Levels – from 1st July 2013 to 30th June 2014

Funding Level	Activities of Daily Living	Behaviour Supplement	Complex Health Care Supplement
High	\$94.79	\$31.03	\$58.15
Medium	\$68.42	\$14.88	\$40.27
Low	\$31.43	\$ 7.18	\$14.14
Nil	\$ 0.00	\$ 0.00	\$ 0.00

Resident Fees:

Non Standard Resident	\$ 52.79	\$ 52.79	\$ 52.79	\$ 52.79	\$ 52.79	\$ 52.79	\$ 52.79
Standard Resident (Pensioner)	\$ 46.50	\$ 46.50	\$ 46.50	\$ 46.50	\$ 46.50	\$ 46.50	\$ 46.50
Pensioner Supplement	\$ 7.84	\$ 7.84	\$ 7.84	\$ 7.84	\$ 7.84	\$ 7.84	\$ 7.84

RCS Funding – pre 20th March 2008 Residents

The following is the Commonwealth Daily Fee schedules throughout Australia as at **1st July 2011** for general Aged Care Facilities prior to any adjustments, which have been the basis for this report. This table is for existing residents who entered prior to 20th March 2008 but reflects 20th March 2014 updates.

Commonwealth Fee RC	1	2	3	4	5	6	7
All States of Australia	\$139.92	\$126.87	\$109.30	\$ 77.26	\$ 47.07	\$ 38.98	\$29.94
Late RCS payment	\$104.92	\$ 91.87	\$ 74.30	\$ 42.26	\$ 27.07	\$ 18.98	\$ 9.94

Residential Aged Care Supplements (New)

These rates are applicable from 1st August 2013 to 30th June 2014

Residential Aged Care Dementia and Severe Behaviours Supplement

From 1st August 2013, a Dementia and Severe Behaviours Supplement was introduced in recognition of the additional costs of providing care to these residents. This rate is \$16.15 per day.

A.M. Ramsay Village, Port Augusta, South Australia



DAILY FEES AND BONDS (Cont'd)

Supplements

The cost of providing Aged Care Facility care is supplemented by Commonwealth Government benefits, which are paid directly to the Facility on a monthly basis. The main ones are noted below.

As with ACFI payments there are different rates depending on the date of admission. These are the indicative rates available from the Commonwealth.

Payroll Tax

Rates apply to a single Aged Care Facility with group ownership being the aggregate number of beds. These vary from State to State.

Respite residents

- High care residents \$109.30 per day
- Low care residents \$ 38.98 per day
- High care level greater than 70% \$ 85.76 per day
- High care level less than 70% \$ 50.40 per day
- Low care level \$ 35.95 per day

Concessional and Assisted Residents pre 20th March 2008

- Up to 40% total bed days after 1st October 1997 \$13.67 per day
- Over 40% total bed days after 1st October 1997 \$20.91 per day
- Assisted Resident Supplement from \$ 8.61 per day

Residential Care Subsidy – Accommodation Supplement (maximum)

If on the day the service meets building requirements mentioned in Section 21.11B of the principles \$34.20 per day

OR

If on the day of service does not meet those requirements \$28.75 per day

Transitional Accommodation Supplement

- Item 1 – from 19th March 2008 to 20th September 2010 \$ 7.84 per day
- Item 2 – from 19th September 2010 to 20th March 2011 \$ 5.23 per day
- Item 3 – from 19th March 2011 to 20th September 2011 \$ 2.61 per day

Transitional Supplement

- Transfer or Pre 1997 special residents \$20.91 per day

Conditional Adjustment Payment

This commenced as at 1st July 2004 based on 1.75% of the standard care fee paid by the Commonwealth. It will rise to 7% over the first 4 years, with 8.75% from 1st July 2008.

Our valuation assumes no major adjustment would be required on the transfer of approvals.

DAILY FEES AND BONDS (Cont'd)

Accommodation Bonds

Accommodation bonds are payable on entry by low care and "extra services" high care residents only. This is an interest free loan arrangement under set requirements by the Government in regard to repayment and the amount that can be retained by the Approved Provider. These bonds are payable for entry into low care facilities and "extra services" high care facilities approved by the Commonwealth.

We note that the Commonwealth guidelines for pensioner allowable limit funding arrangements show \$176,000 bond level (as at 20th September 2013). We acknowledge significantly higher bonds are being paid within the Greater Metropolitan Area, however, there are also substantially lower bond levels than this "recommended" figure from the Commonwealth within the regional area and within older Facilities.

The payment of the bond is based on an interest free loan and therefore is not taxable; however the retention amount that is on an annual basis, is taxable on receipt. Currently \$331.00 per month for up to 5 years can be retained i.e., \$19,860 maximum. We note part of the proposed Reforms are retention amounts from 1st July 2014 will no longer be permissible although the draft rulings and general policy guidelines indicate that lump sum accommodation amount can be increased to an equivalent level to cover the loss of this revenue. This could also be obtained via a periodic payment bond payment for the equivalent based on appropriate interest rate.

After the initial bonds are received, and given that these are not placed in an offsetting account, they become a liability to the Facility, to the residents and under normal circumstances, would be transferred with the business to the incoming purchaser on the understanding of the liability requirements.

In addition to receiving bonds, there are prudential arrangements, which require independent audit statements to occur to the Commonwealth for the period to 30th June each year, and are required within three months of the end of the financial year.

Accommodation Pricing Guidelines

The Assistant Minister for Social Services, Senator Mitch Fifield announced on 20th November 2013 that.

- The proposed accommodation pricing guidelines will not become operational.
- The Aged Care Pricing Commissioner will be required to approve RADs (or a daily equivalent) over a new threshold of \$550,000.
- The Aged Care Pricing Commissioner (announced as Ms Kim Cull) will soon release guidelines regarding the criteria required when making an application to charge a RAD (or a daily equivalent) in excess of \$550,000.
- The Aged Care Commissioner's office will undertake industry consultation in relation to the development of guidelines.
- The Aged Care Pricing Commissioner will receive applications from 31st January 2014.
- Providers will be required to publish their accommodation prices on the My Aged Care website, their own websites and in any related material provided to prospective residents. Prices must be published by 19th May 2014.
- 'Best Practice' guidelines will be issued by the Department of Social Services to assist providers with RADs (or a daily equivalent) under \$550,000. The timeframe for this guidance is unknown.

A.M. Ramsay Village, Port Augusta, South Australia



BUSINESS OVERVIEW

The subject has traditionally been a low care Facility which results in both operational trading as well as accommodation bond potential.

Given the Aged Care Reforms the subject will continue to be focused on providing care, however low care will be consolidated and the Facility will be a Residential Aged Care.

As a result the business model will remain principally the same, however "ageing in place" will be increased.

Given the nature of the building changes may be required in some of the services and access areas to accommodate the "ageing in place" situation.

We note that there has been recent and ongoing review of ACFI classification which is having positive results as advised and will enhance the overall performance of the subject.

Competition

There is a limited range of Aged Care Facilities in Port Augusta given both principal Aged Care Facilities are operated by the same Approved Provider. There is hospital placement as well as community places in this location. Wider catchment areas and facilities are not considered directly in competition to the subject.

The subject Aged Care Facility is within the Whyalla, Flinders and Far North Planning Region, within the Port Augusta Local Government Area. There are a range of Aged Care Facilities in the general area.

Service	High Care Places	Low Care Places	Community Care Places
Nerrilda Nursing Home, Port Augusta	46		
Bonds: Accommodation prices range from \$240,000 to \$260,000. Rooms range from single room with no ensuite, shared room with shared ensuite and shared room with no ensuite.			
Calvary CACPs Flinders & Northern, Port Augusta			66
Calvary CACPs Whyalla, Port Augusta			15
Calvary EACH Dementia Port Augusta, Port Augusta			5
Calvary EACH Far North SA, Port Augusta			5

Demographics

ABS Census 2011 estimated resident population – Port Augusta LGA

	Age 60-64 years	Age 65-69 years	Age 70-74 years	Age 75-79 years	Age 80+ years	Total population in Area
Male/Female	852	651	497	331	479	13,985
%	6.1%	4.7%	3.6%	2.4%	3.4%	100%
C	5.5%	4.2%	3.3%	2.6%	4.1%	
Australia	5.6%	4.3%	3.3%	2.5%	3.9%	

A.M. Ramsay Village, Port Augusta, South Australia



BUSINESS OVERVIEW (Cont'd)

Occupancy

We have been provided with occupancy details by management which show the following:

Period	Percentage	Average Beds per Day
2010/2011	97.3%	60.3
2011/2012	96.8%	60.0
2012/2013	95.0%	58.9
Year to date February 2014	97.5%	60.4

We have also sighted actual Commonwealth records for February 2014 which shows 1,701 bed days or 98%.

Based on a long-term budget for valuation purposes we have adopted 97%.

Management

The subject is operated by Council as a service in association with the high care Facility for which we have prepared a separate report.

This Facility currently provides general low care and "ageing in place" with a dementia specific wing.

The overall management of the Facility is via the Council direction and key staff together with employment of an on-site manager who controls the day to day management.

We were unable to have discussions with the manager as they were not present at the time of inspection, however we had discussions with the clinical nurse on-site. Clearly the subject is part of a regional country location and operated under the general guidelines of low care to date. Changes will need to occur going forward and currently given the recent and ongoing ACFI reviews, changes to staff rostering will also be required to reflect the care needs.

We assume the employment of appropriate staff for the Facility will continue and be available ongoing at this Facility. The Aged Care Industry is experiencing pressure with staffing both levels and numbers in many areas. Our valuation assumes there will be professional on-site management long-term.

We have had discussions with the principal Council Manager of the Aged Care Facility in respect to the accommodation bond policy which reflects the location and as a result reflects a range of accommodation bonds. Although generally targeted at the recommended Commonwealth eligible level, means testing and catchment areas play a key area in this. Overall, accommodation bonds have a very low average for this Facility given the number of small accommodation bonds on-site.

The financial management from our inspection and request for details would appear to be in keeping with the expectations of the Industry for this size operation.

This report assumes that ongoing management will ensure continuation of full accreditation and no adverse conditions that would impact on the business and general operation of this Facility. Further we assume that appropriate staff will be available and employed given the size of this Facility and with "ageing in place", staff numbers will increase.

A.M. Ramsay Village, Port Augusta, South Australia



TRADING DETAILS

We have been provided with financial accounts and profit and loss statements for the subject for the financial years 2011 to 2013 and management accounts for year to date February 2014. In addition we have been provided with a Bond Schedule, Commonwealth monthly returns and occupancy details.

We have not been provided with certification of trading figures being audited given the group, however, we have no reason not to believe the reports as presented. Our valuation assumes the figures as presented are true and correct for valuation purposes. We note general purpose audits are required each year by 30th November to the Department.

The figures exclude depreciation, leasing, interest and internal management fee, but include an allowance for administration and management for a single holding operation and exclude any additional owner/personal drawings.

The figures supplied have been analysed and adjusted for **valuation purposes** and are summarised below. The main analysis is normally of the past 3 years' trading.

Refer to Financial Analysis section at the rear of this report.

Comments on Past Trading

Income levels reflect the low care nature and geographic location.

Income levels have increased between 2011 and 2012, however a decrease in occupancy reflected a decrease in revenue in 2013. Year to date has shown an increase with a further increase projected given the ACFI review.

We acknowledge the subject is not part of the payroll tax supplement and therefore not incorporated in the income levels.

General expenses represent the nature of the organisation and Council controlled and therefore some adjustments are required for a "stand alone" basis for valuation.

Utility costs have varied during the period under review, however we note that there is no general rates being charged on the Facility. Electricity and gas supplies have increased which is in keeping with normal expectations, although changes year to date has shown a slight decrease.

Catering costs reflect the contract services in place and have increased in all periods outstripping increased percentages in revenue.

No internal costs are shown for back of house management, although we were advised that a component of the key representative from Council staff is reflected in the wages.

The repairs, maintenance and replacements allowance have varied during the period and given the status and organisation are reflective of that structure. Overall considered at the upper level for a 62 place Facility.

Staff expenses are allocated in different areas and incorporate the operation. We note that catering, cleaning and laundry on-site staff are included as a single line given contract services of both catering and laundry are in place. Overall staff costs including the main contracts have increased as a percentage of revenue significantly during the period under review.

We have been informed that a policy of Council in the 2013 year reflected cashing in of certain entitlements which has increased the overall cost of wages but not reflected in actual wages on the floor.

Overall, trading shows a nett loss and in particular the 2013 and year to date reflecting the significant increase in staff costs.

A.M. Ramsay Village, Port Augusta, South Australia



TRADING DETAILS (Cont'd)

Comments on Clients' Projections

We have not been provided with current budgets given the situation for the purpose of this report.

Estimated Trading for Full year – Valuation Purposes

We acknowledge the Aged Care Reforms to commence on 1st July 2014 are currently proposed however the final details are not clear although there will be consolidation of high and low care residents and changes to operational aspects of the sector.

Our budget is based on the current funding model and without regard to potential changes that may result with further changes in Government policy. We have incorporated the estimates on the impact of the changes to ACFI from 1st July 2013.

The following key assumptions are required.

- ACFI funding as per July 2013 continues without material changes post 2014
- Assume 62 low care places, all funded.
- Assume majority lump sum bond forecasts with no material periodic payments (DAP) long-term although potential increase in the market level of bonds.
- Occupancy allowance of 97% overall long-term.
- No "extra services" status assumed.
- Average sound management for costs.
- No major changes to staffing awards, which would adversely impact on the subject.

We have assessed the estimated current trading based on average sound management, **on a single holding basis**, information supplied, and adjust for the full year for valuation purposes, as shown on the spreadsheet, "NP VP "AS IS" / ADJ LT" as follows:

Adopt for valuation purposes – Ebitda "as is"	\$670,000 per annum
---	----------------------------

Adopt for valuation purposes – Ebitda adjusted long term	\$680,000 per annum
--	----------------------------

The above assumes no material impact given the post July returns adversely, however we consider there is a potential uplift given the ACFI reviews and change of staffing payout policies.

In accordance with Industry practices, the estimated nett profit does not include interest, charges on borrowing, depreciation, allowances for Sick and Long Service Leave or owner's remuneration other than allowances for administration.

The above expenditure does not allow for capital works or upgrading in addition to normal maintenance as may be required by the Department.

In preparing this section of the report, we have assumed the GST will not affect the trading as Aged Care is GST free.

A.M. Ramsay Village, Port Augusta, South Australia



TRADING DETAILS (Cont'd)

Accommodation Bonds

We have been provided with a schedule of accommodation bonds for the subject Facility as of 31st March 2014. The following provides a summary with a detailed schedule attached:

Number of Bonds	35
Gross \$ Value (if fully paid)	\$3,193,012
Average Gross Bonds Only	\$ 91,229
Less Outstanding Bonds - (2)	\$ 171,570
Less Periodic Payments	\$ 13,532
Current Liability Estimated May 2014	\$2,700,000

Year	Number	Range \$,000	Average \$
Pre 2008	3	4-60	\$ 25,212
2008	2	80-80	\$ 80,000
2009	1	80-80	\$ 80,543
2010	5	55-100	\$ 91,100
2011	6	19-110	\$ 78,721
2012	6	17-120	\$ 81,339
2013	11	8-180	\$118,201
Year to Date 2014	<u>1</u>	<u>161-161</u>	<u>\$160,761</u>
Overall	35	4-180	\$ 91,229

Comments

- The above clearly shows the average bond is well below the current Commonwealth eligible level of \$176,000 up to 20th September 2013.
- The current operator's bond policy is reflective of the organisation, demands and requirements for fulfilling community needs and not necessarily reflecting market.
- Overall, we consider that there is uplift potential within the bonds, in particular with the new Aged Care Reforms.
- We assume that the bond schedule will be updated during the process as this will vary given the time period and bond schedule as at the supplied information as at 28th March 2014.
- We recommend the mortgagee monitors the bond levels on a regular basis and reviews the prudential arrangements required to comply with Commonwealth legislation.
- As per the My Aged Care website as at 27th May 2014 the following costs are shown:

Rotary Wing: max. refundable deposit \$280,000.00 or max. daily payments of \$50.86
Lions Wing: max. refundable deposit \$280,000.00 or max. daily payments of \$50.86
Masonic Wing (Secure Area): max. refundable deposit \$270,000.00 or max. daily payments of \$49.04
Jaycee Wing: max. refundable deposit \$270,000.00 or max. daily payments of \$49.04
Apex Wing: max. refundable deposit \$270,000.00 or max. daily payments of \$49.04
McGhee Wing: max. refundable deposit \$260,000.00 or max. daily payments of \$47.22

A.M. Ramsay Village, Port Augusta, South Australia



MARKET EVIDENCE

As noted previously the April 2012 announcement of the reforms to the Industry commencing from 1st July 2014 are unclear and not finalised at this stage. As a consequence of these reforms there is no market evidence available that indicates any regard to these reforms given the nature of the reforms, in our opinion. As a result we have shown an overview of the market evidence available and comments accordingly since the 2008 changes.

Regional market evidence for Aged Care throughout Australia is limited and in particular within South Australia. As a result we have had a cross section of view of market evidence in association with the nature of the Facility and direction of the Aged Care Reforms.

The following is an overview only, although there is limited evidence available for this site.

We acknowledge the most recent sales in 2012 and 2013 which clearly have shown a significant gross price per bed which is considered to reflect the different bond levels prevailing or potentially available. The lower core value figures generally reflect a lower passing Ebitda on the vendor's figures which reflects a trade up allowance cost for the incoming operator. We have recently seen in late 2013 an increase starting to show up.

The Aged Care market had been described as a "sellers' market" for over 10 years up to the end of 2007 with a period of 3-4 years prior having a strong market demand from existing and new entrants into the Industry including corporate players. The second half of 2008 had shown a softening in the market in respect to corporate purchasers and a return to a more stable market place, in our opinion although a longer selling period is likely until general economic and market conditions change.

In 2009 there was marketing of a number of Facilities, in particular in Victoria, that had been under pressure via requirements to have a "quick sale" or receivership issues. In the initial 2010 trading there was increased interest with negotiation occurring on a number of smaller Facilities which are not impacted by "forced" sale situations. We are also aware of negotiations for modern Facilities that are either exchanged or pending exchange including in the three Eastern States. We are aware of current exchanges and negotiations occurring that supports that high care Facilities are still retaining sound underlying demand from the market, although limited in volume.

Clearly the 2009/2010 evidence was impacted by the flow on affect of the global financial crisis and the uncertainty within the general economy and changing institutional lending criteria. A number of receivership / "forced" sales, including two groups, one small and one large, have also impacted on the market within Victoria. In particular leasehold evidence has shown businesses with issues for trading or accommodation bonds have seen new adjustments occurring to the nett realisation.

Market evidence across Australia was thin during 2009, continuing the post 2008 situation. We are aware of 3 high care facilities in Queensland which had been on the market for over 2 years and were realised towards the end of 2011, together with a freehold facility in Melbourne as well which was realised in mid 2011. There have been limited activities of conventional high care facilities and we are aware of an unofficial number of high care facilities in regional New South Wales on the market which have not attracted purchasers at this stage. General evidence of mixed high and low care facilities have occurred during 2011, in particular in Victoria, although the market would indicate an overall softening and a heavy discount for any facility which has issues associated with its trading. New South Wales and Victoria have seen very limited evidence during 2011 and 2012, although increasing in 2013 including group purchases.

As noted earlier the market evidence has been limited during 2008 to 2010 other than for "forced" sales generally within the market. Our enquiries indicate that there are other Facilities on the market however given the number of Facilities available under pressure the main buying and interest has been shown in this area.

MARKET EVIDENCE (Cont'd)

We consider that the "forced/quick" sale situation including issues with Facilities is driving the market to a bargain situation for those Facilities in comparison to the past historical fair and reasonable market transactions prior to late 2008. We acknowledge that there is limited number of high care Facilities that have or are in the process of being sold which reflects a "holding" of values in the \$80,000-\$120,000 per bed range with higher for potential bonded Facilities.

Issues with a number of the other sales, have resulted in a softening of the market for these properties and discounts occurring below fair and reasonable levels, in our opinion.

The key transactions have been on a gross basis prior to bond adjustment. The establishment of the realisation price has been based on the "going concern" value with the nett bond liability added to establish a gross price.

We acknowledge a number of sales have reflected bond levels well below a fair and reasonable level. An additional payment has occurred for the uplift in bonds on a nett present value basis.

Our approach to valuation has therefore been based on a "going concern" value, which is considered long-term security and reflects the "trading up" allowance. The accommodation bonds from this site are shown as a separate security class.

There are two distinctly different components to the market evidence. The first component is traditional Aged Care sales, reflecting yields for Facilities on a "going concern" basis. The second component is the short-term accommodation bond values attached to the available units within this development.

Our research and knowledge of the Industry, Australia wide, has shown limited sales of modern, "purpose-built" low/high care freehold businesses. Therefore wider evidence and analysis of the Aged Care market is required.

We have had regard to sales of Aged Care Facilities and capitalisation rates of nett operating income to determine the "going concern" basis. It is practice that generally two contracts are prepared, namely the real estate and the business; and as a result, transfer notices only reflect the real estate component.

The general economic global financial crisis (GFC) in late 2008 has changed the involvement of Groups within the market, in our opinion up to late 2012.

There was a major press release as at 20th December 2012 by Bupa and Innovative Care Group of the sale of 10 Facilities totalling 1,114 places to Bupa. In addition, in 2013 we have seen the Lend Lease portfolio sale of 30 Facilities and 2 other small Victorian portfolios also sold "in one line". We acknowledge there are positive signs now occurring within the market place.

Aged Care Facility Sales

The following table shows the significant range of market transactions when accommodation bonds are involved, in particular large lump sum accommodation balances. The clear analysis is of the core value and the forecast yields on the nett purchase price of these facilities.

We consider the core sale for South Australia was in July 2013 in the northern suburbs under the Metropolitan Area. This was a modern "purpose-built" single level Facility of 125 places sold by Baptist Care to Regis Group for a gross consideration of \$14,500,000. This Facility had a limited number of accommodation bonds although significant potential for accommodation bonds given the accommodation on site. On a nett basis it showed \$100,000 initial price excluding bond liability on an estimated yield of 17% under purchasers operation.

A.M. Ramsay Village, Port Augusta, South Australia



MARKET EVIDENCE (Cont'd)

Aged Care Facility Sales (Cont'd)

Summary – mixed high and low care with bonds and/or part ESS									
Facility	Gross RACF Price (\$)	Sale Date	Type	Beds	Gross Value (\$/bed)	Bonds	Core Value (\$/bed)	Forecast EBITDA Per Bed	Forecast Yield (%)
Northern Suburb SA	\$14,500,000	July 2013	HC	125	\$116,000 or \$100,000 nett	Yes	\$100,000	\$17,000	17.0% LT
Modern "purpose-built", low bond pool.									
Northern Suburb SA	4,250,000	2013	LC	50	\$85,000	Yes	\$50,000	\$10,000	20%
This was originally built by the Salvation Army, sold to the private sector and resold to the private sector in 2013 after an extended selling period. Comprised a series of cottages with central amenities and connected by walkways. The gross purchase price reflected sound bond pool and operational trading.									
Western Melbourne	\$8,000,000 (combined)	Mid 2013	HC/LC	55	\$145,450	Yes	\$107,000	\$18,500	17.3%
Two staged building with 14 low care rooms. Freehold/business purchase with bond uplift proposed.									
North Metro Melbourne	\$10,000,000	Ex March 2013	HC/LC	60	\$175,000	Yes	\$100,000	\$11,000	17.0%
Single level two stage purpose built Facility with single rooms. Fair only real estate area, excellent occupancy and increased bond levels.									
Regional Vic	\$10,500,000 ³	Ex Nov 2012	HC/LC	60	\$175,000	Yes	\$ 91,667	\$15,000	16.0%*
Modern single level quality building with single and limited twin rooms. Sound occupancy although fair EBITDA and bond level.									
North Perth Metro	\$12,700,000 ⁴	S/D Mar 2013	HC/LC	82	\$162,000	Yes	\$80,000	\$15,000	19.0%
Multi stage single level main building with single and twin rooms. Sound ACFI level and EBITDA for WA. Potential uplift in bond levels.									
Eastern Fringe Range Melbourne	\$11,250,000	June 2013	HC/LC	100	\$112,500	Yes	\$55,000	\$6,800 After trade up	12.0%
Mixed building complex with very poor past trading and issues. Large potential reflects "quick sale".									
Brisbane Metro	\$11,500,000	Mid 2011	HC/LC	150	\$76,667	Yes	\$52,670	Loss Year ¹	
Charity sale of a mixed Residential Aged Care Facility with capital requirements and major restructuring. Shown to reflect a poor trading Facility.									

The following are additional evidence, although not considered directly comparable to the subject.

Melbourne South-east Victoria	\$17,500,000	Mid 2013	HC/LC	110	\$159,000	Yes ¹ only	\$157,000 - \$110,000 after bonds	Initial \$18,000	Initial 11.5% 16.0% Budget 18-20%
Modern Facility operated as high care, however single rooms are available for bonds. Purchaser estimates \$7,000,000 from bonds post settlement on 27 single rooms.									
Dandenong	\$16,500,000	Mid 2013	HC/LC	110	\$150,000	Yes	\$112,727	\$20,000 After "trade up"	17.7%
Two stage development, poorly trading and low bond pool with major uplift available.									
East Melbourne Metro	\$39,500,000 Inc vacant land	Ex Jan 2013	HC/LC/ESS	134	\$295,000	Yes	\$76,000	\$17,000 After trade up	23.0% Initial 17.0%
Quality modern 4 year old purpose built complex. Large range of room sizes over 3 levels. Sound occupancy with fair ACFI and EBITDA									
Additional Evidence									
<ul style="list-style-type: none"> In addition to the above we acknowledge the late 2012 sales of two RACFs on the Gold Coast which were sold "in one line". The purchase by Queensland Charity of a small complex in the inner northern suburbs of Brisbane during 2012. Far South Coast of NSW 2012 purchase of a 92 place modern multi level facility with poor trading and low bond pool, purchased by Living Care. Pending sale of a 50 place low care Facility in SA, older style cottage style with sound bond level for location. There has also been some interest in older Facilities in NSW during 2012/YTD 2013. Far North Coast Qld modern 120 places, poor trading both occupancy and bond levels, sold during 2012 									

A.M. Ramsay Village, Port Augusta, South Australia

**MARKET EVIDENCE** (Cont'd)

Aged Care Facility Sales (Cont'd)

Summary – mixed high and low care with bonds and/or part ESS (Cont'd)									
Facility	Gross RACF Price (\$)	Sale Date	Type	Beds	Gross Value (\$/bed)	Bonds	Core Value (\$/bed)	Forecast EBITDA Per Bed	Forecast Yield (%)
Peninsular Vic	\$19,500,000 ⁴ Ex land	Ex 2012 S/D 3/2013	HC/LC	106	\$184,000 ¹	Yes	\$106,150	Est \$17,000-	Est - 16%
Two stage fairly modern complex with surplus land adjoining acquired. Sound ACFI, bond levels increasing and good location.									
North-East Melbourne	\$34,000,000 ⁵	Mar-2012	HC/LC	109	\$311,927	Yes	\$ 91,743	\$15,000	16.4%
Modern new multi level quality Facility in good location. Had been trading up with increase ACFI available, although excellent bond levels.									
Northern Metro Melbourne	\$23,000,000	Sep 2011 SD Mar 2012	LC	120	\$191,669	Yes	\$ 87,500	\$14,000	16.0%
Large single level complex part of Strata title including Retirement Village. Fair only occupancy and EBITDA although improvement available under sound management. Bond levels modest and have been increased since purchase.									
Northern Brisbane Region	\$18,600,000 ¹	Sep 2012	LC	93	\$200,000	Yes	\$ 52,000	\$10,000	20.0% ⁻
Multi stage complex with about one third redeveloped with new building. Very low EBITDA at time of purchase. Charity to Private sector.									
Regional Qld	\$20,000,000 ²	June 2012	HC/LC	120	\$170,000	Yes	\$130,000	\$15,000	N/A
Modern new complex in large regional city. Had management problems in past. Potential major uplift in the number of bonds.									
Fringe Western Melbourne Metro	\$11,500,000	Aug 2011	LC & HC Part ESS	100	\$115,000	Yes	\$ 55,000	\$11,000	20.0% Plus
Fairly modern 2 stage development, all single rooms with ensuites. Been on market for about 2 years. Fair occupancy and low bond pool. Appears excellent buying given upside that has been proven since settlement. Poor vendor management.									
Bayside Melbourne	\$22,000,000	Dec 2010	LC & HC	91	\$241,758	Yes	\$ 60,000	\$ 6,000	10.0% Initial
Mildura Victoria	\$ 7,500,000 ⁶	Dec 2010	HC/ES	70	\$107,143	Yes	\$86,800	\$16,900	16.0%
Bayside Melbourne	\$18,500,000	Nov 2010	LC	70	\$264,285	Yes	\$ 85,700	\$13,750	16.0%
Sunshine Coast QLD	\$12,300,000	Sep-10	LC & HC	120	\$102,500	Yes	\$ 86,700	\$19,000	22.0%

Key to table:

- ¹ Estimated given variable bond pool
- ¹ Gross price reflects mixed construction building, poor trading and yield prior to allowance for trading up cost
- ² Approx gross price given 'Private and Confidential', major uplift in bonds for the as new Facility
- ³ Sale on coastal Victoria, uplift in bonds available
- ⁴ Sale and settlement in 2012, large surplus land adjoining, not shown in gross price subject to 'Private and Confidential' clause
- ⁵ Pending settlement June 2012, as new Facility with further bond uplift
- ⁶ Approximate gross price subject to private and confidential agreement
- ¹⁴ Prior to any bond uplift after 15% on this "as new" facility
- ¹⁷ Prior to any bond uplift after 17% on this "as new" facility
- ^{xx} This sale transaction is subject to a private and confidential agreement and therefore details are not able to be disclosed but are known to the writer of this report
- ⁰ Gross price includes surplus land core value adjusted for land and building
- ^{***} Pending resale late 2012

We are aware of negotiations in NSW, Victoria and Queensland which are current on both older style and modern Facilities which reflects increased interest although no material increase in core values.

MARKET EVIDENCE (Cont'd)

Aged Care Facility Sales (Cont'd)

Summary – general high care sales without accommodation bonds							
Location	No. of Places	Date	Gross Price	\$ per place gross	% yield	Bonds	Comments
Western Melbourne Metro	50	Pending late 2013	Range \$6,000,000 to \$6,500,000	\$120,000 - \$130,000	16%	No	Pending sale with adjoining property, high care.
Bayside VIC	60	Mid 2012	\$ 6,650,000	\$110,833	18.0%	No	"Purpose-built" high care, 70% beds 1 or 2, sound trading
Inner Western Sydney	70	Exchanged mid 2012	\$ 7,300,000	\$91,786	20.0%	No	Older style with house, price per place adjusted
Northern Brisbane Metro	203	Jun-11	\$18,375,000	\$92,364	18.0%	No	3 sites, older style and vacant land
North East Melbourne Metro	56	Jun-11	\$ 5,000,000	\$89,393	N/A	No	Older style high care
Blue Mountains	46	Sep-10	\$ 4,370,000	\$95,000	18.0%	No	Upgraded facility, yield reflects Year 1 trading
South-West Sydney	80	Dec 2011	\$ 6,240,000	\$78,000	20.0%*	No	Older Facility with only 70 beds on-line

*The estimated yield is post settlement given changes to staffing arrangements. Further we note an increase to 78 beds has occurred since sale.

Prevailing General Market Conditions

The following is a review of market conditions prior to the April 2012 announcement by the Commonwealth, the final result of which is unknown at this stage.

During the past 15 years the Aged Care Industry has seen a number of changes to funding, the introduction of the current Act and Regulations and other changes which commenced on 1st October 1997. Sales during this period have generally reflected the strong market conditions up to 2008 and prior to the Global Financial Crisis.

The Aged Care market had been described as a "sellers' market" for over 10 years up to 2007 with the 3-4 years prior having reflected a strong market demand from existing and new entrants into the Industry including corporate players. This clearly changed post the Global Financial Crisis, although the recent market is clearly showing improvements.

During 2008 a softening in the market in respect to corporate purchasers and a return to a more stable market place occurred, in our opinion. The second half was impeded by the economic crisis and enduring higher interest rates and strict lending policies of the major financial institutions. Interest rates fell in the early part of 2009 although lending policies and margins are impacting on the market. Interest rates have moved upwards in late 2009 and early 2010 and continued to have movement both up and down which is also considered to be impacting on borrowing cost considerations.

A.M. Ramsay Village, Port Augusta, South Australia



MARKET EVIDENCE (Cont'd)

Prevailing General Market Conditions (Cont'd)

Major "corporate" interest in the Industry is occurring from new and existing groups gaining economics of scale, however this has softened since 2009 compared to 2005 to 2007.

In late 2012 some interest has been shown returning from Groups. The exception was Bupa's purchase in late 2012 of a group of 10 Facilities along the East Coast, then the sale of Lend Lease's 30 Facilities and 2 small Victorian groups now showing an increase in interest. Further, there has been the 2014 announcement of a major purchase in South Australia of 10 sites.

During the period since October 1997 the Aged Care Industry has seen a number of changes to funding, the introduction of the current Act and Regulations and other changes which commenced in March 2008 and July 2012. Further changes are now due from 1st July 2014.

Our enquiries have indicated a strong belief by the proprietors and Industry bodies that the updated March 2008 system result in favourable long-term benefits for quality Facilities in the Industry. This has seen increased Ebitdas given a sound understanding of ACFI funding for operators although ongoing changes will occur post 1st July 2014.

Overall the market since 2009 to 2012 has been limited in respect to the direction although the generally strong underlying principles of the Industry remain unchanged up to the present. The proposal from 1st July 2014 will introduce a number of new areas, although final details/impact are not available.

Our enquiries show interest is occurring within the Industry as a whole however the number of forced sales or Facilities with adverse trading is impacting on market conditions in recent years. There is limited fair and reasonable open market transactions with sound trading levels.

Our updated enquiries with informed sources and brokers in the sector clearly shows increased interest in 2012-2014 which is reflected in the upper priced quality Facilities and the listed sales noted at the beginning of this market evidence.

In contrast to the large sales, the poor trading Facilities or older Facilities with multiple beds per room have not been selling and are on the market and generally will be either broken up for alternative uses or relocated services.

As a result it is clear that the market is tending towards a clear two, possibly three, tier sector with the quality modern "purpose-built" Facilities at the upper level, the mid level being quality older style "purpose-built" and the lower level being the older style modest multi bed type Facilities with limited economic life expectation.

As noted above the market has been affected during 2009-2012 by a number of aspects. We are now seeing limited evidence of the market improving although it is being impacted by lending criteria and caution within the general market place. This also includes such areas as uplift in bonds which is partly being affected by some soft residential markets in different areas of Australia, e.g. South-East Queensland.

A.M. Ramsay Village, Port Augusta, South Australia



MARKET EVIDENCE (Cont'd)

Prevailing General Market Conditions (Cont'd)

Trading results both in respect to operational and accommodation bonds are an integral part of any realisation in this market place.

We acknowledge that the market conditions as evidenced by the acquisitions by groups and other realisations of any Facility that has adverse trading or issues regarding compliance in respect of sanctions etc have been discounted in the market place.

Clearly the limited volume of market evidence is resulting in variable indications of the direction overall. This is not uncommon in soft market conditions with quality Facilities/operators, generally not realising therefore market evidence appears to be influenced by 'forced' or the 'retiree sector' evidence. This now appears to be changing.

The above market evidence has been provided following discussions with informed sources. We have not inspected all these properties.

Real Estate Overview

We have had regard to the median house prices from 2009 to 2012 and part year 2013 for the following catchment suburbs.

Suburb	2009	2010	2011	2012	2013	2014*
Port Augusta	\$195,000	\$200,000	\$185,000	\$170,500	\$180,000	\$185,000
Port Augusta West	\$215,000	\$256,500	\$320,000	\$267,500	\$266,000	\$225,000
Stirling North	\$232,500	\$205,000	\$219,000	\$248,000	\$256,500	\$255,000

Suburb	2009	2010	2011	2012	2013
Port Augusta	72	68	67	59	72
Port Augusta West	42	40	32	32	37
Stirling North	21	30	27	16	28

* part year only Source: www.pdslive

The above clearly supports the current bond level from the primary catchment area is fair and reasonable, although the volume of sales is limited.

Accommodation Bond Evidence

We have carried out our market enquiries within the Port Augusta area.

The subject is the only low care Facility and therefore no comparison is available.

Given the medium house pricing we consider an uplift in average bonds is available.

It should be noted that asking bonds versus actual average does vary refer to the subject bond evidence.

A.M. Ramsay Village, Port Augusta, South Australia



MARKET EVIDENCE (Cont'd)

Accommodation Bond Evidence (Cont'd)

We have also viewed market evidence in a wider area and note that the subject is at the lower to middle end for the standard for regional Facilities.

Our enquiries, together with the information provided, show bonds are targeted at the recommended Commonwealth level of \$176,000, however limited evidence is available given the location.

Our research and knowledge of the industry has shown increases in accommodation bonds have occurred in recent years in many locations in Australia, although regional areas have not seen the same levels.

Changes to guidelines for means testing and operating views on large bonds has seen significant ranges in one facility. This reflects the different providers' business models, in our opinion.

Further, the high cost of providing new buildings has also influenced the asking prices in all sectors of the market.

There are distinct market sectors within the low care bond area, the older style building and the newer accommodation "purpose-built" post 1997 buildings.

Regional areas have commonly targeted the recommended level as a benchmark for accommodation bonds.

Our enquiries and knowledge of this general area have shown accommodation bonds above the Commonwealth recommended level are common, with bonds of up to \$200,000 for newer facilities considered a fair and reasonable benchmark from our enquiries.

Current Bond Profile at subject as supplied

	Pre 2008	2008	2009	2010	2011	2012	2013	2014 YTD	Total
No. of bonds	3	2	1	5	6	6	11	1	35
Average \$	\$25,212	\$80,000	\$80,543	\$91,100	\$78,721	\$81,339	\$118,201	\$160,761	\$91,229

Please note this will change given the nature of the bonds.

We are of the opinion the market supports accommodation bonds at an average of say \$150,000 with a range from say \$100,000 to \$200,000 given the general market conditions. We have adopted this figure for valuation purposes.

Accommodation bonds are an interest free loan with a set retention amount governed by the Commonwealth and are the same amount for each facility regardless of bond levels. As such the interest free loans are not a matter of public record and therefore we are required to rely upon our own enquiries, research and verbal advice from operators.

A.M. Ramsay Village, Port Augusta, South Australia



S.W.O.T. ANALYSIS

Strengths

- This Facility was built for low care in the 1980s and updated since
- All single ensuite rooms although different layouts
- No direct new competition in the immediate area
- Proven cash flow business, although variable and poor ACFI
- 3 year Accreditation in place

Weaknesses

- Low care design and layout
- No surplus land available on-site
- Poor trading result with losses shown
- Variable hallway and doorway widths
- Very low ACFI
- High staff costs to income as a percentage

Opportunities

- Gain improved trading with improved category and business operations
- Increase bond level above current levels although limited given catchment
- Upgrade building to reflect post 1st July 2014 changes
- Relocation to a high care site and use the subject as non funded (subject to approvals)

Threats

- New Aged Care reforms impact on the business model
- Unknown impact of proposed Aged Care Reforms
- Increased staffing costs associated with industrial awards reflecting increased fees
- Changes to Government policy post July 2014 impacts long term
- Increase in competition although unlikely given location
- Increase in direct competition for home care packages
- Increase in workers compensation premiums
- Sanctions imposed or changes to the status of the Facility

COMMENTS

- The subject was originally designed to reflect a low care and non funding style assisted living.
- Modifications have occurred to the buildings to provide the current format although it still reflects a low care style building.
- Upgrading will be required to implement high care services on this site long term given the Aged Care Reforms, in our opinion.
- We have not been provided with any costing but we have been provided with an initial upgrade of \$300,000 for valuation purposes. This is not for major works but essential works given the Aged Care Reforms, in our opinion.
- Trading has not resulted in any surplus and this is partly due to low ACFI levels given the model in place.
- ACFI levels should increase given the Aged Care Reforms and we have allowed for approximately a 50% increase in our long term budget. The above incorporates efficient ACFI scoring to occur under average sound industry management.
- We acknowledge that increases in ACFIs will have corresponding increases in support costs with "ageing in place" occurring to a higher level currently at the subject.
- No detailed costing for any major renovations provided, as noted, however we are of the view that there maybe potential given the geographic location subject to approvals, grants and feasibility study of relocating the subject operating Facility to the high care site given the land availability to gain economics of scale with a single operation on-site.
- Given the above was to occur the subject would potentially have an "alternative use" as assisted living pensioner housing subject to a feasibility study, in our opinion.
- General market conditions have improved in 2013 across the sector compared to past trading since the Global Financial Crisis.
- It is acknowledged that the principles underlying Aged Care have not changed during 2008/2009 and the ageing population will, long-term, result in strong underlying demands.
- We acknowledge that the market conditions as evidenced by the acquisitions in 2009 to 2013 of any Facility that has adverse trading or issues regarding compliance in respect of sanctions etc have been discounted in the market place.
- Given the April 2012 Government announcement and July 2014 commencement on the future major Industry reforms we assume both parties have been monitoring this process and have an understanding of the direction given the impending commencement.
- It should be noted that gross bonds are short-term security asset,. If bonds are held in cash offset accounts then they form a separate security/asset. The "going concern" value is the key for core asset in our opinion.

A.M. Ramsay Village, Port Augusta, South Australia



COMMENTS (Cont'd)

- Our report assumes all statutory approvals will continue to allow operation of the 62 places on this site.
- Further we assume under normal trading that at least 15% of the bonds liability will be available either in cash or redraw Facility to ensure that prudential arrangements and general purpose audits are maintained for the Commonwealth.
- The principal method of repayment is via accommodation bonds therefore monitoring is required on a regular basis as it also potentially impacts on our assumed values. Refer to the Approach to Valuation section.
- Under the Commonwealth requirement, prudential statements as at 30th June each year are a statutory requirement.
- This valuation assumes the approvals remain current, with no sanctions imposed or changes to the status of the Facility.

GOODS AND SERVICES TAX

The Aged Care Industry is generally GST free and we also assume no GST on the "going concern" purchase.

This valuation has been assessed on a "going concern" basis. We assume this Facility will not be subject to GST and that appropriate clarification from professional advisers will confirm this aspect.

We note that we have not been provided with legal advice regarding the GST liability and have based our analysis upon our current understanding of the legislation. We are also of the opinion that an intending purchaser of the investment would obtain their own legal advice on the GST position.

However, if any of our assumptions relating to GST prove to be incorrect, we reserve the right to revise our valuation as provided herein, should we deem it to be necessary.

APPROACH TO VALUATION

As noted previously there are major reforms proposed although the details and final outcomes of the reforms are not clear or available as at the date of this report, therefore, this valuation is based on the current policies and guidelines and having regard to available past market evidence.

As previously noted, there are two distinct sections to the valuation. The first is for the "existing" "going concern" business with an allowance for "trading up" (if any) to reflect the "as is" value. The second section relates to the accommodation bonds and the trading levels that can be anticipated as being fair and reasonable.

Aged Care Facilities are a business and as such their long-term value lies in their ability to produce a profit.

We have had regard for the sales of Aged Care Facilities and capitalisation of nett operating income to determine the "going concern" value.

A.M. Ramsay Village, Port Augusta, South Australia



APPROACH TO VALUATION (Cont'd)

Valuation Calculations "Existing" – 62 places

We have assumed the category mix as budgeted in the income section of this report will occur and that there will be no material changes in the revenue from the Commonwealth.

Expenses have been budgeted in line with the client's forecasts, with adjustments as previously noted in the Trading section for valuation purposes.

The valuation of an Aged Care Facility such as the subject can be assessed by the capitalisation of anticipated nett operating profit in our opinion.

A. "Going Concern" Value

1. Capitalisation of Estimated Nett Profit

We consider a yield of between 17.0% – 19.0% is fair and reasonable given the nature of this Facility, its size and any unknown factors, as well as the inability to have a direct comparison for trading forecasts.

We acknowledge that this is at the middle range of the scale, however we consider it is prudent for the purposes of this report and the unknown factors associated with this business.

We have based the anticipated nett profit on the Profit and Loss figures supplied, together with the estimated expenditure, having regard to Industry figures available and from our analysis of other Aged Care Facilities, assuming a single holding enterprise under sound management conditions.

A key assumption is that a commercial operation can occur on-site with a satisfactory nett surplus.

Therefore:

Based on the estimated nett operating costs, excluding interest, personal expenditure and management fees and a nett operating profit of \$680,000 per annum (based on projected long term trading).

Capitalised at 17.0% yields a value of say	\$4,000,000
Capitalised at 18.0% yields a value of say	\$3,780,000
Capitalised at 19.0% yields a value of say	\$3,560,000
Adopt for this approach say	\$3,800,000
Less: Allowance for "trading up" over the first 12-24 months and changeover from current operation to full commercial, say	\$ 680,000
Less: One off allowance for essential upgrading without costing being provided sat	<u>\$ 300,000</u>

Adopt for valuation purposes "as is" value **\$2,820,000**

The above reflects a "going concern" value of about \$45,485 per bed nett of bonds which is considered to reflect the poor trading levels and the economic conditions reflecting this location.

A.M. Ramsay Village, Port Augusta, South Australia



APPROACH TO VALUATION (Cont'd)

Valuation Calculations "Existing" – 62 places (Cont'd)

B. Accommodation Bonds Profile

As noted earlier in this report, accommodation bonds are interest free loans and subject to privacy restriction (means tested) in respect to bond levels being achieved.

Accommodation bonds are based on a requirement for concessional and respite residents, we note that the subject is within a concessional ratio of 16.8%. Based on nett 60 beds this would reflect a requirement for 10 concessionals. The subject clearly has increased concessionals over this number given 35 accommodation bonds presently. However, given the nature and location we have not allowed for any potential uplift in bond numbers for this assessment given the changing environment.

(i) Existing Liability

We have been provided with a bond schedule, which is summarised in the attached spreadsheet and based on 35 current bonds, which have shown a gross entry price of, say \$3,193,012 (subject to confirmation) for both lump sum and periodic payments and a current estimated liability for lump sum of say **\$2,700,000** for valuation purposes.

The outstanding bonds are agreed but not paid therefore short-term cash flow - \$171,570 (we note if this is paid liability would increase and the valuation would decrease).

We are of the opinion that this liability would be added to the "going concern" value for realisation purposes.

(ii) Nett Present Value Uplift

We have not made any major allowance for an increased average on existing bonds on changeover for this report.

We acknowledge that there maybe potential uplift, however given the Aged Care Reforms and location we are of the opinion there is not a material increase from a valuation aspect.

See spreadsheet attached.

(iii) Potential New Bonds – Nett Present Value Uplift

We have not made any allowance for an increase in the number of bonds over existing.

We acknowledge that there is theoretically potential for an increase in bonds however given the Aged Care Reforms we consider that the changeover in bonds may reflect in keeping with DAP and therefore not materially different to the current accommodation charge and therefore not allowed for this report.

A.M. Ramsay Village, Port Augusta, South Australia



APPROACH TO VALUATION (Cont'd)

Summary

As has been clearly noted above, there are two main components, one for the "going concern" and the second is accommodation bonds for the total development.

The following is a summary of values:

	Valuation
"Going concern" value "as is" (long-term core value)	\$2,820,000 *
Accommodation Bonds	
- Existing liability – bonds ^x	\$2,700,000 ^x
- Outstanding lump sum bonds – ^x	\$ 170,000 ^{**}
- Nett present value uplift existing – bonds ⁺	NIL ⁺
- Potential bonds NPV "as is" – ⁺	NIL ⁺
Total Gross "as is" figure prior to adjustments	\$5,690,000
Added value – surplus land	NIL
Nett realisation – this figure represents nett of accommodation bonds liability but prior to outstanding bonds	\$2,990,000 ^{xx}

Key to the above tables.

- * No security unless not paid or held in cash and part of the Bank's security.
- + Short-term security for unpaid section.
- ** The outstanding bonds reflect agreed lump sum bonds not paid. After payout this figure will be included in existing liabilities.
- xx This is prior to outstanding lump sum bonds being paid.
- * See special notes within the Approach to Valuation section.

Note:

- (i) The above clearly shows short-term security versus long-term. It is also acknowledged that the client may change the trading direction once principal commitments are met to reflect periodic payment in lieu of bonds. This would change the valuation and have the effect of increasing the "going concern" value.

As an Aged Care Facility is a specialised business that relies on trading for its value, we recommend an annual examination of trading accounts.

A.M. Ramsay Village, Port Augusta, South Australia



APPROACH TO VALUATION (Cont'd)

"Quick Sale" Realisation Comments

The "Quick Sale" Realisation can be largely affected by the vendor's motivation to sell, i.e., if it is financial pressures or market conditions. In today's prevailing market conditions an over anxious vendor can expect a discount of up to 10%-15%, given the "softening" in demand for "going concern" assets.

As distinctly separate from the above "quick sale" is a "forced sale" realisation situation, whereby realisation is driven by either a Receiver and Manager Appointed or mortgagee exercising power of sale.

Our experience has indicated that incomplete properties or those with poor trading performance are being heavily discounted in the current market climate, which is partly due to the "tightening" in financial lending policy and general downturn in the economy.

The discount factor in a "forced sale" situation will vary depending upon the type of asset etc., however we would envisage a significant discount of up to 20% to 30% of the values assessed is not unrealistic.

INSURANCE

- The cost to replace an Aged Care Facility of modern, "purpose-built" nature is in the order of \$100,000 - \$200,000 per bed or \$2,000 - \$3,000 per sq. metre for direct building costs.
- We recommend a minimum reinstatement/replacement insurance value for the "as is" building is **\$12,500,000**.

Please note the above is provided as a guide only. If a detailed insurance value is required a qualified Quantity Surveyor should be engaged.

A.M. Ramsay Village, Port Augusta, South Australia



GENERAL

Neither the whole nor any part of this report, nor any reference thereto, may be included in any document, circular or statement, without our written approval of the form and context in which it will appear.

This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation.

Neither Nelson Partners Australia Pty Limited trading as Nelson Partners, nor the undersigned, has any interest, financial or otherwise, in the property subject to appraisal or with the parties with whom the Bank is dealing, including the selling agent, if any.

Nelson Partners Australia Pty Limited trading as Nelson Partners hereby declares that it makes no guarantee, promise, warranty, representation or undertaking that the lodgement of this valuation report will result in any predetermined requirement of the instructing party or client being satisfied.

In accordance with amendment to Section 74 of the Trade Practices Act (T.P.A.), it is necessary to state that this valuation is a professional opinion of value, carried out with due skill and care. It is provided for no other purpose than to give a professional opinion of value.

This report is not endorsed for first mortgage bank lending and is not endorsed for second mortgage lending.

The following clause applies to all lenders that **do not fall** under the Banking Act 1959 definition including any Managed Investment Scheme (as defined by the Managed Investments Act 1998). This valuation is prepared on the assumption that the Lender as referred to in the valuation report **or to whom it may be validly assigned** (and no other) may rely on the valuation for mortgage finance purposes and the Lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risks for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the Lender is providing mortgage financing at a conservative and prudent loan to value ratio.

This valuation cannot be relied upon for any solicitors' mortgage facility or any solicitor arrangement or any solicitor arranged loan or mortgage.

We direct your attention to the other qualifying comments/statements contained within this report document.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of ninety days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Liability limited by a scheme approved under Professional Standards Legislation

A.M. Ramsay Village, Port Augusta, South Australia



VALUATION

We have determined the fair and reasonable "**existing**" market value of the approved 62 place A.M. Ramsay Village, component of the real estate, business and approvals, Fee Simple in Possession, Encumbered by resident's loans, on a Freehold "going concern" basis, for potential realisation purposes only on behalf of LCM Healthcare and The Corporation of the City of Port Augusta (**GST Exclusive**) as at 7th May 2014 is:

	Valuation
"Going concern" value "as is" (long-term core value)	\$2,820,000 *
Accommodation Bonds	
- Existing liability – bonds ^x	\$2,700,000 ^x
- Outstanding lump sum bonds – ^x	\$ 170,000 ^{**}
- Nett present value uplift existing – bonds ⁺	NIL ⁺
- Potential bonds NPV "as is" - ⁺	NIL ⁺
Total Gross "as is" figure prior to adjustments	\$5,690,000
Added value – surplus land	NIL
Nett realisation – this figure represents nett of accommodation bonds liability but prior to outstanding bonds	\$2,990,000 ^{xx}

The above core security value is based on no material changes to the current overall business model including the existing level of bonds. Any material changes may impact on the core security value.

Key to the above tables.

^x No security unless not paid or held in cash and part of the Bank's security.

⁺ Short-term security for unpaid section.

^{**} The outstanding bonds reflect agreed lump sum bonds not paid. After payout this figure will be included in existing liabilities.

^{xx} This is prior to outstanding lump sum bonds being paid.

* See special notes within the Approach to Valuation section.

Refer to special comments regarding Industry reforms of April 2012

NELSON PARTNERS AUSTRALIA PTY LIMITED

.....
 David J. Nelson, A.D.VAL., A.D.F.M., F.A.P.I.,
 CERTIFIED PRACTISING VALUER,
 REGISTERED VALUER NOS.2422 (NSW), 2244 (QLD) & 044156 (WA)
 VALUER WITHOUT LIMITATION

Ref: 14- 0312.ACF

FINANCIAL ANALYSIS

A M RAMSAY VILLAGE Mar-14 Current Year:	PORT AUGUSTA					SA	
	2013	2014	Approved Beds Low Care with A.I.P. Maximum Beddays per yr. Assumed Vacancy Rate			2014	LT
	62	62	62	62	62	22630	22630
	97.2%	96.8%	95.0%	97.5%	97.5%	3.0%	3.0%
Actual Occupied Bed Days as a %	97.2%	96.8%	95.0%	97.5%	97.5%	97.0%	97.0%
FINANCIAL ANALYSIS (\$)							
	2011	2012	2013	YTD FEB 14	EST FY 14	NP AS IS	NP VP ADJ LT
Income	\$	\$	\$	\$	\$	\$	\$
Fees - Commonwealth ACFI	1,310,707	1,429,483	1,359,578	914,970	1,374,337	1,378,711	2,111,913
Fees - Commonwealth RGS + other supply	-	-	-	-	-	24,401	24,401
Conditional Adjustment Payment	111,373	121,469	114,724	80,266	120,564	124,100	186,480
Respite	-	-	-	-	-	75,887	81,789
Resident Fees exc Pension	908,326	934,860	955,238	716,393	1,076,064	1,192,823	1,105,774
Accom Daily Fees - Residents without Bonds	411,896	438,140	411,260	245,833	369,255	246,861	261,307
Bond Retention - non cash flow	92,141	142,178	62,628	65,212	97,953	95,594	96,780
Bond Interest on PPJ DAP Bonds - cash flow	-	-	-	-	-	10,065	-
Other - interest on outstanding bonds	-	-	-	-	-	6,000	6,000
Sundry Income & Adj special payment	22,335	124,691	5,980	10,104	15,177	15,000	15,000
Total Income	2,856,777	3,190,822	2,909,406	2,032,779	3,053,350	3,169,441	3,868,044
Expenses	exc GST	exc GST	exc GST	exc GST	exc GST	exc GST	exc GST
General Expenses							
Accounting & Audits	1,092	1,176	1,669	1,458	2,191	18,600	18,600
Accreditation - allowance	-	-	-	-	-	5,000	5,000
Advertising	-	260	-	-	-	6,000	6,000
Bank Charges (ex. Interest Paid)	834	641	980	731	1,098	3,000	3,000
Continance Supplies	18,781	19,394	23,793	18,199	27,336	30,000	45,000
Chemist & Medical Supplies	18,416	17,792	21,122	16,150	24,259	24,000	36,000
Cleaning & Laundry (excl contract)	44,597	47,425	37,386	24,587	36,931	40,000	48,000
General (incl Legal, Computer etc)	9,037	5,864	7,144	517	517	6,200	6,200
Insurance - General	41,076	41,792	50,069	45,848	45,848	48,000	30,000
Motor Vehicle - allowance only for VP	4,438	6,201	6,104	1,486	2,232	6,000	6,000
Printing, Stationery, Postage	15,380	14,073	13,926	5,764	8,658	12,400	12,400
Resident Amenities	48,373	45,588	52,194	30,838	46,320	12,000	12,000
Subscriptions - Lice. Fee	2,592	8,551	6,780	6,231	9,380	8,500	8,500
Sundry Expenses	13,495	3,445	6,872	2,843	4,271	3,100	3,100
Security	13,529	12,398	13,256	8,271	12,424	12,000	12,000
Travel, Conferences, Seminars etc	354	1,668	1,009	439	660	1,200	6,000
Total General Expenses	231,993	224,277	242,313	163,363	222,362	236,000	257,800
Utilities							
Rates - Council & Water, (& Land Tax if any)	15,636	28,450	5,482	12,198	18,322	24,000	24,000
Electricity / Gas	71,796	84,567	104,310	58,457	87,805	93,000	93,000
Telephone - GROSS / NETT FOR VP	8,558	9,799	9,010	5,253	7,890	9,000	12,000
Total Utilities	95,990	122,816	118,802	75,908	114,018	126,000	129,000
Sub Total of General & Utilities	327,983	347,093	361,115	239,271	336,380	362,000	386,800
Catering - Food (Nett) / Supplies	434,973	478,920	522,751	321,121	482,342	526,826	175,609
Internal							
Rent	-	-	-	-	-	-	-
Management Fees - Admin Fee, HO Costs	43,100	42,000	48,560	31,664	47,561	93,000	93,000
Total Internal	43,100	42,000	48,560	31,664	47,561	93,000	93,000
Repairs, Replacements & Maintenance							
Fire Service/Pest/Gardening	7,160	7,726	11,338	11,559	17,363	12,000	12,000
Repairs & Maintenance	137,634	95,220	137,685	77,755	116,792	86,800	82,000
Replacements (incl Plant & Equip)	3,287	4,312	3,698	1,550	2,328	15,500	15,500
Total R.R.&M.	148,081	107,258	152,721	90,864	136,484	114,300	89,500
Staff Expenses							
Wages - NURSING & OTHER	972,686	1,142,541	1,169,881	921,481	1,384,117	1,122,490	1,478,339
Wages - OTHER (INDIRECT CARE)	222,166	240,975	247,085	206,687	310,455	658,533	526,826
Wages - ADMINISTRATION	191,985	234,193	211,900	144,748	217,420	-	-
Wages - CATERING	168,338	216,434	138,911	70,651	106,121	-	-
Wages - MAINTENANCE	34,245	46,861	51,495	35,742	53,687	-	-
Wages - TOTAL NON NURSING	616,734	738,463	649,391	457,827	687,883	658,533	526,826
Wages - THERAPY / ALLIED HEALTH	70,373	59,883	61,071	44,293	66,531	66,000	78,000
Provision for LSL & Sick Pay	-	-	-	-	-	-	-
Contract Admin & Agency - nett for VP	2,622	856	22,601	-	-	6,000	12,000
Consultants Fees & ACFI Costs say	19,774	11,035	3,445	-	-	6,000	24,000
Contract Cleaning & Laundry	12,156	13,601	14,306	8,415	12,639	14,000	18,000
Training, Uniforms, Amenities etc	19,854	19,600	7,166	10,631	15,989	15,000	25,000
Superannuation and other on costs	146,824	175,178	169,609	124,181	186,527	170,850	192,693
Workers Compensation - EST	61,700	50,270	63,237	63,441	85,293	80,715	81,034
Total Staff Expenses	1,922,724	2,211,928	2,160,707	1,630,269	2,448,758	2,139,587	2,448,893
Total Expenses	2,876,861	3,187,199	3,245,953	2,313,189	3,451,525	3,235,713	3,190,802
Net Surplus with lease (if any)	- 20,084	3,623	- 336,445	- 280,411	- 398,175	- 66,272	677,242
Addbacks / Adjustments rent	- 20,125	- 69,765	293	- 9,237	- 36,893	-	-
Adjusted Net Surplus without lease	- 40,209	- 66,142	- 336,152	- 289,648	- 435,068	- 66,272	677,242
NP "AS IS", "YR 1", "ADJ LT" = NELSON PARTNERS BUDGET FOR VALUATION PURPOSES					Adopt	-	680,000



FINANCIAL ANALYSIS (Cont'd)

**A M RAMSAY VILLAGE
AGED CARE**

Page 1

Key Assumptions

1. Income based on estimated categories and current standard fees per bed per day as at

28-Feb-14

2. Occupancy levels based on adjusted current and actual past data supplied.

Existing	AS IS	Beds	Bed days
High	97.0%	0	0
Low	97.0%	62	21951
Av	97.0%	62	21951

3. Accommodation Income based on data provided and estimated increase over next 12 months.

Mar-14

NP VALUATION BUDGET INCOME				
ACFI Funding Level				
New Residents post 20/3/08 + Upgrade Residents	NUMBER	\$ / DAY	OCC % \$ / CAT /YR	
Activities of Daily Living				
High	4	\$94.79	97.0%	134,242
Medium	7	\$66.42	97.0%	169,569
Low	36	\$31.43	97.0%	400,600
Nil	11	\$0.00	97.0%	-
Post March 08 Residents & Upgraded Residents	58			704,411
Behaviour Supplement				
High	9	\$31.03	97.0%	98,876
Medium	11	\$14.88	97.0%	57,951
Low	17	\$7.18	97.0%	43,215
Nil	21	\$0.00	97.0%	-
	58			200,042
Complex Health Care Supplement				
High	2	\$58.15	97.0%	41,176
Medium	19	\$40.27	97.0%	270,894
Low	30	\$14.14	97.0%	150,188
Nil	7	\$0.00	97.0%	-
	58			462,258
		ACFI Av Fees	66.56	1,366,711
Respite Residents				
	HIGH	1	48.29	109.3
	LOW	1	34.44	38.98
		2	27.177	73.42
			90%	51,768
			90%	24,118
				75,887
NP VALUATION BUDGET INCOME RCS				
	NUMBER	\$ / DAY	OCC % \$ / CAT /YR	
CAT 6	1	38.98	97.0%	13,801
CAT 7	1	29.94	97.0%	10,600
Total	2			24,401
		Av Fees	33.43	24,401
Conditional Adjustment Payment at 8.75% 124,100				
Plus Sundry Suppl. Income say 12,000				
Total Residents Potential 62 Av Fees 73.03 1,603,099				
RES \$ / DAY				
	No.	\$/DAY	OCC %	\$ P.A.
Residents Daily Rate	31	NO BONDS	46.50	97.0%
Residents Daily Rate	31	BONDS	46.50	97.0%
Pen Supp Rate - Pre Mach 2008	31		7.84	97.0%
New Residents post 20/3/08	31	Bonds	7.84	97.0%
				86,048
				86,048
Accommodation Income				
	No.	%	\$/DAY	OCC %
Accommodation Supplement	21	34%	25.45	97.0%
Existing fees - resident conc high care	8	13%	20.35	97.0%
Transitional	0	0%	20.35	97.0%
	29	47%		
				246,861
				246,861
LOW CARE BONDS (+ Any ESS) AND PRIVATE				
	No.	%	\$/DAY	OCC %
Bond retention amount non cashflow trading existing	30	48%	9.00	97.0%
Bond retention amount non cashflow trading NEW	0	0%	10.52	97.0%
Daily fee in lieu of bonds and retention	1	2%	17.81	10.62
NON FUNDED PLACES BONDS	0	0%	0.00	97.0%
	31	50%		
				105,658
Total Places	62	100%		105,658
	Bond	Interest	Daily fee	
Daily fee in lieu of bonds	100,000	6.50%	17.81	
Total for valuation purposes				\$3,148,441



FINANCIAL ANALYSIS (Cont'd)

A M RAMSAY VILLAGE
AGED CARE

Key Assumptions

1. Income based on estimated categories and current standard fees per bed per day at 28-Feb-14

2. Occupancy levels based on adjusted current and actual past data supplied.

	%	Beds	Bed days
Low Care with A.I.P.	97.0%	0	0
High	97.0%	62	21951
Low	97.0%	62	21951
Av	97.0%	62	21951

3. Accommodation Income based on data provided and estimated increase over next 12 months.

NP VALUATION BUDGET INCOME		ADJUSTED FOR LONG TERM						
ACFI Funding Level		NUMBER	\$ / DAY	%	OCC %	\$ / CAT /YR		
New Residents post 20/3/08 + Upgrade Residents								
Activities of Daily Living								
High		12	\$94.79	20%	97.0%	402,725		
Medium		20	\$68.42	33%	97.0%	484,482		
Low		27	\$31.43	45%	97.0%	300,450		
Nil		1	\$0.00	2%	97.0%	-	1,187,657	
Post March 08 Residents & Upgraded Residents		60		100%				
Behaviour Supplement								
High		10	\$31.03	17%	97.0%	109,862		
Medium		20	\$14.88	33%	97.0%	105,365		
Low		20	\$7.18	33%	97.0%	50,842		
Nil		10	\$0.00	17%	97.0%	-	266,069	
60				100%				
Complex Health Care Supplement								
High		10	\$58.15	17%	97.0%	205,880		
Medium		24	\$40.27	40%	97.0%	342,182		
Low		20	\$14.14	33%	97.0%	100,125		
Nil		6	\$0.00	10%	97.0%	-	648,188	
60				100%				
				ACFI	Av Fees	98.95	2,101,913	
Respite Residents								
	HIGH	1		48.29	109.30	157.59	97%	55,795
	LOW	1		34.44	38.98	73.42	97%	25,994
		2		29.291				81,789
NP VALUATION BUDGET INCOME RCS								
		NUMBER	\$ / DAY		OCC %	\$ / CAT /YR		
	CAT 6	0	38.98		97.0%	0		
	CAT 7	0	29.94		97.0%	0		
	Total	0						
				Av Fees	#DIV/0!		0	
Conditional Adjustment Payment								
				at 8.75%			186,480	
Plus Sundry Suppl. Income							say	10,000
Total Residents Potential				62	Av Fees	108.43	2,380,183	
RES \$ / DAY								
		No.	%	\$/DAY	OCC %	\$ P.A.		
Residents Daily Rate		31	NO BONDS	46.50	97.0%	510,363		
Residents Daily Rate		31	BONDS	46.50	97.0%	510,363	1,020,726	
Pen Suppl Rate - Pre Mach 2008		31		7.84	97.0%	86048	86,048	
New Residents post 20/3/08		31	Long term no Pen. Suppl.	0.00	97.0%	-	-	
Accommodation Income								
		No.	%	\$/DAY	OCC %	\$ P.A.		
Accommodation Supplement		29	47%	25.45	97.0%	261,307		
Existing fees - resident conc high care		0	0%	20.35	97.0%	-		
Transitional		0	0%	20.35	97.0%	-		
		29	47%			261,307	261,307	
LOW CARE BONDS (+ Any ESS) AND PRIVATE								
		No.	%	\$/DAY	OCC %	\$ P.A.		
Bond retention amount non cashflow trading existing		31	50%	9.00	97.0%	98,780		
Bond retention amount non cashflow trading NEW		0	0%	10.62	97.0%	-		
Daily fee in lieu of bonds and retention		0	0%	17.81	97.0%	-		
NON FUNDED PLACES BONDS		0	0%	0.00	97.0%	-		
		31	50%			98,780	98,780	
Total Places		62	100%					
		Bond	Interest	Daily fee				
Daily fee in lieu of bonds		100,000	6.50%	17.81	POST 1/7/2014			
Total for valuation purposes ADJUSTED							\$3,847,044	

A.M. Ramsay Village, Port Augusta, South Australia



FINANCIAL ANALYSIS (Cont'd)

BONDS SUMMARY A M RAMSAY VILLAGE PORT AUGUSTA SA

Existing Date of Data: 28-Mar-14 Date of Valuation: 28-Mar-14

No.	Date	Bond				Period		Retention		Balance				
		Cash Paid	Cash Debtor	Total Cash	Periodic	Total Value	P.A.	MTH	P.A.		MTH			
Ref	ENTRY									\$	28-Mar-14			
1	13/07/2011	26,089		26,089		26,089	2.71	33	3,816	318.00	10,340	15,749		
2	9/12/2013	180,000		180,000		180,000	0.30	4	3,972	331.00	1,186	178,814		
3	14/03/2013	140,000		140,000	10,000	150,000	1.04	12	3,876	323.00	4,025	145,975		
4	15/04/2008	80,000		80,000		80,000	5.95	71	3,360	280.00	16,800	63,200		
5	28/02/2012	120,000		120,000		120,000	2.08	25	3,816	318.00	7,935	112,065		
6	17/05/2013	0	140,000	140,000		140,000	0.86	10	3,876	323.00	3,345	136,655		
7	7/01/2013	8,555		8,555		8,555	1.22	15	3,876	323.00	4,726	3,829		
8	13/11/2013	173,000		173,000		173,000	0.37	4	3,972	331.00	1,469	171,531		
9	5/02/2013	31,787		31,787	3,532	35,319	1.14	14	3,876	323.00	4,418	30,901		
10	9/09/2011	96,504		96,504		96,504	2.55	31	3,816	318.00	9,733	86,771		
11	20/07/2012	120,000		120,000		120,000	1.69	20	3,876	323.00	6,541	113,459		
12	28/06/2010	100,000		100,000		100,000	3.75	45	3,588	299.00	13,457	86,543		
13	26/02/2010	100,000		100,000		100,000	4.08	49	3,588	299.00	14,657	85,343		
14	6/07/2007	60,000		60,000		60,000	6.73	81	3,360	280.00	16,800	43,200		
15	25/09/2013	77,000		77,000		77,000	0.50	6	3,972	331.00	2,002	74,998		
16	9/10/2012	90,262		90,262		90,262	1.47	18	3,876	323.00	5,681	84,581		
17	21/05/2007	3,943		3,943		3,943	6.86	82	0	-	-	3,943		
18	15/03/2011	110,000		110,000		110,000	3.04	36	3,690	307.50	11,212	98,788		
19	11/09/2013	148,430	31,570	180,000		180,000	0.54	7	3,972	331.00	2,155	177,845		
20	30/07/2013	16,864		16,864		16,864	0.66	8	3,972	331.00	2,623	14,241		
21	22/11/2011	19,734		19,734		19,734	2.35	28	3,816	318.00	8,960	10,774		
22	15/03/2010	100,000		100,000		100,000	4.04	48	3,588	299.00	14,490	85,510		
23	24/03/2010	55,500		55,500		55,500	4.01	48	3,588	299.00	14,401	41,099		
24	7/08/2013	180,000		180,000		180,000	0.64	8	3,972	331.00	2,536	177,464		
25	2/07/2012	17,493		17,493		17,493	1.74	21	3,876	323.00	6,733	10,760		
26	18/06/2012	120,000		120,000		120,000	1.78	21	3,816	318.00	6,775	113,225		
27	1/09/2008	80,000		80,000		80,000	5.57	67	3,504	292.00	17,520	62,480		
28	28/08/2007	11,693		11,693		11,693	6.59	79	0	-	-	11,693		
29	3/10/2011	110,000		110,000		110,000	2.48	30	3,816	318.00	9,482	100,518		
30	4/03/2014	160,761		160,761		160,761	0.07	1	3,972	331.00	261	160,500		
31	24/11/2009	80,543		80,543		80,543	4.34	52	3,588	299.00	15,581	64,962		
32	2/03/2010	100,000		100,000		100,000	4.07	49	3,588	299.00	14,617	85,383		
33	16/09/2011	110,000		110,000		110,000	2.53	30	3,816	318.00	9,660	100,340		
34	23/12/2013	159,474		159,474		159,474	0.26	3	3,972	331.00	1,034	158,440		
35	24/05/2012	20,278		20,278		20,278	1.84	22	3,816	318.00	7,036	13,242		
		3,007,910	171,570	3,179,480	13,532	3,193,012			124,878		268,190	2,924,822		
35	Bonds				Average	91,229		Average	3,568		Average \$	83,566		
												Less Outstanding LS Bonds	171,570	
													Less Period Payments	13,532
													Adjusted Current Balance	2,739,720
							Average		9.78	per day	ADOPT VP	2,700,000		

A.M. Ramsay Village, Port Augusta, South Australia



INSTRUCTIONS

A.M. Ramsay Village, Port Augusta, South Australia



24th March 2014

Ms A O'Reilly
 Director, Community Services
 Corporation of the City of Port Augusta
 PO Box 1704
 Port Augusta SA 5700 [Email: areilly@portaugusta.sa.gov.au](mailto:areilly@portaugusta.sa.gov.au)

Dear Madam,

Re: Valuation Proposal – Port Augusta

Further to emails from Mr Paul Bradley and Ms Anne O'Reilly, Director, Community Services, Corporation of the City of Port Augusta dated 17th March 2014 we provide the following proposal. This is provided on the understanding the formal instructions will be jointly from both Calvary Group and the Corporation of the City of Port Augusta.

This proposal has been prepared for both parties with identical letters sent.

Services

To provide valuations for the Aged Care Facilities known as **A M Ramsay Village, Port Augusta and Nerrilda Nursing Home, Port Augusta SA.**

The valuation is for intending potential realisation purposes for consideration of the two parties.

As discussed and confirmed that there is 90 days from the date of inspection of the properties and an assignment can occur under our Professional Indemnity Policies and as a standard requirement for major trading Banks currently and without a reinspection being required.

Sites

A M Ramsay Village – 62 bed RAC
 77 Seaview Road, Port August SA

Nerrilda Nursing Home – 45 bed RAC
 71 Stokes Terrace, Port Augusta SA

Fees

Our fee would be \$6,500 plus GST. Fee will be payable per site plus travel allowance of \$550 prior to issue of the report. Please advise how to be invoiced ie portions.

Conditions

Our reports will be conditional upon all data being provided as per our requirements by you to our office.

Limitation of Liability

In the particular circumstances of this case, you agree that the liability to you of this firm, its partners, employees and agents (in contract or tort or under statute or otherwise) for any economic loss or damage caused, including our negligence but not our wilful default shall be limited by our Professional Indemnity Insurance Policy which at the time of this engagement was capped at \$10,000,000 in aggregate in any one year.

N E L S O N
 P A R T N E R S
 A U S T R A L I A

VALUATION SERVICES

Aged Care
 Health Care
 Retirement Villages
 Hospitality
 Service Stations
 Child Care Centres
 One Off Going Concerns
 Business

CONSULTING SERVICES

Feasibility Studies
 Property Negotiations
 Cash Flow Budgets
 Property Research & Analysis
 Australia Wide Service

NSW HEAD OFFICE

Suite 306, 29 Solent Circuit
 Baulkham Hills NSW 2153
 Phone: (02) 9659 9611
 Email: admin@nelsonpartners.com.au

QUEENSLAND - BRISBANE

Phone: (07) 3229 5910
 Email: adminqld@nelsonpartners.com.au

VICTORIA - MELBOURNE

Phone: 0488 333 526
 Email: adminvic@nelsonpartners.com.au

ALL CORRESPONDENCE TO

PO Box 6839
 Baulkham Hills Business Centre
 NSW 2153
 Fax: (02) 9659 9622
www.nelsonpartners.com.au

Nelson Partners Australia Pty Ltd
 Trustee for NPA UNR Trust
 ABN 79 040 484 104

A.M. Ramsay Village, Port Augusta, South Australia



77 Seaview Road, Port Augusta SA and 71 Stokes Terrace, Port Augusta SA

-2-

NELSON
PARTNERS
AUSTRALIA

Indemnification

You will provide Nelson Partners with all information material to the assignment to be undertaken by Nelson Partners together with all information requested by Nelson Partners. You recognise and confirm that Nelson Partners will use and rely primarily on the information provided to it by you and on information available from generally recognised public sources in the performance of the services contemplated by this letter without having to independently verify or assume responsibility for the accuracy or completeness of such information, although Nelson Partners may endeavour to verify certain limited information in some circumstances where time permits and the opportunity arises.

Standard Terms and Conditions

We attach for your reference the standard terms and conditions that will apply to this engagement. This letter and the terms and conditions attached comprise the entire agreement ("Contract") for the provision of services.

Acceptance of Engagement Terms

This letter sets out our understanding of the circumstances and our credentials to undertake the assignment pursuant to your request. We have set out the terms and conditions we would like to agree with you for us to undertake this professional assignment. We are confident that we can provide an excellent professional service.

Should the terms and conditions set out in this letter be acceptable to you please confirm your acceptance by signing the duplicate copy of this letter and returning same to us. If you require any further information, or wish to discuss this matter further, please do not hesitate to contact me on +61 02 9659 9611.

Nelson Partners Australia is covered by a Liability limited by a scheme approved under Professional Standards Legislation.

We thank you for this instruction in this matter, please sign below and return to the office.

Attached the standard data requirement for the valuations.

Any questions please come back to the under sign.

Yours sincerely

NELSON PARTNERS AUSTRALIA PTY LIMITED

.....
David J. Nelson, A.D.VAL., A.D.F.M., F.A.P.I.,
CERTIFIED PRACTISING VALUER,
REGISTERED VALUER NOS. 2422 (NSW), 2244 (QLD) & 044156 (WA)
VALUER WITHOUT LIMITATION

Liability limited by a scheme approved under Professional Standards Legislation.

Our ref: A O'Reilly City of Port Augusta 24.2.14

A.M. Ramsay Village, Port Augusta, South Australia



77 Seaview Road, Port Augusta SA and 71 Stokes Terrace, Port Augusta SA

NELSON
PARTNERS
AUSTRALIA

Acknowledgment

I have read the above letter dated 24th March 2014 and accept the engagement described above on the terms and conditions set out therein.

Signed: *Michael Kelly*

Company: *Corporation of the City of Port Augusta*

Dated: *25/03/2014*

A.M. Ramsay Village, Port Augusta, South Australia



From: Paul Bradley [Paul.Bradley@calvarycare.org.au]
Sent: Tuesday, 25 March 2014 12:17 PM
To: Linda Burke; David Nelson
Cc: Anne O'Reilly
Subject: RE: Valuation Proposal Port Augusta

Dear David

Your proposal is accepted by Calvary. I understand Council will also be issuing their consent shortly.

Can you please liaise with Anne O'Reilly at Council with respect to all documents, site inspections, financials and other information required to complete the valuation and keep me informed in the process.

Regards - Paul

Paul Bradley | National Director Aged Care & Retirement | Little Company of Mary Health Care
 Level 18
 68 Pitt Street Sydney NSW 2000
 Phone: (02) 9258 1718 | Mobile: 0409 391 109
 Email: Paul.Bradley@calvarycare.org.au | www.calvarycare.org.au

In the tradition of the Sisters of The Little Company of Mary with values of hospitality, healing, stewardship & respect.

Please consider the environment before printing this e-mail

Confidentiality Notice

This email message is intended for the use of addressed recipients only and may contain information that is confidential and legally privileged. Before opening or using attachments, please check them for viruses or defects, as Little Company of Mary Health Care Limited liability is limited to the resupply of any affected attachments. If you have received this message in error, please delete it along with any attachments from your system and notify Little Company of Mary Health Care Limited immediately. If you are not the intended recipient of this message, you must not disseminate, copy or take action based upon it. Any views expressed in this message are those of the individual sender, except where the sender specifically states them to be the views of Little Company of Mary Health Care Limited.

From: Linda Burke [mailto:LBurke@nelsonpartners.com.au]
Sent: Monday, 24 March 2014 2:34 PM
To: Paul Bradley
Cc: David Nelson
Subject: Valuation Proposal Port Augusta

Dear Sir

We attach herewith our valuation proposal in regard to the above.

If you have any queries please do not hesitate to contact David Nelson.

Regards.

Lynda for David Nelson

Nelson Partners
 Suite 306, 29 Solent Circuit
 Baulkham Hills NSW 2153
 P: (02) 9659 9611 F: (02) 9659 9622

PRIVACY AND CONFIDENTIALITY NOTICE



A.M. Ramsay Village, Port Augusta, South Australia



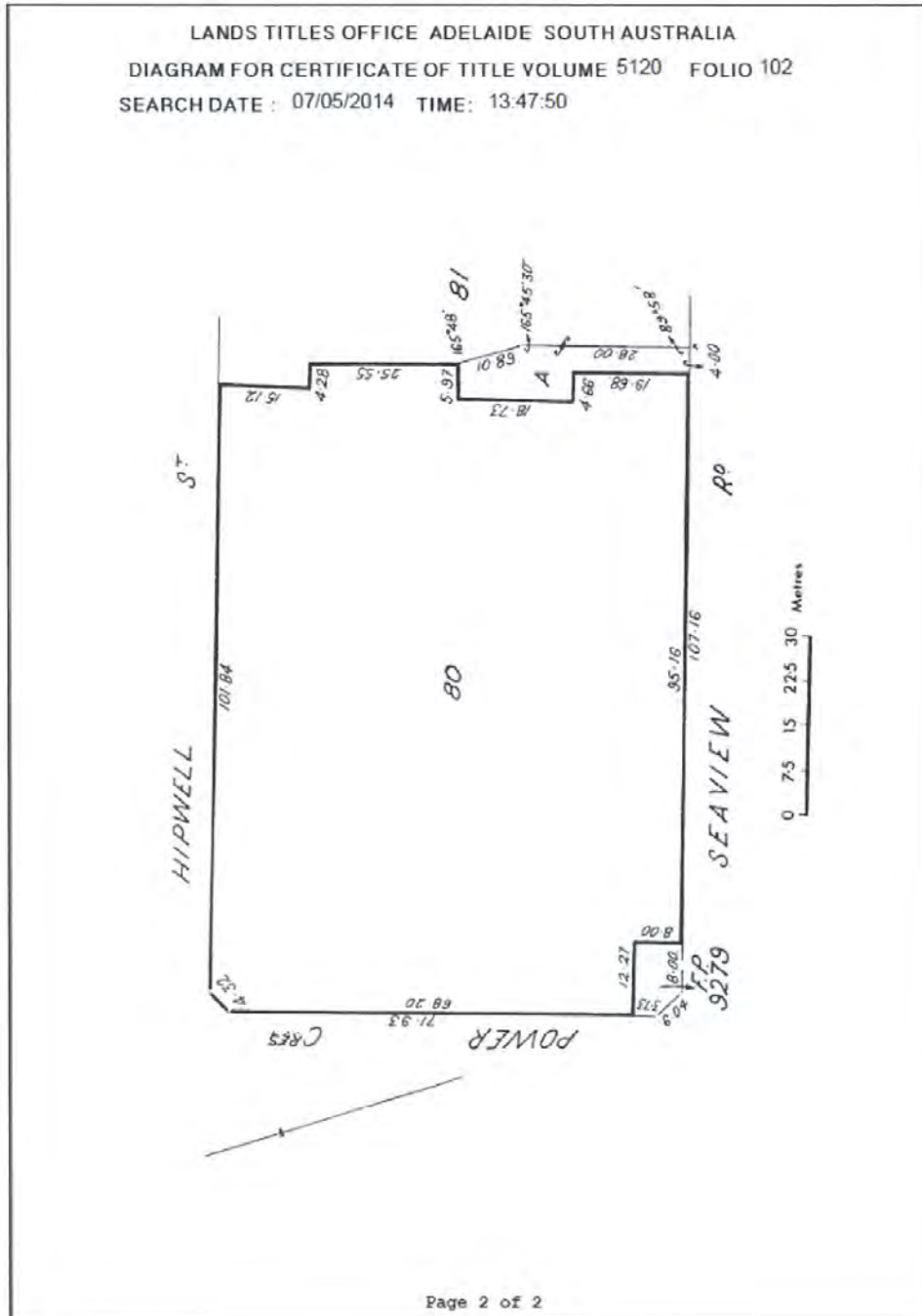
TITLE SEARCH AND PLAN

A.M. Ramsay Village, Port Augusta, South Australia



 Title Register Search LANDS TITLES OFFICE, ADELAIDE <small>For a Certificate of Title issued pursuant to the Real Property Act 1886</small>	
REGISTER SEARCH OF CERTIFICATE OF TITLE * VOLUME 5120 FOLIO 102 *	
COST : \$25.75 (GST exempt)	PARENT TITLE : CT 4220/33
REGION : EMAIL	AUTHORITY : CONVERTED TITLE
AGENT : SAIG BOX NO : 014	DATE OF ISSUE : 04/05/1993
SEARCHED ON : 07/05/2014 AT : 13:47:50	EDITION : 2
REGISTERED PROPRIETOR IN FEE SIMPLE	
THE CORPORATION OF THE CITY OF PORT AUGUSTA OF PO BOX 1704 PORT AUGUSTA SA 5700	
DESCRIPTION OF LAND	
ALLOTMENT 80 FILED PLAN 13933 IN THE AREA NAMED PORT AUGUSTA HUNDRED OF DAVENPORT	
EASEMENTS	
TOGETHER WITH THE EASEMENT OVER THE LAND MARKED A (T 5160774)	
SCHEDULE OF ENDORSEMENTS	
NIL	
NOTATIONS	
DOCUMENTS AFFECTING THIS TITLE	
NIL	
REGISTRAR-GENERAL'S NOTES	
NIL	
END OF TEXT.	
Page 1 of 2	
The Registrar-General certifies that this Title Register Search displays the records maintained in the Register Book and other notations at the time of searching.  	

A.M. Ramsay Village, Port Augusta, South Australia



A.M. Ramsay Village, Port Augusta, South Australia



ACCREDITATION

A.M. Ramsay Village, Port Augusta, South Australia



A M Ramsay Village
Approved provider: Corporation of the City of Port
Augusta

This home was assessed as meeting 44 of the 44 expected outcomes of the Accreditation Standards and accredited for three years until 16 September 2014. We made the decision on 9 August 2011.

The audit was conducted on 4 July 2011 to 6 July 2011. The assessment team's report is attached.

We will continue to monitor the performance of the home including through unannounced visits.

A.M. Ramsay Village, Port Augusta, South Australia



FLOOR PLAN

