

STEWART, BROWN & CO

**RESPONSE TO INTERIM
REPORT**

***CARING FOR OLDER
AUSTRALIANS***

March 2011

Background

Stewart, Brown & Co and its subsidiary Stewart Brown Business Solutions have a long standing and large commitment to aged care through the provisions of professional services including audit, accounting, advisory, software implementation, outsourcing and an extensive quarterly financial benchmarking survey and annual remuneration survey.

On the basis of this wide experience and exposure, we feel our firm should make informed comment on the reforms proposed in the interim report released by the Commission in January 2011 (the report) on its inquiry into the care of older Australians.

Stewart, Brown & Co welcomes the opportunity to comment on the interim report adding to our original submission to the Commission. We would also like to thank the Commission for the time of their representatives to speak with us and allow us to contribute during the original inquiry process.

Preamble

The interim report has set out a new framework for how care to the ageing members of the Australian community might be provided and funded into the future. Currently the system is fragmented with unnecessary complications in funding and administrative burdens that take management away from where their focus should be and that is the provision of quality services to those under their care.

In the main we support the thrust and principles that underpin the interim report. Our expertise is on the financial aspects of the aged care industry and we will be restricting our comments to this area of report.

The industry cannot continue within the current framework for too much longer. There are a number of factors that need to change:

- Lack of investment in high care facilities
- Level of service being driven by regulation rather than by competition
- Controlling supply through regulation
- Inadequate compensation for caring for the financially disadvantaged

We feel that the reports recommendations go a long way to overcoming these factors however there are several areas of concern that we would like to explore.

Funding Streams

The Commission has divided the funding streams into three different streams¹:-

- Accommodation services (the equivalent of rent, mortgage payments and related payments such as gardening and home maintenance)
- Everyday living expenses (such as food, clothing, laundry, heating and cooling and social activities)
- Health care (such as nursing, allied therapies and palliative care) and personal care (the additional costs of being looked after because of frailty or disability)

We are in general agreement with the way in which each of these streams are to be funded:-

- Accommodation services – funded by the care recipient by way of an accommodation payment or bond with a safety net payment by the government where the resident has no means to pay such an amount
- Everyday living expenses – funded by the care recipient (in reality assigning the current daily care fee to cover everyday living expenses)
- Health and personal care – health services to attract a universal subsidy with individuals contributing to their personal care according to their capacity to pay (similar to current approach)

¹ Page 144 of Caring for Older Australians interim report

Everyday living expenses

The Commission makes the point that “accommodation costs and everyday living expenses are reasonably predictable expenses of everyday life and are not especially associated with increasing frailty or disability”. In fact the data that we have collected over a long period of time contradict this finding.

In a residential aged care setting the difference in what might be covered above as everyday living expenses differ significantly between those that are at the lower end of the frailty scale to those that have high care needs. Table 1 shows clearly that as the acuity of residents increase so do the costs associated with these “everyday living expenses”. The difference for the year ended 30 June 2010 was an average of \$9.01 per bed day. The statistics presented in table 1 represent the averages for all the facilities in our survey. However, even when examining the average for the top quartile of facilities the difference in these costs between facilities in band 1 to facilities in band 5 is \$5.61 per bed day.

Given that the current daily care fee is set at 84% of the single aged pension or \$40.25 per day then this amount would be adequate to cover the everyday living costs in each of these bands.

Table 1

Extract from Stewart Brown Aged Care Financial Performance Survey June 2010	Band 1 \$ pbd	Band 2 \$ pbd	Band 3 \$ pbd	Band 4 \$ pbd	Band 5 \$ pbd
Catering	23.24	21.60	20.73	19.40	19.13
Cleaning	6.60	6.32	5.78	4.89	4.73
Laundry	4.61	3.53	2.90	2.49	1.93
Utilities (excl. Rates)	3.53	4.05	3.72	3.53	3.18
Total	37.98	35.50	33.13	30.31	28.97

2

The trend shown in table 1 is one that has been repeated over many years. *We therefore recommend that the disparity in the cost of providing those services to residents with differing levels of care needs is recognised appropriately when setting a base amount for residents to pay for everyday living expenses.*

The proposed regulatory authority will need to arrive at a standard level of services that will need to be provided as everyday living expenses. Should a provider wish to negotiate with the care recipient to provide a level of service that is greater than this standard level then they can do so and will charge extra for it. *When providing the base line for this services provision the regulatory authority may have to consider that there is a difference in service level required for different levels of frailty.*

Quality in service provision

The body assigned the task of regulating the payment levels for different aspects of care and other living expenses should take into account the provision of quality care. There is little mention in the report of the word quality when costs are mentioned. To achieve the policy objectives outlined at the beginning of the report the providers of care need to provide a quality services. Our ageing population deserves no less. This aspect of quality needs to be built into to any cost model. If the base line for funding care does not take into account the need to provide quality care then any attempt to make a profit out of care delivery is likely to result in inadequate care being provided.

We recommend that the models for cost of care and base lines for everyday living expenses include an allowance for providing quality care.

² Page 23 SB&C Aged Care Financial Performance Survey Report June 2010. Band 1 represents facilities with the highest average levels of care subsidies and daily care fees. Band 5 represents facilities with the lowest average care subsidies and daily care fees. These bands approximate the average level of acuity of residents based on care subsidy levels received. A copy of the June report is included as Appendix A.

Accommodation Costs

This is the area in which we have a great deal of concern, particularly as the industry transitions from the current system to the proposed new system. We understand the approach taken by the Commission in this area and in the long term we feel that the industry will be able to adapt to the recommended framework. However the transition period may need to be longer than five years and there may need to be assistance given to the industry during this transition period.

There are several areas of concern regarding accommodation costs:

- Available sources of finance
- Lack of detail on how the cost of accommodation will relate to the accommodation payment and the accommodation bond
- Whether building certification rules will change given the recommended base line for assessing the safety net payment for accommodation costs

Currently the aged care sector relies on accommodation bonds to provide cheap funding for financing capital growth. When constructing a new facility these bonds are used to either repay commercial debt or to replenish internal sources of funds. On an ongoing basis, these bonds finance the repayment of bonds to outgoing residents and the income from the bonds contributes to the accumulation of cash reserves for future investment and to maintain appropriate levels of funds for prudential governance purposes.

The recommendations with respect to accommodation bonds include:-

- The regulatory restrictions on accommodation payments in high care should be removed
- That the following options be given to those entering residential care:
 - A periodic payment for the duration of their stay
 - A lump sum (accommodation bond)
 - Or some combination of the above
- That retentions from bonds be abolished
- That providers offer an accommodation bond that is equivalent to, but no more than, the relevant periodic accommodation charge
- Government should establish an Australian Pensioners Bonds to allow aged pensioners to purchase a bond on the sale of their home
- The bond would be exempt from assets test and would be indexed by CPI
- Bond could be used to fund aged care costs and living expenses
- Safety net payment for accommodation to be based on a two-bed room with shared bathroom and take into account regional factors
- Accommodation bond paid to providers and primary residence would be assessed as an asset for purpose of means testing the amount of the co-contribution by the care recipient to approved care services
- Government to create a facility to offer reverse mortgages to the aged to assist in the provision of the costs of their care

The general thrust of these recommendations are supported, however their short to medium term consequences could be significant and cause a lot of disruption to the sector as well as upheaval to existing care recipients. The main danger is one of liquidity and sourcing finance to replace current bond levels.

Liquidity issues

Currently, as correctly stated in the report, accommodation bonds currently reflect the ability of the resident to pay more than they do the quality or cost of providing the accommodation. Deals are negotiated with the resident so that the operator maximises the bond amount and the resident minimises their ongoing costs. That would be turned on its head if the current recommendations stand. Bonds would be capped at a level that commensurate with the cost of providing the accommodation. A side effect of this in the short to medium term is that this is likely to cause pressures on the cash flows of operators.

Currently the payments of outgoing bonds are largely funded through the incoming bond of a new resident. Many of those operators that are currently holding bonds that are in excess of what they will

be under the new scheme will have to finance the difference between the old bond and the new bond. This gap could be substantial and may cause real financial difficulty for the operator. This is a consequence that no-one is wanting to see – residents being put out of a facility because it has become insolvent as a result of not being able to fund the payout of loans. The balance sheet of many operators will be downgraded already as a result of these recommendations because the values of bed licences are likely to be impaired due to the deregulation of supply. This may make it harder for providers to source external funds. It may also have an effect on current borrowing facilities.

The increase in the level of competition and the publishing of both the periodic accommodation payment and the accommodation bond is also likely to encourage incoming residents to pay the accommodation payment rather than a bond. The likely increase in the number of people receiving care in a community setting is also likely to put pressure on occupancy levels in low care and mean that a greater number of care recipients will be entering residential care at a much frailer level and their stay is likely to be shorter. Obtaining an accommodation bond for these residents may not be achievable, particularly if they need to sell their home to pay it. All these factors are likely to cause the amount of people paying accommodation bonds to decline.

At this point the Commission is not recommending that the primary residence or accommodation bond be included as an asset for the pension asset test, only for the means test for calculating co-contribution to care costs. Any move to include these assets in the asset test for pension eligibility would almost see the end of accommodation bonds all together.

In the longer term, we feel that the sector will be able to adapt to this new regime and as stated in the report become “neutral between receiving periodic charges or bonds”. This might also rely on lending institutions modifying their lending practices to allow for a longer time frame to repay construction loans. For example the Government zero real interest loan scheme has recently extended its loan period from 12 to 22 years. Banks and other financial institutions may have to consider doing the same.

During the transitional period the Government may have to operate an assistance fund to help organisations through what might be a difficult period. Many of these operators, particularly in the not-for-profit sector, may not have a record with commercial lenders as they may never have had to borrow externally before. This will be a challenging time for many voluntary boards and as well as financial assistance we think that there will be a need for financial and managerial advice to be made available to these organisations.

We recommend that Government has a fund to assist operators of residential care facilities meet their obligations for paying out accommodation bonds during the transitional period. These funds would be provided on a low interest basis and be subject to normal lending approvals similar to the zero real interest loan scheme currently in operation.

We recommend that assistance be made available to the aged care providers in the form of free advice from a panel of professional advisors to assist them to navigate their way through the changes to the way the sector is funded.

We recommend that there is no move to include the accommodation bond or family home as an asset for the purpose of assessing pension eligibility.

Accommodation cost and accommodation charge

The recommendations of the Commission include a virtual capping of bonds to the cost of providing the accommodation and this cap is to relate to the period accommodation payment. What the report does not make clear is how the cost of accommodation should be calculated, whether there should be any return for the provider built in and how the relationship between the accommodation payment and accommodation bond should work.

The report repeatedly states that the accommodation payment should reflect the cost of accommodation. It does not clearly define what should contribute to the cost of accommodation. It

does say that accommodation services would be equivalent to rent, mortgage payments and related expenses such as gardening and home maintenance³.

The report also states that accommodation payments should be attractive to both providers and care recipients. The report also goes on to say that any supported resident payment should provide “a sufficient return on investment to providers”.⁴ This implies that there should be some sort of profit element built into the cost of accommodation. It is only fair that it does, particularly as the Commission is recommending that retentions from bonds be abolished.

While the report promotes greater competition in the sector by deregulating the supply side it has not stated how this might be factored into the accommodation payment. We would like to see a model similar to retirement villages where the amount of the entry contribution paid by incoming residents is based on factors such as:

- Quality of accommodation being provided
- Types of services being provided
- Age of facility
- Demographics of catchment area (median house prices and income levels etc)

The overriding factor is whether the price set based on the above factors will allow the village to attract residents to the village against competition from other villages. We would see that the system for setting accommodation bonds and accommodation payments should operate in a similar fashion.

The Commission could recommend some sort of formula for standardising the relationship between the accommodation payment and accommodation bond but that would be difficult. Currently a periodic payment is made up of a combination of the retention and interest on the outstanding portion of the bond. If a formula is used to form a relationship between the accommodation payment and the accommodation bond we would recommend that it be kept simple and that it reflect a reasonable pay-back period on the cost of constructing a facility. This would assist in gaining external finance. One possibility might be to calculate the weekly rent as a factor of the bond. For example:

If the bond was \$250,000 the weekly rent could be calculated based on a payback period of 10 years. Without complicating this calculation with net present values of future payments the rental would equate to \$481 per week over the 10 years. These weekly payments could be capped to ensure that once the 10 years was up the resident did not have to pay any more rent. The profit element could be built into the initial setting of the bond level. Competition from other providers will ensure that bonds are not too high. Some level of regulation may need to be considered for areas where there is little competition, however as long as demand did not stretch the supply of accommodation then market forces should keep bond levels at reasonable level, that is the asset levels of potential residents in the local catchment area.

We recommend that the approach taken by the retirement village industry for setting entry contributions should be adopted by residential aged care providers.

We recommend that any formula used to link accommodation payments to accommodation bonds be kept simple. We also recommend that the accommodation payment should be based on the bond rather than the bond be based on the accommodation payment.

Funding accommodation payments for disadvantaged

The report recommends that the amount of accommodation payment that will be paid by the Government for a financially disadvantaged person would be based on the cost of accommodation for providing a two-bed room with shared bathroom. This goes against the current certification requirements for aged care facilities which says that across the facility the ratios of beds per bathrooms should not exceed 1.5 persons per bathroom. This would mean that a provider could not build a purpose built facility to house financially disadvantaged residents, that is with all rooms having 2 beds.

³ Page 144 of Caring for Older Australians interim report

⁴ Page 175 of Caring for Older Australians interim report

We are in agreement with the recommendations to allow the supported resident ratio to be spread across a region rather than be designated to each area and for the places to be able to be traded.

We recommend that the building certification regulations be changed to allow for the ratio of bathrooms to residents to average 2:1 rather than the current allowance of 3:2.

Administration and other support services

When examining the various funding streams and the broad definitions used to indicate what each level of funding would cover, there appears to be one area of cost that has been lost. The funding streams have covered the cost of care, everyday living expenses and accommodation costs but there is no allowance for the cost of administering the service. It might be argued that these costs should come out of the profits earned from the other funding streams; however we would argue that all the commentary on the other funding streams has talked about the cost of care and the cost of everyday living expenses and the cost of accommodation. While we have advocated that some element of return to the provider be built into these funding streams it is unlikely to be adequate to cover the cost of administration.

The Commission is asking the industry to change its practices, to become more efficient and to increase its standard of managerial ability. This comes at a cost. For the year ended 30 June 2010 administration costs of the residential facilities in our aged care financial performance survey averaged \$20.74 per bed day. We believe that these costs have to be built into either the personal/health care subsidies or the cost of accommodation or combination of the two. To do otherwise would very quickly cripple the sector.

We recommend that when assessing the amounts to be paid to providers for personal care and health costs an element should be included to contribute to the costs of administration. This of also includes community care. The balance of administration costs not covered by this subsidy should be allowed to be built into the cost of providing accommodation services.

Conclusion

There remain areas where more detail is needed to fill in the gaps in the report or supplement some of the ideas contained in the report. However the report provides a solid framework for making the aged care sector much more sustainable moving into the future as the numbers of persons requiring care increase. It is important that there are no preventable consequences from the recommendations that will cause undue hardship on providers and disruption for residents. It is also important that the concept of being able to provide quality care is built into the funding system.



STEWART BROWN
Business Solutions

**AGED CARE
FINANCIAL PERFORMANCE SURVEY**

**YEAR ENDED
30 JUNE 2010**

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This report, including all data and analysis contained therein does not express or purport to express any opinion on the level of care provided to the residents or clients of the facilities and community care programs participating in the survey. This report is concerned only with the analysis of the financial performance of those participating facilities and community care programs.

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EXECUTIVE SUMMARY

This report covers the year ended 30 June 2010 and includes data for 432 residential aged care facilities (RACF), 125 Community Aged Care Packages (CACP) and 57 Extended Aged Care at Home (EACH) programs and 39 Extended Aged Care at Home Dementia (EACHD) programs.

There has not been a great deal of change in the results since March, which goes against the trends of the past when it would have been expected for the results to decline from September through the rest of the year. The average operating results for High Care (Bands 1 & 2) increased by \$0.21 per bed day and the average operating result for Low Care (Bands 3 to 5) declined by \$0.24 per bed day. Income levels, care costs and other costs all remained relatively consistent with those of the March survey. Across all facilities, the average operating results decreased by \$0.08 per bed day during the quarter.

Summary of Results

Facilities sorted by High and Low Care Summary of Stewart, Brown & Co aged care financial survey for residential aged care facilities for the twelve months ended 30 June 2010. All amounts shown are measured in \$ Per Bed Day.	High Care (Bands 1 & 2)		Low Care (Bands 3 to 5)	
	Year Ended 30 June 2010 \$	Year Ended 30 June 2009 \$	Year Ended 30 June 2010 \$	Year Ended 30 June 2009 \$
Income	179.09	172.34	126.35	120.31
Care Costs	112.94	114.53	69.09	67.24
<i>Care costs as % of income</i>	63.06%	66.46%	54.68%	55.89%
Operational Costs	71.39	67.49	60.50	59.04
Total Costs	184.30	182.02	129.59	126.28
Net Operating Result	(\$ 5.21)	(\$ 9.68)	(\$ 3.24)	(\$ 5.97)
Total Facility Result	\$ 2.10	(\$ 5.16)	\$ 4.94	\$ 1.90
EBITDA per bed per annum	\$ 4,486	\$ 1,434	\$ 4,763	\$ 2,851

Significantly there has been a sustained improvement in the average operating results during this financial year compared to the last. This is despite subsidy increases at the lower end rising by less than CPI. This is not to say that everything is rosy. Let's not forget that we are talking about average operating losses. There is also a widening gap between those facilities that are doing well and those that are not and this is of concern. It would appear that after 2 years of ACFI being in place that more operators are starting to understand the instrument better and are able to better maximise their funding under it. Those that have not made this leap are performing worse than ever.

There are some other changes occurring. We reported in March 2010 that the ratio of other nursing staff to registered nurses in High Care facilities has increased from 4:1 in June 2007 to 5.3:1 in that survey. In the full year to June this has come back to 4.7:1 and the care cost to income ratio has risen from 62.83% at March to 63.06% in this survey.

On top of this change to the staff mix, the average total number of care hours worked per resident per day has been declining. An example of this is that for the Top 25% of facilities of Low Care

SB&C Aged Care Financial Performance Survey – Year Ended 30 June 2010

facilities total care hours have decreased from 1.59 hours per resident per day to 1.46 hours by March 2010. There has been a minor recovery in this latest June 2010 survey with a rise to 1.50 hours per resident per day.

Some of the outcomes from this survey are:

- The number of facilities making profits are slightly less than the March survey but significantly better than at June 2009
- 61 of the 161 (37.9%) High Care facilities achieved an operating profit (June 2009: 21.8%)
- 29 of the 161 (18.0%) High Care facilities had a negative EBITDA (June 2009: 31.8%)
- 119 of the 271 (43.9%) Low Care facilities achieved an operating profit (June 2009: 39.5%)
- 17.0% of the Low Care facilities had a negative EBITDA (June 2009: 30.5%)
- 41.7% of all facilities in the survey made an operating profit compared to 33.6% for the 2009 financial year
- 65.0% of facilities in this survey (June 2009: 50.2%) made an overall profit taking into account all sources of income and expenditure. This is also higher than the ratio of 63.5% at June 2008

The data below summarises the average operating results grouped by Bands of operating income per occupied bed day. **No group achieved an operating profit.**

Results by Income Band Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010.	Operating Income				
	Band 1	Band 2	Band 3	Band 4	Band 5
	\$	\$	\$	\$	\$
<i>Total of Facilities 432</i>	79 Facilities	82 Facilities	107 Facilities	119 Facilities	45 Facilities
Income	191.83	168.04	144.23	117.27	96.38
Care Costs	121.87	105.18	83.60	60.73	47.72
<i>Care costs as % of income</i>	63.53%	62.59%	57.96%	51.79%	49.51%
Operational Costs	71.72	71.02	63.68	58.92	55.00
Total Costs	193.59	176.20	147.28	119.65	102.72
Net Operating Result	(\$ 1.76)	(\$ 8.16)	(\$ 3.05)	(\$ 2.38)	(\$ 6.34)
Total Result	\$ 5.71	(\$ 0.99)	\$ 3.85	\$ 6.08	\$ 5.01
EBITDA per bed per annum	5,948	3,228	4,744	5,104	3,767
Funded facility result per bed per annum	5,348	2,662	4,310	4,785	3,441

The average operating result for each Band continues to be an operating loss. This has been the case since the March 2008 survey. One of the reasons that this operating loss is growing is the allocation of income between operating and capital streams. With the introduction of the "Securing the Future" package back in March 2008, there has been a shift of income from operating to capital as a result of changes to subsidy streams. At that time there was an increase in the accommodation payment/charge/supplement and a reduction and/or cessation of the pensioner supplement. This has filtered through the High Care facilities at a much faster rate than Low Care facilities, due to the faster resident turnover rate. As a result, the operating losses have been declining, but the overall profitability of the facilities has shown some signs of minor improvements. We will examine this in a little more detail later in the report.

However, the conclusions reached were:

- On average the overall profitability of residential aged care facilities as measured by the Funded Facility Result is *greater* in this survey than it was in 2007
- The Band with the highest Funded Facility Result is Band 1 with \$5,348 per bed per annum. At this level it would not cover the cost of borrowing on the typical cost of construction of a residential facility
- The gap between the survey average for each Band and the top quartile as measured by both the operating result and the Funded Facility Result is *greater* in this survey than in 2007

The table below summarises the averages for the Top 25% of facilities in each Band. ***These are the results we recommend to be used for benchmarking results.***

Top 25% by Band Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010.	Operating Income – Top 25% facilities in each Group				
	Band 1 \$	Band 2 \$	Band 3 \$	Band 4 \$	Band 5 \$
Total of Facilities 109	20 Facilities	21 Facilities	27 Facilities	30 Facilities	11 Facilities
Income	192.05	166.44	142.19	117.02	99.92
Care Costs	109.70	94.02	63.65	42.23	34.37
Care costs as % of income	57.12%	56.49%	44.76%	36.09%	34.40%
Operational Costs	61.75	64.36	57.78	53.76	52.58
Total Costs	171.45	158.38	121.43	95.99	86.95
Net Operating Result	\$ 20.60	\$ 8.06	\$ 20.76	\$ 21.03	\$ 12.97
Total Result	\$ 24.55	\$ 10.49	\$ 22.74	\$ 26.49	\$ 21.34
EBITDA per bed per annum	12,462	7,939	10,777	12,830	10,309
Funded facility result per bed per annum	11,925	7,646	10,511	12,655	10,121

Wages Data

Table 8	Band 1	Band 2	Band 3	Band 4	Band 5	Bands 1 & 2 Average	Bands 1 & 2 TOP 25%	Bands 3 - 5 Average	Bands 3 - 5 TOP 25%
Total care Hours	3.17	2.90	2.45	1.86	1.55	3.03	3.04	2.09	1.50
Hotel services	0.60	0.61	0.58	0.49	0.48	0.60	0.61	0.53	0.43
Maintenance	0.05	0.07	0.06	0.06	0.06	0.06	0.05	0.06	0.05
Administration	0.15	0.20	0.15	0.14	0.17	0.17	0.15	0.15	0.10
Total Hours	3.97	3.78	3.24	2.55	2.27	3.87	3.85	2.82	2.08

Being the largest single expense in the day to day operations of a residential aged care facility, the control of wages continues to drive profitability. In this survey the average cost of wages as a percentage of operating income for High Care facilities was 70.86%. This is significantly less than the average of 73.43% for the year ended June 2009 (and the average of 74.74% for the year to June

2008). In Low Care facilities the average was 65.87% which is marginally less than the average of 66.64% at June 2009 and marginally higher than the average of 64.60% for the year to June 2008.

Contracting Analysis

Cost Comparison of Contract Services and In-house Services	High Care Facilities		Low Care Facilities	
	Contracted \$	In-House \$	Contracted \$	In-House \$
Catering				
<i>Total Cost</i>	24.08	21.52	20.91	19.27
Cleaning				
<i>Total Cost</i>	6.12	6.60	4.99	5.40
Laundry				
<i>Total Cost</i>	4.69	3.31	2.81	2.36

In the detailed report we examine the significant rise in contract catering costs in High Care facilities. Further increases in the contract catering cost in High Care are a concern.

Community Care

Community Care continues to provide positive results for those operators of CACP and EACH packages. The CACP average result was a profit of \$2.67 (June 2009: \$3.50) per client day and for EACH packages it was \$14.31 (June 2009: \$10.55) per client day. We have split EACH Dementia packages into their own category and these services show an operating profit of \$14.52 (June 2009: \$19.88) per client day.

The profitability of CACP's has been in gradual decline for some time. On the other hand, EACH and EACHD packages are more profitable on average than CACP's ever were. Operators are achieving profits similar to the top quartile of residential care facilities – without the costs associated with the capital needed to construct those facilities. One of the interesting observations from this survey is the fact that the profitability of EACH and EACHD packages are almost identical as are the staff hours per client per week. It will be interesting to see how these profits move over time as the needs of the clients increase with greater frailty.

The table below summarises the hours per package per week for CACP, EACH and EACHD.

<i>Average staff hours per week per client package</i>	CACP	EACH	EACHD
Direct client care staff	4.51	13.02	13.06
Coordinators/Case managers	0.96	2.43	2.14
Administration	0.48	1.25	1.51
	5.95	16.70	16.70

Additional analysis this survey

We have collected a significant amount of additional data this survey including extracts from the financial statements of participants, property design details, concessional/supported resident ratios and energy usage. Our full analysis of this information is included in the supplemental section of this report. In addition our report also includes state based analysis for residential care as well as benchmark (top quartile) data for CACP programs. We have also examined CACP results based on the number of packages in a program. This is a bumper edition report!

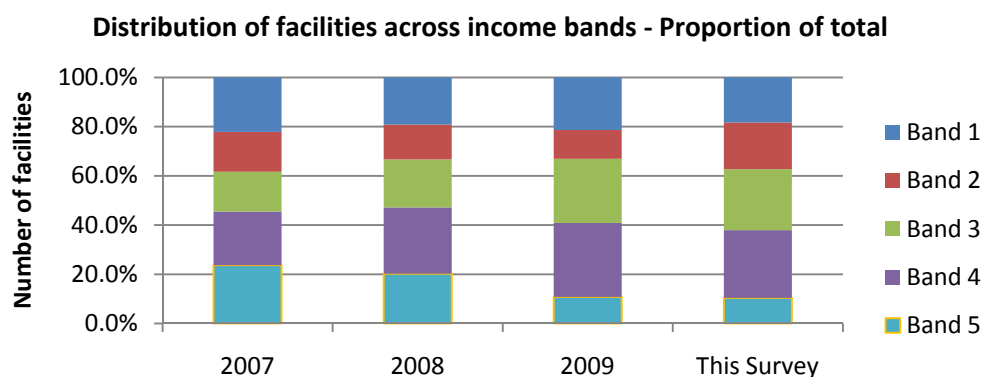
NOTES FOR THE JUNE 2010 SURVEY

Revenue Bands

The revenue Bands in this survey have remained the same as the other surveys in this financial year.

The income levels for each of the Bands are as follows:

	This Survey	2009 Surveys	June 2008 Survey
Band 1	Over \$180	Over \$173	Over \$163
Band 2	\$155 to \$180	\$153 to \$173	\$150 to \$163
Band 3	\$130 to \$155	\$122 to \$153	\$120 to \$150
Band 4	\$105 to \$130	\$97 to \$122	\$95 to \$120
Band 5	Under \$105	Under \$97	Under \$95



As you can see, there has been a shift in the distribution of facilities over the past 4 years. Some of this has been as a result of the changing of the Band parameters, however it has also been influenced by the changing profiles of the facilities participating in the survey. As many facilities adopted ageing in place they transitioned from the lower Bands into the middle and upper Bands. In this current financial year we have adopted a standard revenue interval between Bands of \$25. It is our intention to make this our policy in future surveys. However, with the growing number of participants we anticipate eventually making the Bands even narrower so that benchmarking can be more focused and facilities can be compared more closely to their counterparts.

EBITDA

Our Calculation

Our EBITDA calculation is as follows:

- Our starting point is the Net Result of a facility including all sources of income and expenditure directly associated with that facility as reported to us.
- In calculating EBITDA we add back interest expense on borrowings and outstanding bonds, depreciation expense (operating and non-operating), and we exclude interest income on funds invested.

One of the more controversial issues in this measurement is whether or not to include interest income in the calculation. We decided against this because there was no consistency across organisations as to whether interest is reported as income at the facility level.

Funded Facility Result (FFR)

As an alternative to EBITDA we have defined the Funded Facility Result as a measurement of whether a facility can operate profitably within the guidelines and funding arrangements under the *Aged Care Act*. We have included all subsidy income, all charges to residents for their care and accommodation and any retentions that may be charged on bonds. We have excluded depreciation and amortisation, taxation expenses, interest income and expense and any other income such as donations and bequests and other sources of income. It is the exclusion of these other sources of income that sets it apart from the EBITDA measure.

This measure shows us how a facility performed using the funding available to it under the *Aged Care Act* excluding the effects of any financing decisions, depreciation policies or how the entity might be structured for taxation purposes. It also shows us what is available to recover the costs of building.

The table below shows what the FFR would have been for each of the Bands for the June 2009 and June 2008 surveys as well as for each survey period in the current financial year. The amounts shown are \$ per annum.

	All Facilities	Band 1	Band 2	Band 3	Band 4	Band 5
June 2010						
Funded Facility Result	4,213	5,348	2,662	4,310	4,785	3,441
December 2009						
Funded Facility Result	4,403	6,252	3,147	3,946	5,243	3,394
September 2009						
Funded Facility Result	4,739	5,716	4,696	4,551	5,069	3,249
June 2009						
Funded Facility Result	1,937	1,313	292	1,445	3,592	2,045
June 2008						
Funded Facility Result	3,482	3,212	2,117	4,635	4,139	2,300

All Bands (except Band 3) are currently better off using this measure than in both the 2009 and 2008 financial years. However, there has been some decline in the FFR for a number of the Bands since the September survey. This is expected given the decline in the operating results in this survey period compared to September.

If an aged care provider was to construct a new High Care facility with a typical construction cost of around \$200,000 per place, the payback period based on the daily income streams available to it would be somewhere between 37 and 75 years. This is not an acceptable return by any known measurement. It is further evidence that current funding arrangements are not likely to encourage the construction of High Care places without the inclusion of extra service places.

We will examine the movement of the Funded Facility Result compared to operating results in more detail later in the report. We believe that this measure or one like it will become increasingly important as a result of the continual shifting of fees and subsidies between the operating and capital income streams.

DETAILED ANALYSIS

This current survey has provided a few surprises. The results for residential aged care facilities have not followed normal trends and continued the annual decline towards June. Up until December 2009 normal trends were being repeated. There was a spike in September as new subsidy rates and increases to resident fees kicked in. The lift in results in the September survey was more than likely exaggerated by the lifting of the cap on subsidy rates by a further \$10 per bed day resulting in a significant rise in subsidy rates at the High Care end of the spectrum. Results then started to decline again in the December survey. While the average results of those facilities in bands 3 to 5 (low care) have declined further since December the average results of those facilities in bands 1 and 2 (high care) have improved during that period. The average result across all facilities was a loss of \$3.96 per bed day and in December it was a loss of \$3.89 per bed day.

Profile of Participants

There are 432 residential aged care facilities in this survey making it by far our biggest ever. This is an increase of 99 aged care facilities over the past 12 months. There are facilities in this survey representing all States of Australia. There are 221 community care programs including CACP, EACH and EACH Dementia. We would like to take this opportunity to thank all those long term participants as well as welcome the new participants.

Activity	Number of facilities / programs				Number of beds / places			
	This Survey	June 2009	June 2008	June 2007	This Survey	June 2009	June 2008	June 2007
Band 1	79	71	54	56	5,489	5,144	3,767	3,991
Band 2	82	39	40	41	6,379	2,821	2,823	2,856
Band 3	107	87	55	41	9,013	8,006	5,011	3,148
Band 4	119	100	76	55	8,475	6,984	4,903	3,837
Band 5	45	36	57	60	2,745	2,390	3,608	4,037
<i>Residential</i>	432	333	282	253	32,101	25,345	20,112	17,869
CACP	125	88	65	62	6,629	4,040	3,469	3,215
EACH	57	39	29	21	956	804	494	386
EACHD	39	21	-	-	382	186	-	-
<i>Community</i>	221	148	94	83	7,967	5,030	3,963	3,601
Total	653	481	376	336	40,068	30,375	24,075	21,470

The residential facilities are located in the following states and territories:

	NSW/ACT	VIC	SA / NT	TAS	QLD	WA	TOTAL
Bands 1 & 2	99	29	8	5	12	8	161
Bands 3 to 5	174	24	8	18	24	23	271
Total	273	53	16	23	36	31	432

We are able to provide some data based on State averages in this survey. It is at a relatively high level based on the numbers involved in each state however as numbers continue to grow so will the level of analysis.

RESIDENTIAL CARE

Summary of Results

The tables below display the results of the survey for High Care and Low Care facilities based upon their operating income. We have designated as High Care those facilities with operating income of \$155 per occupied bed day or higher (Bands 1 & 2). Those with a lower operating income are classified as Low Care (Bands 3 to 5). The average operating loss of High Care facilities was \$5.21 per occupied day and for Low Care it was a loss of \$3.24 per occupied day.

From a benchmarking viewpoint we believe that it is less important to use these High/Low Care designations and more important to benchmark to those facilities within similar income Bands – indicating similar resident profiles. Many “Low Care” facilities now have a predominance of High Care residents in their facility. Similarly, some co-located facilities are now managed as one, often under the same RACS ID. What may once have been a High Care facility and Low Care facility is now mid range. We will still continue to group facilities as High Care and Low Care as this has implications from an accommodation bond viewpoint. However, from a benchmarking viewpoint we would encourage participants to align more closely to the individual Income Bands. The intention is to make these Bands narrower so that closer comparisons can be made between facilities and benchmarking can become more focused.

Table 1 Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010. All amounts shown are measured in \$ Per Bed Day.	High Care (Bands 1 & 2)			Low Care (Bands 3 – 5)		
	Year Ended 30 June 2010 \$	Year Ended 30 June 2009 \$	Change \$	Year Ended 30 June 2010 \$	Year Ended 30 June 2009 \$	Change \$
Income	179.09	172.34	6.75	126.35	120.31	6.04
Care Costs	112.94	114.53	1.59	69.09	67.24	(1.85)
<i>Care costs as % of income</i>	63.06%	66.46%		54.68%	55.89%	
Operational Costs						
Catering	22.36	21.42	(0.94)	19.95	19.49	(0.46)
Cleaning	6.46	6.21	(0.25)	5.26	5.22	(0.04)
Laundry	4.03	4.29	0.26	2.59	2.50	(0.09)
Property & maintenance	12.08	10.51	(1.57)	10.66	10.36	(0.30)
Utilities	4.47	3.80	(0.67)	4.24	3.58	(0.66)
Administration	21.96	21.26	(0.70)	17.80	17.89	0.09
Total Operational costs	71.36	67.49	(3.87)	60.50	59.04	(1.46)
Total Costs	184.30	182.02	(2.28)	129.59	126.28	(3.31)
Net Operating Result	(\$ 5.21)	(\$ 9.68)	4.47	(\$ 3.24)	(\$ 5.97)	2.73
Total Facility Result	\$ 2.10	(\$ 5.16)	7.26	\$ 4.94	\$ 1.90	3.04
EBITDA per bed per annum	\$ 4,486	\$ 1,434		\$ 4,763	\$ 2,851	
Funded Facility Result	\$ 3,906	\$ 945		\$ 4,391	\$ 2,398	
Average Bond held	\$ 180,410	\$ 142,241		\$ 170,747	\$ 156,639	
Ave Bond Taken past 12 mths	\$ 223,264	\$ 199,726		\$ 232,022	\$ 235,195	

Bands 1 & 2 (High Care)

After significant improvements in the operating results in September, the December survey saw results come back to a level of normality. Such an improvement is not unusual for the first quarter of the year. It usually has the benefit from subsidy increases from 1 July, resident fee increases at the end of the quarter and only modest cost increases. The normal trend in past years has been for a continuing decline in results after the September peak so that by year end the results are often worse than the previous year. This trend is displayed in illustration 1 (next page).

This trend did continue in the March survey when the results for facilities in Bands 1 & 2 declined marginally (\$0.22 per bed day) so that average results were a loss of \$5.60 per bed day. This decline was significantly less than expected. Given the decline in results in the December survey and the trends in past years, we might have expected the results to decline by between \$2 and \$4 per bed day in that survey period. We reported at the time that it was too early to tell whether things had stabilised. While that is still the case, it is significant that the results for the full year show a slight improvement since March so that the average result for this group of facilities is now a loss of \$5.21 per bed day. This is an improvement of \$4.47 per bed day compared to the 2009 financial year. It is also significant that the average total result for the facility is now a profit of \$2.10 per bed day compared to a loss of \$5.16 per bed day for the 2009 year.

There are a number of good signs. On average, care costs have declined over the course of the year and as will be shown later in this report, the care cost to income ratio of facilities across most income bands shows signs of a decline. This can be a good thing – as long as it is a result of increasing income levels and that staff hours are not being cut to the point where it is affecting levels of care. There has been some increase in the hours worked and care cost to income ratio in this past quarter so we may have seen the point reached where productivity savings are going to be increasingly difficult to achieve without impacting on care levels.

Income levels continue to benefit from the relaxation of the subsidy cap by a further \$10 per bed day from 1 July 2009. The highest daily care subsidy is now capped at \$20 above the maximum RCS saved rate. This increase, on top of the increase in the actual RCS saved rates, has benefited the High Care facilities in particular because they had more residents on the capped subsidy rate. Over the year average income for the facilities in bands 1 and 2 rose by \$7.75 per bed day. Care costs decreased by an average of \$1.59 per bed day resulting in the care cost to income ratio decreasing from 66.46% in 2009 to 63.06% this year.

With the exception of laundry, the other costs areas have increased during this survey period compared to June 2009. Administration costs continue to rise. We also observed significant rises in utility costs in the September survey and these have been maintained in this survey. We have a closer examination of these costs later in this report.

Bands 3 to 5 (Low Care)

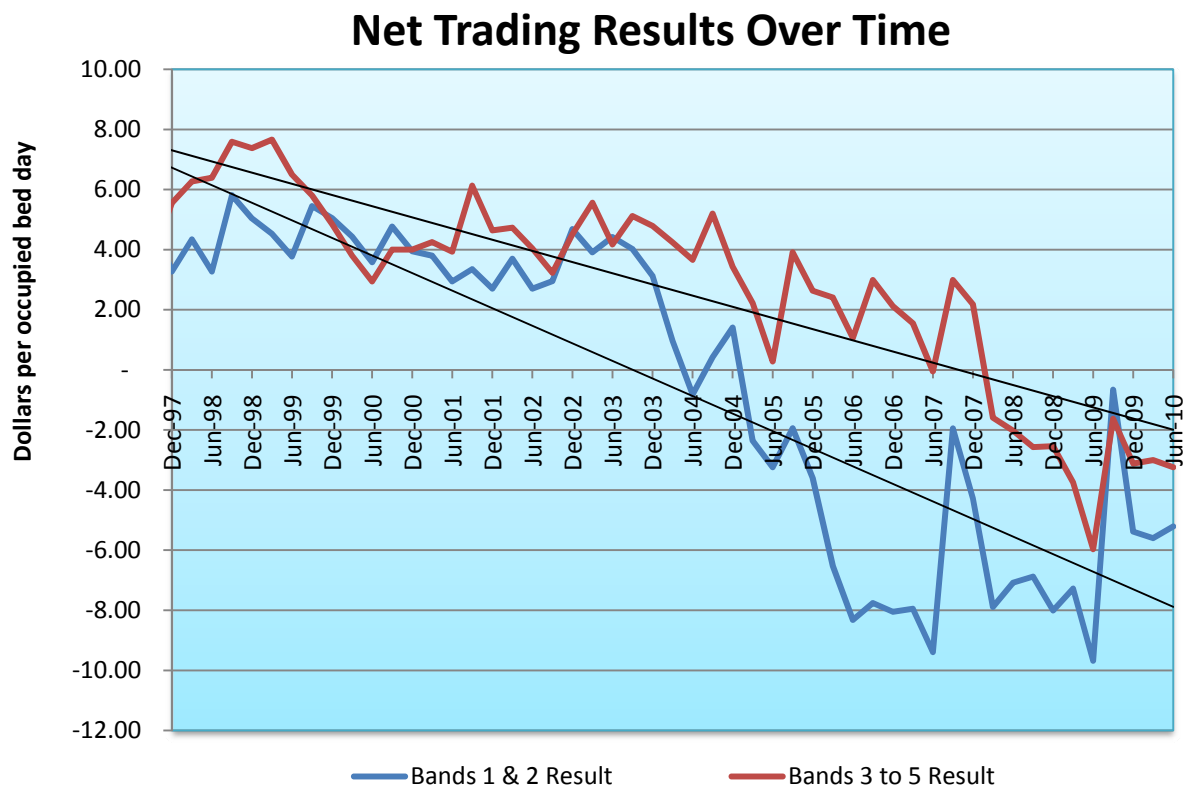
Facilities in bands 3 to 5 have achieved better results on average in this survey compared to the June 2009 financial year and unlike the facilities in bands 1 and 2 show a decline in results since December albeit marginal. The average operating loss for the period was \$3.24 per bed day, an improvement of \$2.73 per bed day on the results for the 2009 year. The improvement in results has largely been due to the increases in income being greater than increases in costs. In comparison to facilities in bands 1 and 2, where care costs had declined since the 2009 year, Low Care facilities have seen a marginal increase in care costs of \$1.85 per bed day although the care cost to income ratio has declined from 55.89% for 2009 to 54.68% in the 2010 financial year.

The facilities in bands 3 to 5 have not experienced the significant rise in administration costs since June 2009 that facilities in bands 1 and 2 experienced.

In contrast administration costs actually decreased by \$0.09 per bed day, whereas the average increase for facilities in bands 1 and 2 was \$0.70 per bed day.

Result Trends

Illustration 1



The illustration above depicts the movement in the net trading results of facilities over time. You can see the 'spike' in the results for the September quarter which is more pronounced than in recent years. One of the interesting aspects to this graph is the convergence of the results of the two groups of facilities.

In this survey:

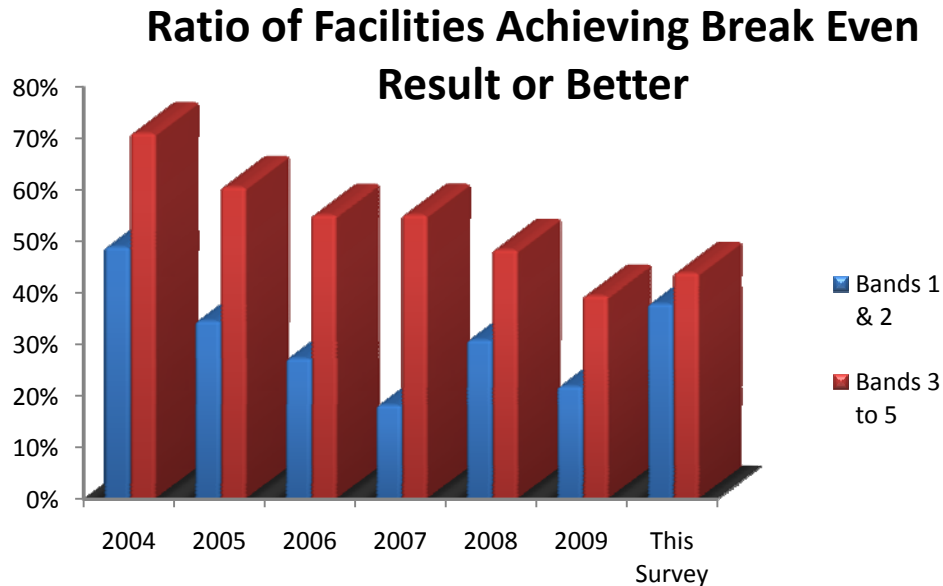
- The number of facilities making profits are slightly less than the March survey but significantly better than at June 2009
- 61 of the 161 (37.9%) High Care facilities achieved an operating profit (June 2009: 21.8%)
- 29 of the 161 (18.0%) High Care facilities had a negative EBITDA (June 2009: 31.8%)
- 119 of the 271 (43.9%) Low Care facilities achieved an operating profit (June 2009: 39.5%)
- 17.0% of the Low Care facilities had a negative EBITDA (June 2009: 30.5%)
- 41.7% of all facilities in the survey made an operating profit compared to 33.6% for the 2009 financial year
- 65.0% of facilities in this survey (June 2009: 50.2%) made an overall profit taking into account all sources of income and expenditure. This is also higher than the ratio of 63.5% at June 2008

To give some notion of relativity to these ratios 48.9% of High Care facilities and 71.1% of Low Care facilities achieved an operating profit at June 2004.

The average total net result across all the facilities was a profit of \$3.89 per bed day compared to a loss of \$0.35 per bed day at June 2009. At June 2008 this was a profit of \$4.61 per bed day.

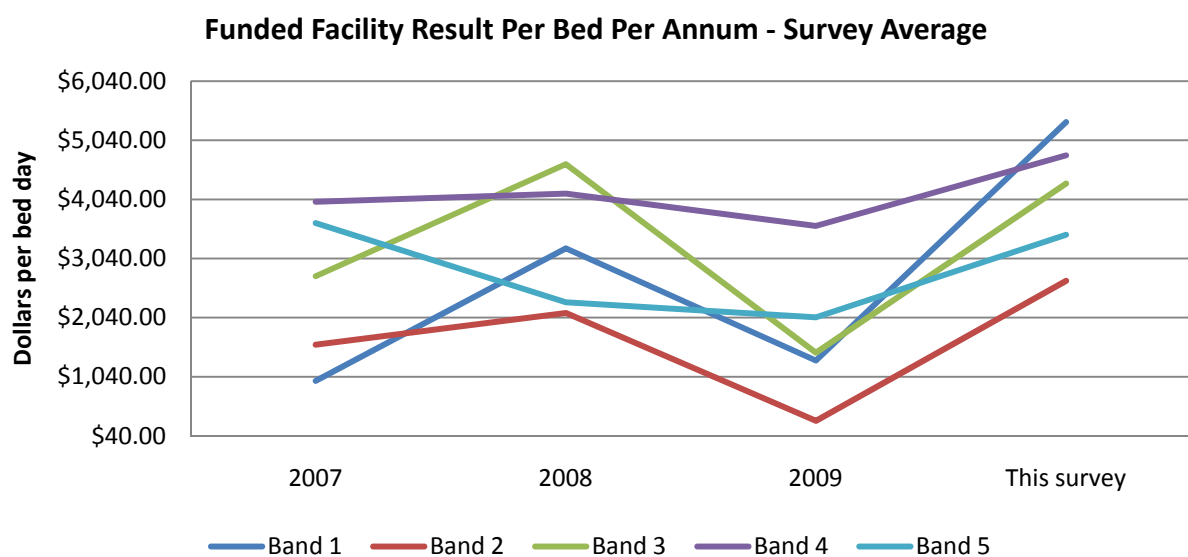
Illustration 2 depicts these break even ratios over a period of time.

Illustration 2



Using the Funded Facility Result (FFR) as a profit measurement we can see that there have been some improvements in results for Bands 1 through 4 since June 2007. In the case of facilities in Band 5, after an initial decline in the FFR in the 2008 financial year, the FFR has remained relatively constant since then. So if we take out the cost of the building and equipment (depreciation) and take out income factors such as fundraising income and interest revenue then facilities do make a profit over all. However, at an average of just over \$5,000 per bed per annum for a facility in Band 1 it would take over 37 years to recover the cost of constructing a new facility and that does not take into account the cost of borrowings.

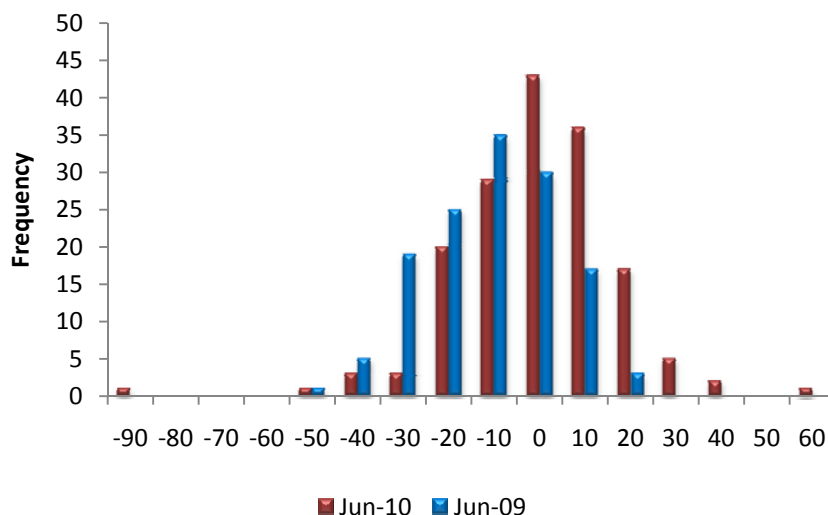
Illustration 3



Data Distribution

Illustration 4

Bands 1 & 2 Histogram



Illustrations 4 (above) and 5 (below) show the distribution of results for facilities in the survey in Bands of \$10. In both graphs there has been a distinct shift to the right due to more facilities achieving better results, including operating surpluses.

Illustration 5

Bands 3 to 5 Histogram

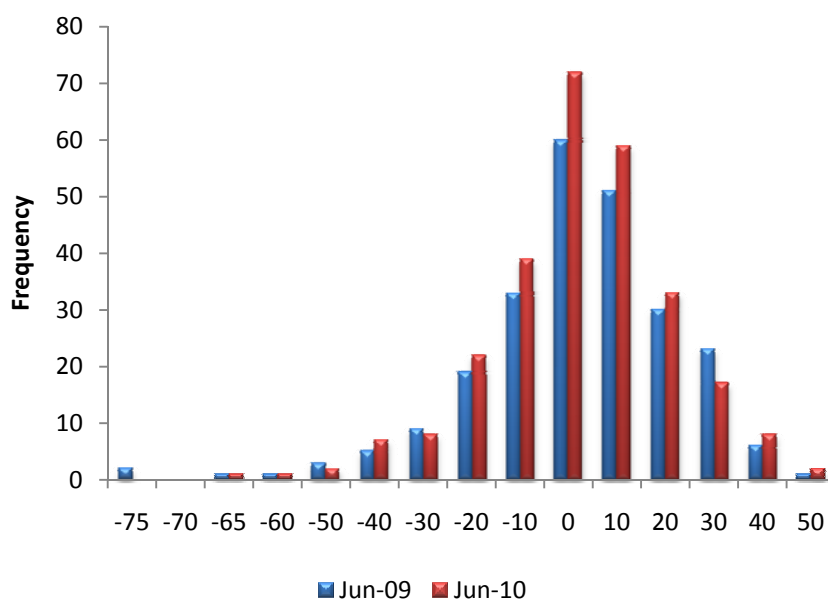
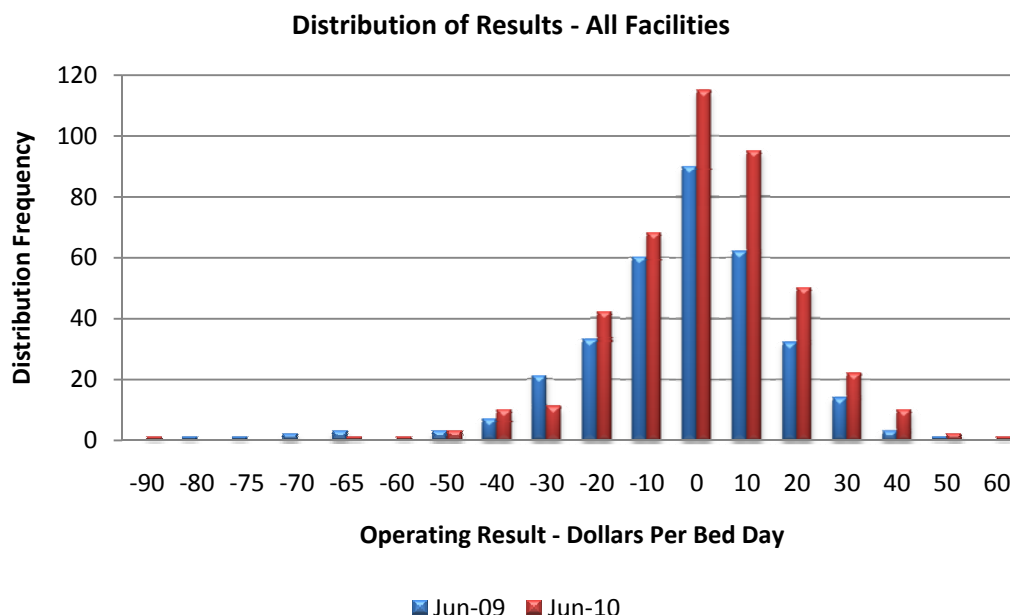


Illustration 6 shows the distribution of all the facilities in the survey. Again, it shows a shift to the right where there are significant increases in the Bands to the right of break even and decreases in the frequency of facilities in the loss making Bands.

Illustration 6



Movements in Care Costs

For facilities in bands 1 and 2, care costs as a percentage of income are approximately 3.4% lower at this point than at June 2009. Whilst there has been a significant rise in income, there has also been a decrease in care costs. Facilities in bands 3 to 5 have also achieved a decrease in the care cost to income ratio and this amounted to 1.21% since June 2009. This is despite an increase in the actual average care cost of \$1.85 per bed day.

The following graph (illustration 7) shows the movement in this care cost to income ratio over 12 years. During this period you can see the fairly steady and generally steep increase in the Low Care ratio. By contrast, the High Care ratio has been relatively stable although it did see fairly constant increases in the ratio from June 2003 to June 2006. During this time increases in award rates of pay were greater than the relative increases in subsidies and resident fees.

Illustration 7

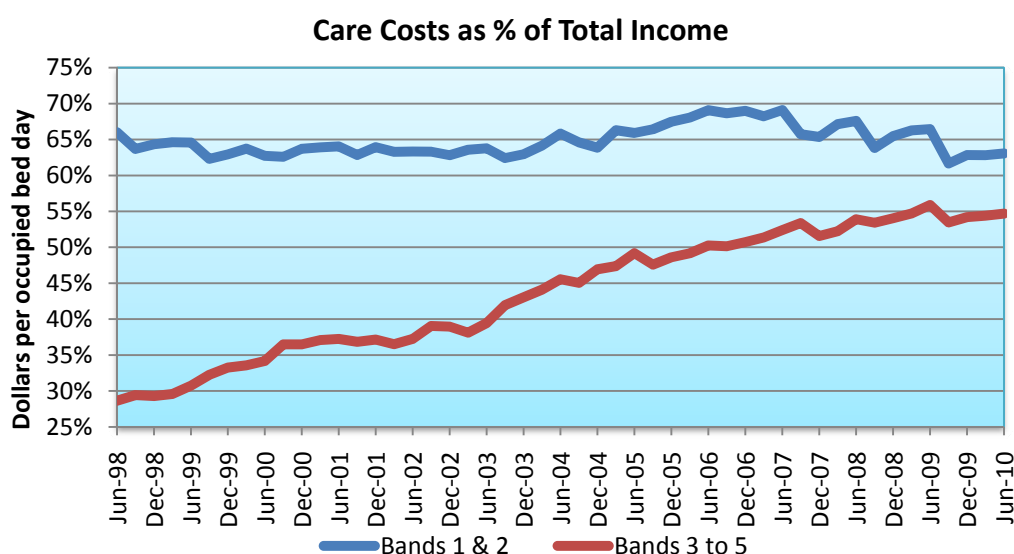


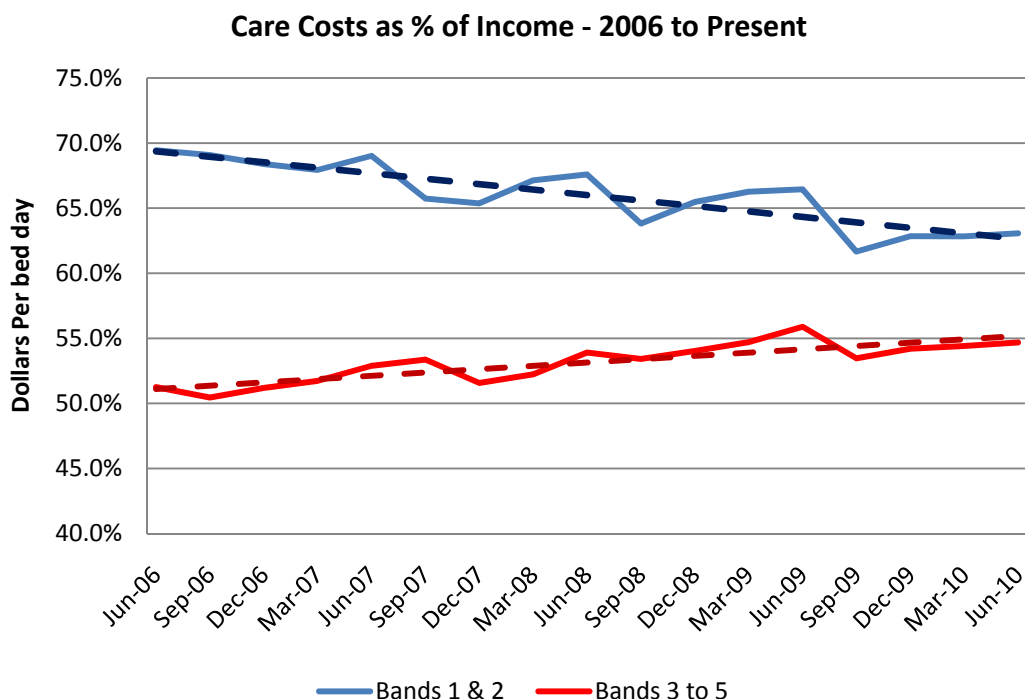
Illustration 8


Illustration 8 (above) shows a snapshot of the trend in the care cost to income ratio for the past 4 years. This is the period during which the ratio was in general decline for facilities in bands 1 and 2 and where the increase for bands 3 to 5 was at a slower rate than it had been. Given the changing nature of residential aged care, particularly the overall increase in the acuity of the residents it is not surprising that we are observing a convergence of the ratio of the two groups. It will be interesting to observe the movement of this ratio over the coming surveys. We have already seen some recovery in the amount of care hours provided per resident per day so it is possible that this ratio has bottomed out for facilities in bands 1 and 2. There are a number of things that are likely to affect it during the coming year including:

- No longer having a release of the cap on ACFI subsidies meaning that there will be no “surge” in subsidy rates at the high end of the subsidy scale
- Agitation from the nursing fraternity to increase the numbers of nursing staff in aged care facilities
- Potential for a surge in wage rates as a result of the new industrial relations system

Other Operating Costs

The illustrations on the next page display the breakdown of costs in the two groups of facilities. As you might expect the main difference between the two is the proportion of expenditure allocated to direct resident care. However, this ratio is becoming closer over time as shown in Illustrations 7 and 8. This gap is now only 8.2% compared with 10 years ago when the gap was close to 35%.

Illustration 9

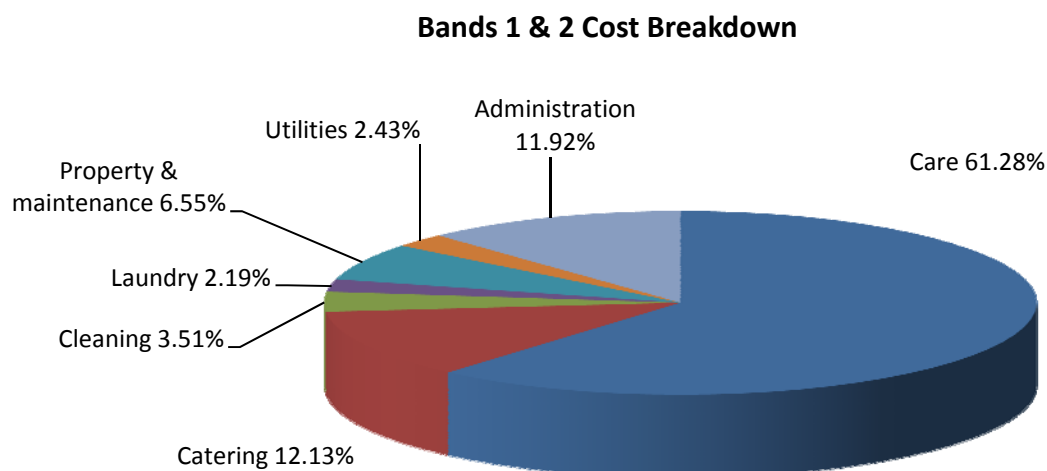
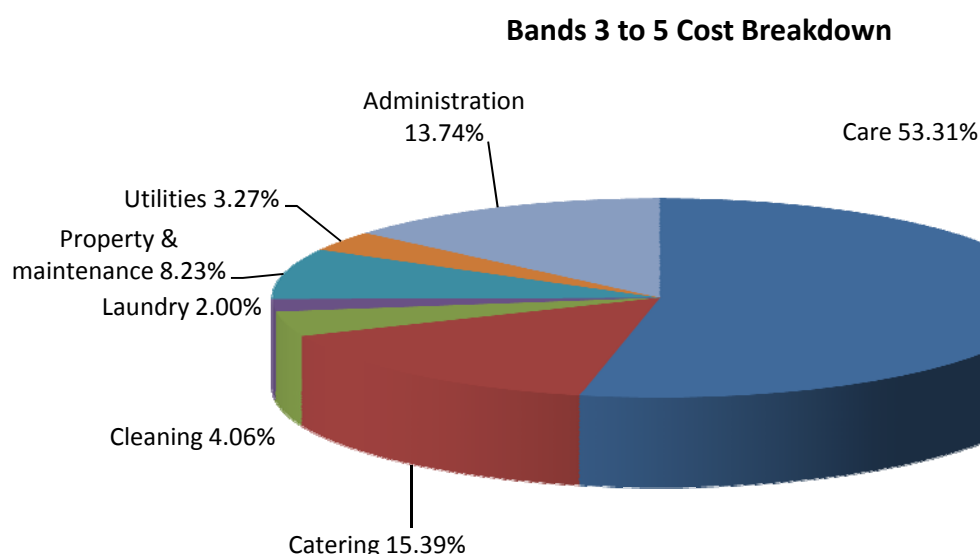
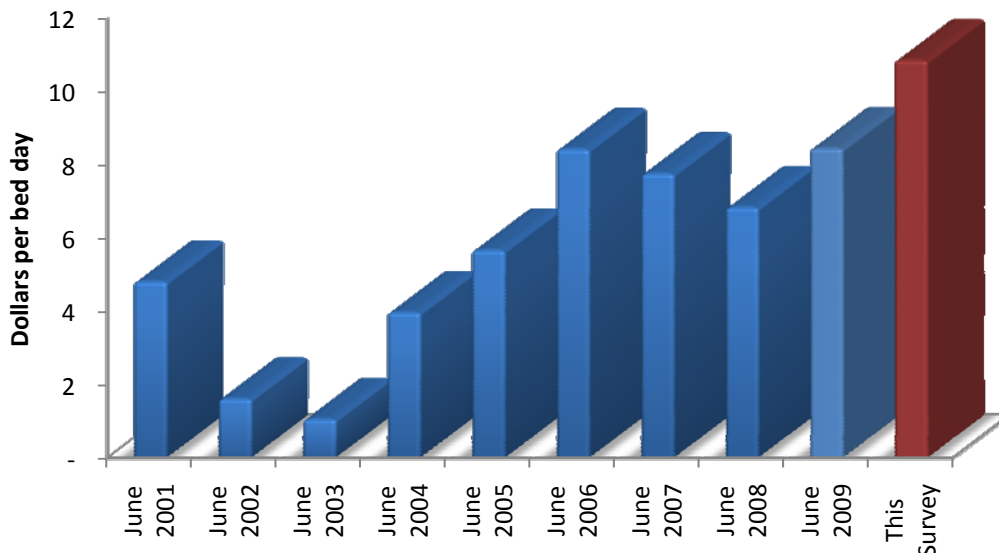


Illustration 10

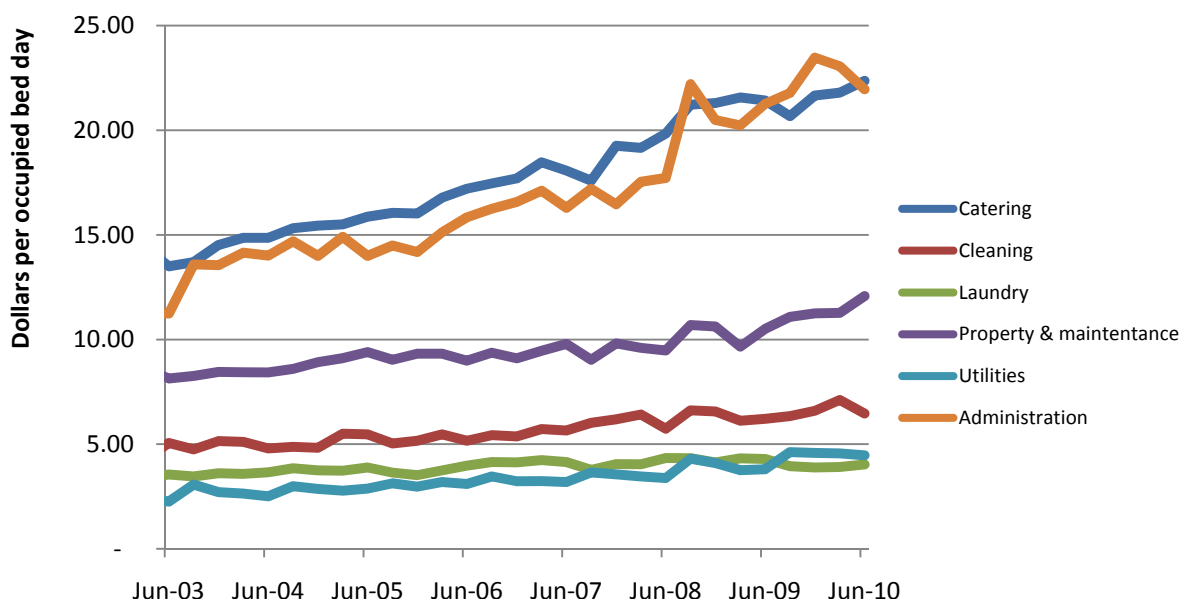


There has been a further increase in the differential between operating costs of the two groups of facilities in this survey period. There has also been a significant rise in the differential between the surplus available after care costs for High and Low Care facilities. At June 2009 the surplus available to High Care and Low Care facilities was \$57.81 and \$53.07 per bed day respectively, a difference of \$4.74 per bed day. In this survey period these amounts are \$66.15 for facilities in bands 1 and 2 and \$57.26 for facilities in bands 3 to 5, a difference of \$8.89 per bed day. This is almost double what it was at June 2009. Similarly, the differential between operating costs has gone from \$8.45 at June 2009 to \$10.86 in this survey, an increase of \$2.41 per bed day. The following illustrations and tables clearly show these changes.

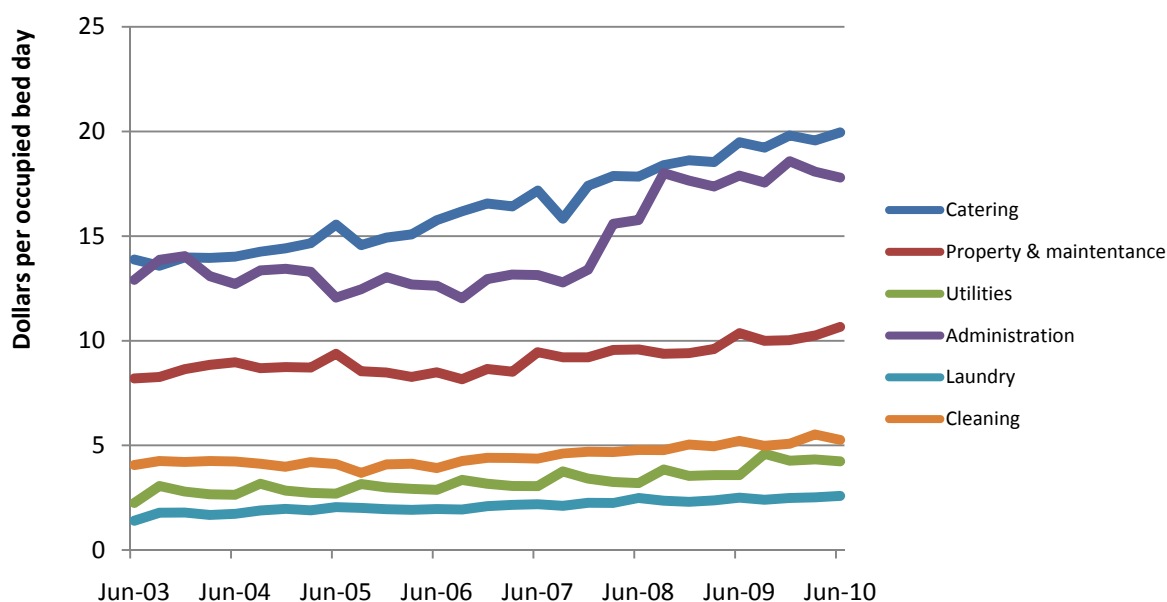
Illustration 11
Operating Cost Differential Between Bands 1 & 2 and Bands 3 to 5


<i>Table 2</i>	<i>Bands 1 & 2</i>	<i>Bands 3 to 5</i>	<i>Difference This Survey</i>	<i>Difference June 2009</i>
Surplus after Care Costs	66.15	57.26	8.89	4.74
Other Operating Costs				
Catering	22.36	19.95	2.41	1.93
Cleaning	6.46	5.26	1.20	0.99
Laundry	4.03	2.59	1.44	1.79
Property & maintenance	12.08	10.68	1.42	0.15
Utilities	4.47	4.24	0.23	0.22
Administration	21.96	17.80	4.16	3.37
Total	71.36	60.50	10.86	8.45

Two of the main areas of expense that contribute to this difference are catering and administration expenses but there are also significant differences in the other expense areas as well. The movements in all these non-care expenses are shown in the graphs below.

Illustration 12
Bands 1 & 2 Non-Care Costs


The past two surveys have seen administration costs for those facilities in bands 1 and 2 decrease from an average of \$23.47 per bed day at December 2009 to \$21.96 per bed day in this survey. In contrast catering costs continue to rise across all facilities in the survey. Interestingly property and maintenance costs in the facilities in bands 1 and 2 have increased for a number of survey periods now. We will be monitoring this and attempting to ascertain what is behind this increase. Initial indications is that a large part of it is to do with additional depreciation on plant and equipment.

Illustration 13
Bands 3 to 5 Non-Care Costs


Administration Costs

The two graphs on pages 16 and 17 show the increases in catering and administration costs over time. With regard to the differential between administration costs in High Care and Low Care, this is mainly due to differences in administration charges and wage costs. Table 3 breaks this cost item down into its individual components to highlight which item contributes more than the others to the total difference.

Table 3	Bands 1 & 2	Bands 3 to 5	Difference This Survey	Difference June 2009
Administration Costs				
Administration charges	10.89	8.50	2.39	2.07
Staff costs (direct)	5.98	5.59	0.39	0.66
Workers compensation (non-care wages)	1.40	0.76	0.64	0.26
Other administration costs	3.69	2.95	0.74	0.38
Total	21.96	17.80	4.16	3.37

One of the items that may be impacting on these administration costs is the additional cost of computer systems including licence fees, maintenance charges and the amortisation of software and infrastructure costs. In the administration survey that we conducted in 2009 we found that a significant number of participants had implemented one or more computer systems to assist with the administrative burden and to help with linking clinical and financial systems including linking with Medicare for the purpose of subsidy claiming. Of course, most of the initial costs of these systems would have been capitalised but the ongoing costs associated with them would now be impacting on the profit and loss account.

Utility Costs

As observed earlier in this report, we have seen a significant and sustained rise in utility costs over the past two years. As shown in the table below, there has been a 20% increase in total utility costs since June 2009 across all the facilities in the survey. Whilst the increases in electricity costs lead the way, there have also been increases in the other areas as well. Interestingly, while there was a large increase in the cost of rates between the 2008 and 2009 years, there has been no such rise in the current financial year (refer to illustration 16 on page 23).

Table 4	Electricity		Gas		Rates		Rubbish Removal		Total Utility Costs	
	This Survey	June 2009	This Survey	June 2009	This Survey	June 2009	This Survey	June 2009	This Survey	June 2009
Band 1	2.43	1.86	0.52	0.63	0.54	0.60	0.58	0.55	4.07	3.64
Band 2	2.95	2.32	0.61	0.64	0.75	0.63	0.50	0.49	4.80	4.08
Band 3	2.59	2.15	0.58	0.56	0.69	0.65	0.55	0.39	4.41	3.75
Band 4	2.48	1.98	0.52	0.53	0.64	0.58	0.53	0.39	4.17	3.48
Band 5	2.24	1.76	0.53	0.49	0.67	0.56	0.42	0.49	3.85	3.31
All Facilities	2.57	2.03	0.55	0.57	0.66	0.61	0.53	0.44	4.32	3.65
% Change	26.6%		-3.5%		8.2%		20.5%		18.4%	

On each of the following graphs, we have included a comparison to a CPI adjusted amount based on the costs at June 2004. While the costs have generally risen at a rate slightly above this CPI adjusted amount there has been a significant departure from this amount in the 2009 and current financial years. These trends are likely to show us a glimpse of the future. Building design, the use of alternative energy sources and the storage of rainwater will become increasingly important to ensure that these costs can be managed effectively. It may also cause providers to re-examine the case for expenditure on things like solar panels that may have been too expensive to justify in the past.

Illustration 14

Movement in Total Utility Costs

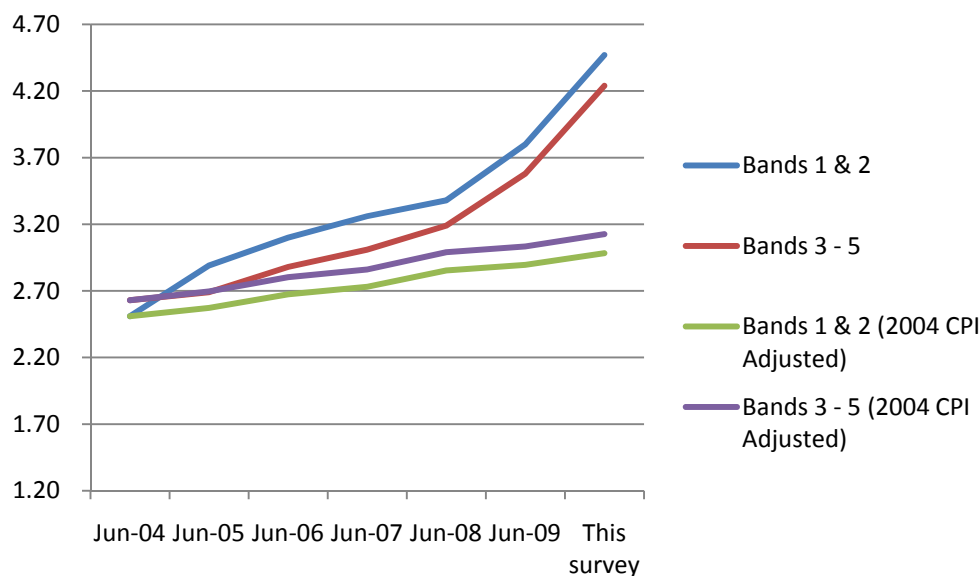


Illustration 15

Movement in Electricity Costs

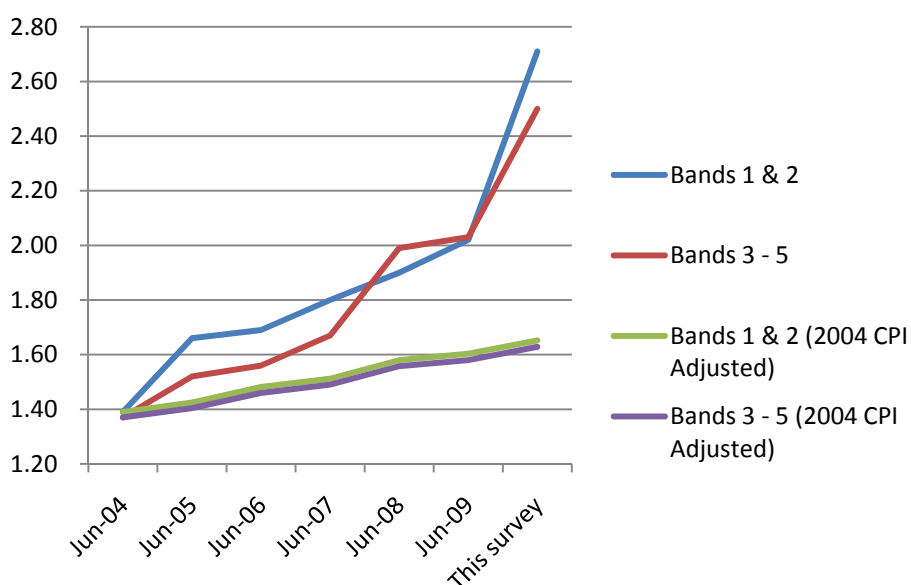
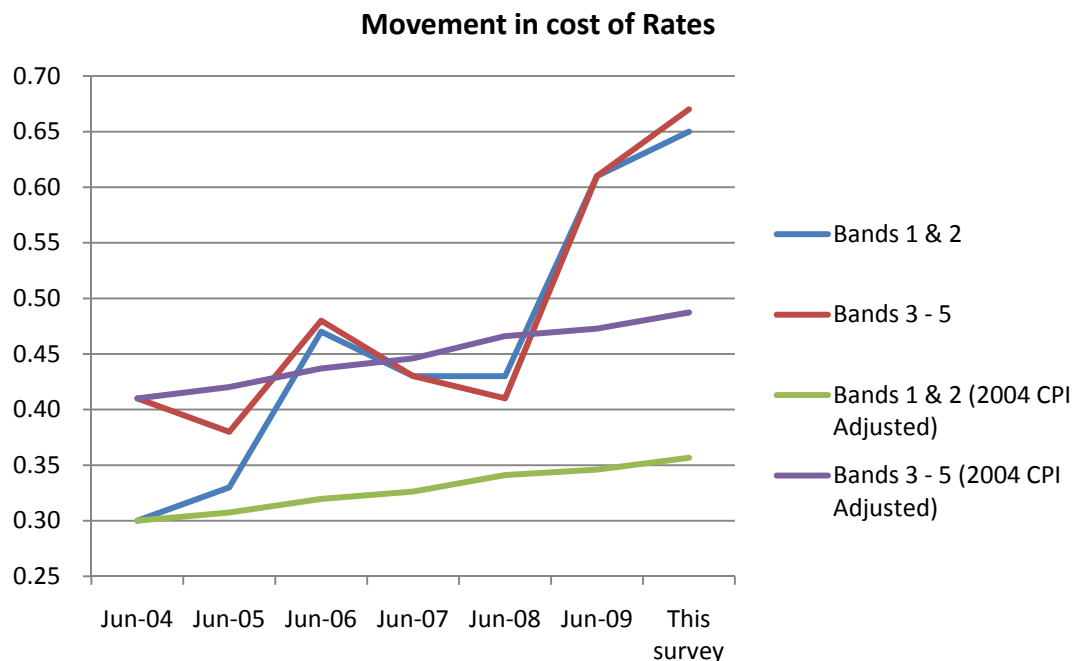


Illustration 16


These graphs show that the total utility costs have increased at an accelerated rate during the 2009 and current financial years. During the 2009 year it was largely the increase in rates that had the biggest impact and in the current financial year it is the rise in electricity costs. This survey continues to show these sustained increases in the cost of utilities. In the past these costs were often thought of as fixed and not “manageable”. It is becoming increasingly clear that managers will need to start managing these costs as well as those that have traditionally been within their purview.

We have received a number of enquiries on whether we might look at gathering information on utility usage statistics such as actual Kwh’s used, volume of trade waste disposal. As a result we gathered some data from participants in this June survey. We have just “dipped our toes in the water” so to speak at this point. We did not get data from everyone but it may provide some useful guide to participants. Data was provided by 221 facilities. The energy usage on average was split between gas (33%) and electricity (67%).

The table below displays the results of the survey at a fairly high level.

Energy used per occupied bed day	kWh	mJ
Bands 1 & 2	29.19	105.08
Bands 3 to 5	28.68	103.26
All facilities average	28.95	104.21

There are some minor differences between the two groups of facilities and we have some advice that the gap may have been expected to be greater. Depending on the response to this type of data, we will endeavour to collect it at regular intervals, although we will not be collecting this data each survey period.

Analysis of Highs and Lows

As has been the case in previous surveys there is a significant gap in operating results between the top and bottom facilities. The gap for facilities in Bands 1 & 2 is now \$20.25 per bed day. This compares to the June 2009 financial year where the gap was \$18.44 per bed day. This increase in the gap between the top quartile and the rest of the survey is a worrying trend. On page 25 we look at these gaps in a lot more detail.

While income differences contribute a small amount to the overall difference, the largest contributing factor is the differences in costs, with the care costs contributing the largest share. The main thing that the table below shows is that the facilities in the top quartile are performing better in all the areas of the operation. This is particularly the case in those areas that make up most of the costs – resident care, catering and administration. It is also notable that the average size of facility in both the top quartile and the survey average is 74 beds and there is not a significant difference in the occupancy levels.

Table 5 – Bands 1 & 2 Benchmarks <small>Comparison of results of various groups of facilities for the year ended 30 June 2010.</small>	Survey Average	BENCHMARK Top 25% Average	Difference Between Benchmark and Survey Average
<i>(Total 161 facilities in survey)</i>			
Care Income	179.09	182.04	2.95
Care Costs	112.94	103.33	9.61
<i>Care costs as % of income</i>	63.06%	56.76%	
Operational Costs			
Catering	22.36	20.38	1.98
Cleaning	6.46	5.78	0.68
Laundry	4.03	4.01	0.02
Property & maintenance	12.08	12.02	0.06
Utilities	4.47	4.05	0.42
Administration	21.96	17.43	4.53
Total Operational costs	71.36	63.67	7.69
Total Costs	184.30	167.00	17.3
Net Operating Result	(5.21)	15.04	20.25
Average Number of beds	74	74	
Average Occupancy rate	95.95%	96.43%	
Total Facility Result	2.10	17.70	15.6
EBITDA per bed per annum	4,486	10,267	5,781
Funded Facility Result pbpa	3,906	9,894	5,988
June 2009 Operating Result	(\$ 9.68)	\$ 8.76	\$ 18.44
June 2008 Operating Result	(\$ 7.08)	\$ 12.32	\$ 19.40
June 2007 Operating Result	(\$ 9.81)	\$ 5.99	\$ 15.80

One of the key observations that continue to hold true today is the importance of the facility manager to the profitability of that facility. This has been borne out through observing data over a long period of time, speaking with operators and visiting facilities. Organisations that operate multiple facilities

can have similar systems in place at all their facilities, but unless these systems are driven by an effective manager to obtain the maximum benefits from these systems the facility will more than likely struggle to be profitable.

For facilities in bands 3 to 5 there is a minor difference in income levels. The majority of the difference is attributable to different cost profiles and the major difference in this group is by far attributable to care costs.

Table 6 – Bands 3 to 5 Benchmarks	Survey Average	BENCHMARK Top 25% Average	Difference Between Benchmark and Survey Average
Comparison of results of various groups of facilities for the year ended 30 June 2010. (Total 271 facilities in survey)			
Care Income	126.35	125.80	(0.55)
Care Costs	69.09	50.93	18.16
Care costs as % of income	54.68%	40.49%	
Operational Costs			
Catering	19.95	19.03	0.92
Cleaning	5.26	4.49	0.77
Laundry	2.59	2.20	0.39
Property & maintenance	10.66	9.52	1.14
Utilities	4.24	3.87	0.37
Administration	17.80	16.21	1.59
Total Operational costs	60.50	55.34	5.16
Total Costs	129.59	106.27	23.32
Net Operating Result	(3.24)	19.53	22.77
Average Number of beds	75	64	
Average Occupancy rate	94.88%	94.70%	
Total Facility Result	4.94	24.09	19.15
EBITDA per bed per annum	4,763	11,573	6,810
Funded Facility Result pbpa	4,391	11,360	6,969
June 2009 Operating Result	(\$ 5.97)	\$ 14.39	20.36
June 2008 Operating Result	(\$ 2.02)	\$ 14.86	16.88
June 2007 Operating Result	(\$ 0.01)	\$ 15.81	15.82

The gap between the survey average and benchmark group for this group of facilities continues to rise. It is now \$22.77 per bed day compared with \$20.36 for the year to June 2009 and \$16.88 at June 2008. The gap in the Total Facility Result is now \$19.15 per bed day compared to \$15.62 at June 2009 and \$13.95 per bed day at June 2008.

EBITDA has also changed. The gap is now \$6,810 per bed per annum compared to \$6,769 for the 2009 year and \$5,350 for the 2008 year. For a typical 75 bed facility this represents a difference of over \$500K per annum at the EBITDA and Funded Facility Result level. These are big sums to make up from alternative sources of income, if indeed it is being made up. It would require around \$8.3M

invested in at an average rate of 6% per annum to make up that in interest income. It is also money that cannot be expected to be funded totally through government subsidies. Some of this gap will need to be bridged through savings or better management by the providers.

Analysis by Income Band

The following analysis relates to the data when sorted into narrower income Bands and should be more relevant to users than the broader analysis by High Care and Low Care. These Bands can be more closely targeted to the individual circumstances for each facility being benchmarked.

The following tables display this data in two ways. Table 7 contains data for the average of income Band. Table 8 contains the data for the Top 25% of facilities in each income Band.

Table 7 – Analysis by Income Band Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010.	Operating Income				
	Band 1 \$	Band 2 \$	Band 3 \$	Band 4 \$	Band 5 \$
<i>Total of 432 Facilities</i>	<i>79 Facilities</i>	<i>82 Facilities</i>	<i>107 Facilities</i>	<i>119 Facilities</i>	<i>45 Facilities</i>
Income	191.83	168.04	144.23	117.27	96.38
Care Costs	121.87	105.18	83.60	60.73	47.72
<i>Care costs as % of income</i>	63.53%	62.59%	57.97%	51.79%	49.51%
Operational Costs					
Catering	23.24	21.60	20.73	19.40	19.13
Cleaning	6.60	6.32	5.78	4.89	4.73
Laundry	4.61	3.53	2.90	2.49	1.93
Property & maintenance	12.32	11.88	11.22	10.29	9.95
Utilities	4.07	4.80	4.41	4.17	3.85
Administration	20.88	22.89	18.64	17.68	15.41
Total Operational costs	71.72	71.04	63.69	58.92	55.00
Total Costs	193.59	176.22	147.29	119.65	102.72
Net Operating Result	(1.76)	(8.18)	(3.06)	(2.38)	(6.35)
Total Facility Result	5.71	(1.01)	3.84	6.08	5.01
EBITDA per bed per annum	\$ 5,948	\$ 3,228	\$ 4,744	\$ 5,104	\$ 3,767
EBITDA per bed per annum 2009	\$ 1,829	\$ 741	\$ 1,957	\$ 4,036	\$ 2,307
EBITDA per bed per annum 2008	\$ 4,039	\$ 2,658	\$ 4,812	\$ 4,705	\$ 3,005
EBITDA per bed per annum 2007	\$ 1,508	\$ 2,522	\$ 4,237	\$ 5,495	\$ 4,608
Funded Facility Result pbpa	\$ 5,348	\$ 2,662	\$ 4,310	\$ 4,785	\$ 3,441
Funded Facility Result pbpa 2009	\$ 1,313	\$ 292	\$ 1,445	\$ 3,592	\$ 2,045
Funded Facility Result pbpa 2008	\$ 3,212	\$ 2,117	\$ 4,636	\$ 4,139	\$ 2,300
Funded Facility Result pbpa 2007	\$ 971	\$ 1,580	\$ 2,741	\$ 4,000	\$ 3,639
Net Operating Result	(\$ 1.76)	(\$ 8.18)	(\$ 3.06)	(\$ 2.38)	(\$ 6.35)
Net Operating Result – June 2009	(\$ 9.35)	(\$ 10.26)	(\$ 8.49)	(\$ 3.02)	(\$ 6.27)
Net Operating Result – June 2008	(\$ 5.80)	(\$ 8.78)	\$ 0.48	(\$ 1.91)	(\$ 5.81)
Net Operating Result – June 2007	(\$ 9.53)	(\$ 10.22)	(\$ 1.55)	(\$ 0.10)	\$ 1.33

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Table 7 (page 23) shows us that the average operating result for each group of facilities is an operating loss. Illustration 16 on page 25 also shows us that the average operating result for all groups has shown some level of improvement since the June 2009 financial year. Table 7 also contains data on the EBITDA and Funded Facility Result (FFR). For each of these measures the table displays improvement in this survey compared to the June 2009 year and preceding periods.

Table 8 – Analysis by Income Band <small>Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010.</small>	Operating Income – Top 25% of facilities in each Group				
	Band 1 \$	Band 2 \$	Band 3 \$	Band 4 \$	Band 5 \$
<i>Total of 109 Facilities</i>	<i>20 Facilities</i>	<i>21 Facilities</i>	<i>27 Facilities</i>	<i>30 Facilities</i>	<i>11 Facilities</i>
Income	192.05	166.44	142.19	117.02	99.92
Care Costs	109.70	94.02	63.65	42.23	34.37
<i>Care costs as % of income</i>	<i>57.12%</i>	<i>56.49%</i>	<i>44.77%</i>	<i>36.09%</i>	<i>34.39%</i>
Operational Costs					
Catering	20.02	20.17	19.38	19.16	17.70
Cleaning	5.33	5.65	4.70	4.17	3.93
Laundry	3.92	3.63	2.27	2.33	1.88
Property & maintenance	12.15	11.69	10.35	8.59	9.02
Utilities	3.43	4.58	3.94	3.74	3.92
Administration	16.90	18.64	17.14	15.77	16.13
Total Operational costs	61.75	64.37	57.79	53.77	52.58
Total Costs	171.45	158.38	121.44	96.00	86.94
Net Operating Result	20.60	8.06	20.74	21.02	12.97
Total Facility Result	24.55	10.49	22.72	26.48	21.34
EBITDA per bed per annum	\$ 12,462	\$ 7,939	\$ 10,777	\$ 12,830	\$ 10,309
EBITDA per bed per annum 2009	\$ 8,122	\$ 4,590	\$ 7,705	\$ 9,823	\$ 6,364
EBITDA per bed per annum 2008	\$ 9,912	\$ 8,827	\$ 9,629	\$ 10,701	\$ 7,821
EBITDA per bed per annum 2007	\$ 4,701	\$ 6,147	\$ 8,056	\$ 10,213	\$ 8,329
Funded Facility Result pbpa	\$ 11,925	\$ 7,646	\$ 10,511	\$ 12,655	\$ 10,121
Funded Facility Result pbpa 2009	\$ 7,969	\$ 4,355	\$ 7,229	\$ 9,575	\$ 5,994
Funded Facility Result pbpa 2008	\$ 8,767	\$ 8,384	\$ 9,366	\$ 10,187	\$ 7,307
Funded Facility Result pbpa 2007	\$ 4,365	\$ 5,464	\$ 7,165	\$ 9,756	\$ 8,059
Net Operating Result	\$ 20.60	\$ 8.06	\$ 20.74	\$ 21.02	\$ 12.97
Net Operating Result – June 2009	\$ 11.57	\$ 4.40	\$ 10.21	\$ 17.99	\$ 8.36
Net Operating Result – June 2008	\$ 12.71	\$ 11.60	\$ 19.71	\$ 15.34	\$ 10.96
Net Operating Result – June 2007	\$ 5.35	\$ 6.72	\$ 14.59	\$ 18.45	\$ 14.52

Table 8 displays the same data for the top quartile for each income Band. As these tables show, there is a considerable gap between the operating results at the survey average and the results achieved by the benchmark group. The analysis that follows looks more closely at this gap between the groups.

BRIDGING THE GAP

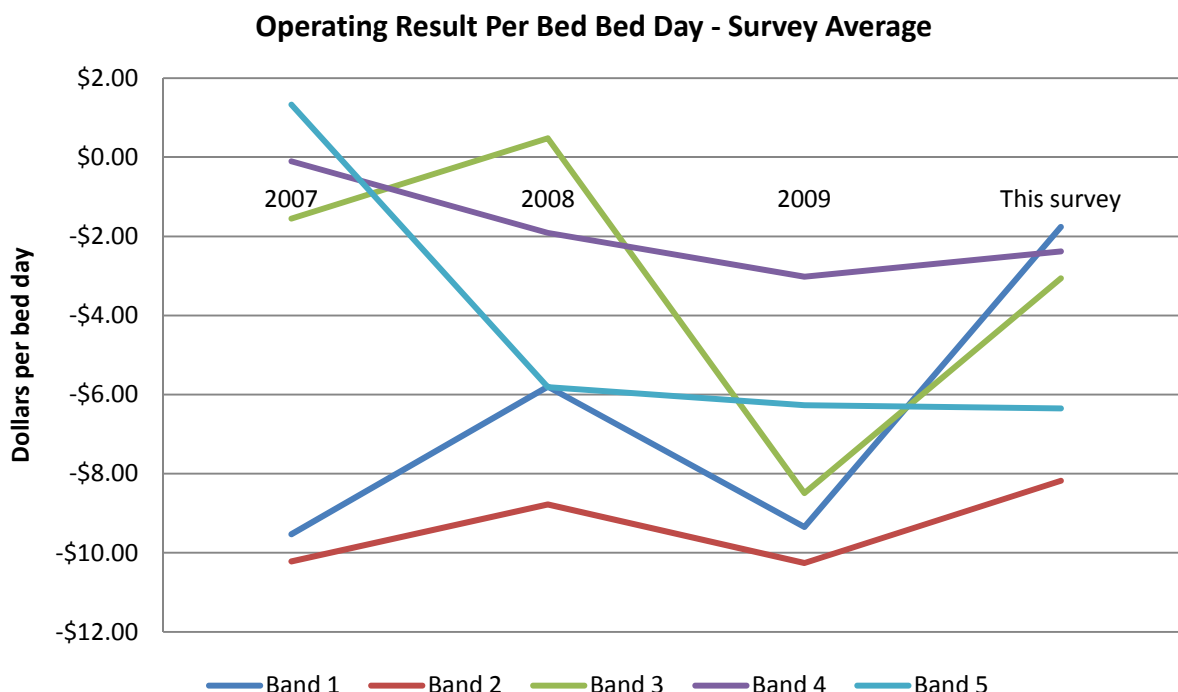
Earlier in this report there was some analysis of the difference between the survey average and top quartile based on whether facilities were High Care or Low Care. In this analysis we will examine this gap between the two groups and endeavour to explain why the gap has widened.

The period that we have reviewed is from June 2007 up to and including this current survey. This covers the full financial year prior to the introduction of ACFI, the periods leading up to ACFI and those since its introduction.

Profitability

The profitability of the different bands has certainly changed over the past three years, though the trends in profitability have not been consistent across the various bands.

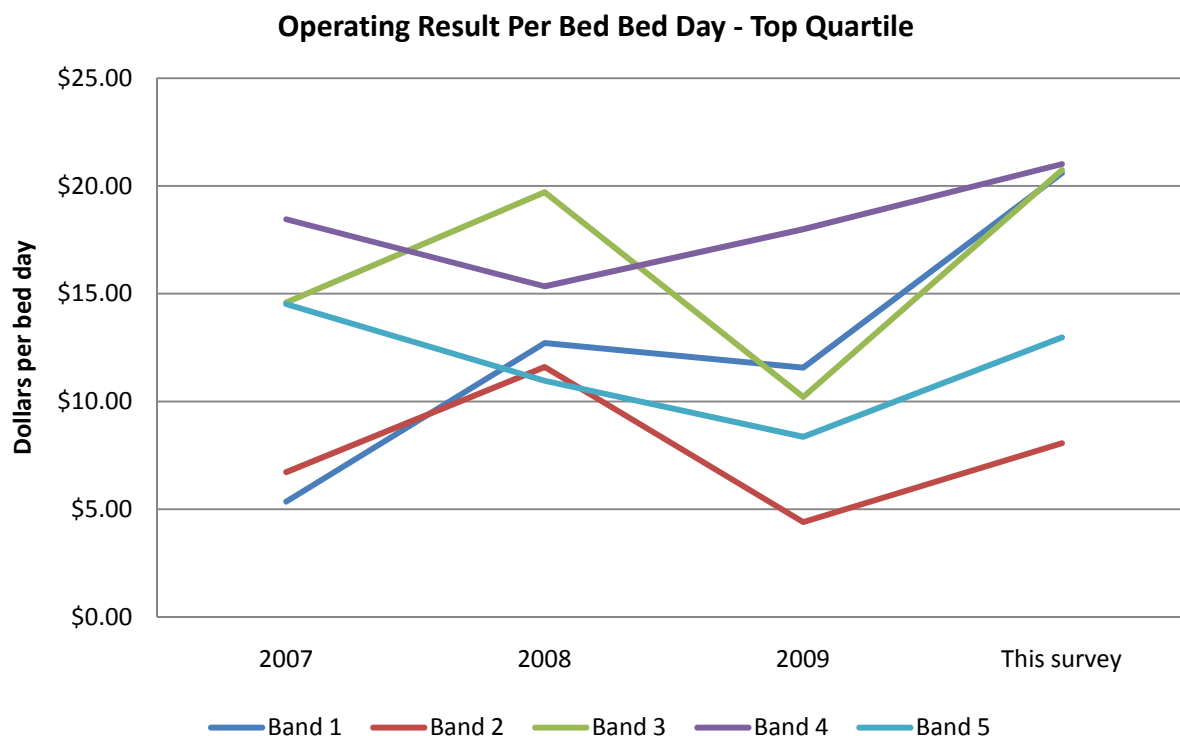
Illustration 17



There is not a great deal of difference in the trends for each band within the survey averages and the benchmark groups.

There are a number of interesting observations to make from these two graphs:

- In Band 4, the benchmark group appears to have recovered more quickly from a downward trend in results than did the survey average. Its recovery began in 2008 whereas the recovery for the survey average did not begin until 2009
- In Band 5, the benchmark group has seen a slight recovery of results in the current financial year whereas the results survey average has stagnated since 2008
- In Band 1, both the survey average and the benchmark group are better off now than in 2007. Interestingly, this trend started prior to the introduction of ACFI
- For the benchmark groups, only those facilities in Band 5 are, on average, worse off in the current survey compared to 2007.
- In contrast, for the survey average, only Bands 1 and 2 are better off than in 2007

Illustration 18

The gap between the benchmark groups and the rest

The following graph illustrates the change in the gap between the survey average result and the benchmark result over time for each band.

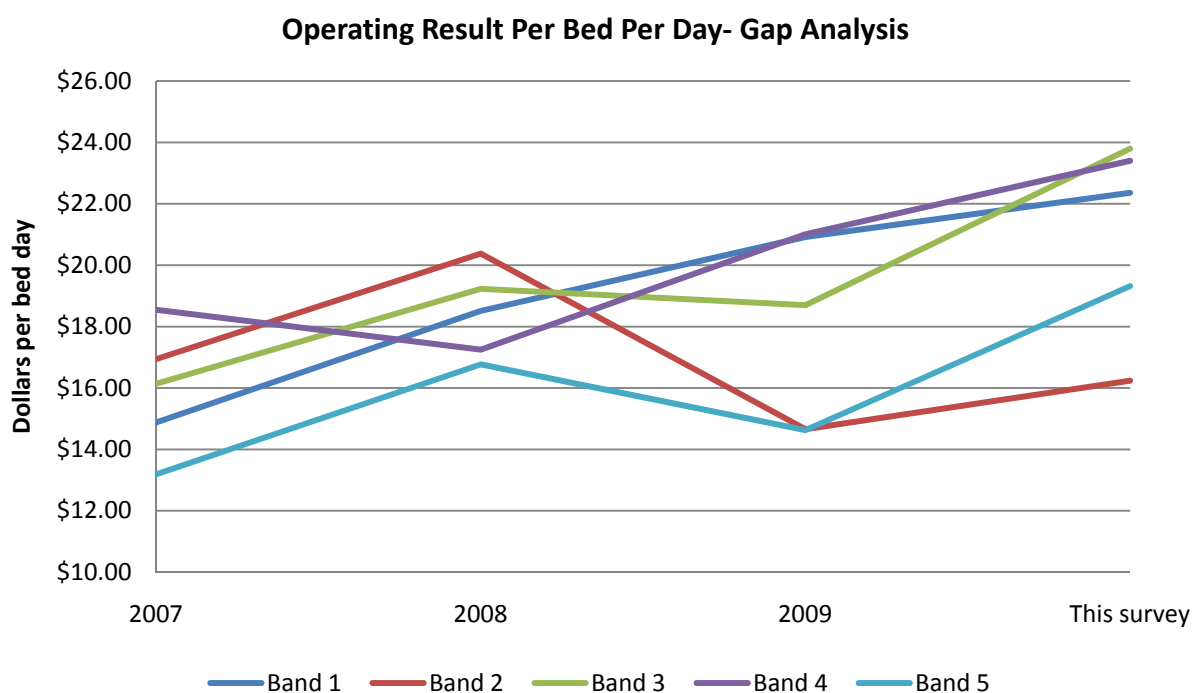
Illustration 19


Table 9	Band 1 \$ pbd	Band 2 \$ pbd	Band 3 \$ pbd	Band 4 \$ pbd	Band 5 \$ pbd
Gap in result at 30 June 2010	22.36	16.24	23.80	23.40	19.32
Difference in gap between results this survey compared to June 2007	7.48	(0.70)	7.66	4.85	6.13

As highlighted by the previous graph and accompanying table, the gap between the benchmark group and the survey average is higher now for all bands except band 2 than what it was at June 2007. The worrying aspect of this is that the trend over this current financial year is for the gaps to be widening.

While the gap is greater now than in 2007 for each band, the amount by which the gap has increased varies somewhat across the various bands. What this appears to be saying is that there is a combination of the benchmark group achieving marginally better income outcomes from ACFI as well as managing costs far better than the average facility.

Income and Care costs

The amount that is expended on care costs and the relationship of this to the income earned remains the predominant influence on profitability. Based on the survey averages, those facilities with a majority or significant numbers of High Care residents have seen the ratio of care costs to income decrease since 2007. For those facilities in Band 4 the ratio has remained relatively constant. For those in Band 5, which typically would be a Low Care facility with very few, if any, High Care residents, the care cost to income ratio has increased during these past three years. This is an indication that ACFI has done what it was meant to do and that is shift funding from Low Care to High Care.

These decreases in the care cost to income ratio have been on the back of keeping rises in care costs to a minimum and income levels increasing. We have seen over a similar period the mix in staff hours change with the ratio of other nursing to registered nursing hours go from 4:1 in 2007 for an average facility in bands 1 and 2 to 4.7:1 in this survey. In facilities in bands 3 to 5 there has not been as much room to move because the base amount of registered nurse hours was already low. Despite this the ratio has changed from 7.8:1 to 8:1 over that same three year period. Interestingly, in the latter part of this financial year there has been a small turnaround in these ratios. At March 2010 these ratios were 5.3:1 and 8.9:1 respectively. While there will be some adjustment as a result of new facilities coming into the survey, we may be seeing the bottoming out of these reductions in staffing hours.

Table 10	Band 1 \$ pbd	Band 2 \$ pbd	Band 3 \$ pbd	Band 4 \$ pbd	Band 5 \$ pbd
Top Quartile operating income	192.05	166.44	142.19	117.02	99.92
Survey average operating income	191.83	168.04	144.23	117.27	96.38
Gap	0.22	(1.60)	(2.04)	(0.25)	3.54

As table 10 demonstrates, obtaining additional income is not the overriding driving force between the profitability gap between the top quartile and the survey average. The main driver is the way in which the facility manager achieves the appropriate level of income, how it is staffed and the practices employed. They achieve a similar level of income with less staff and a lower cost structure.

Illustration 20

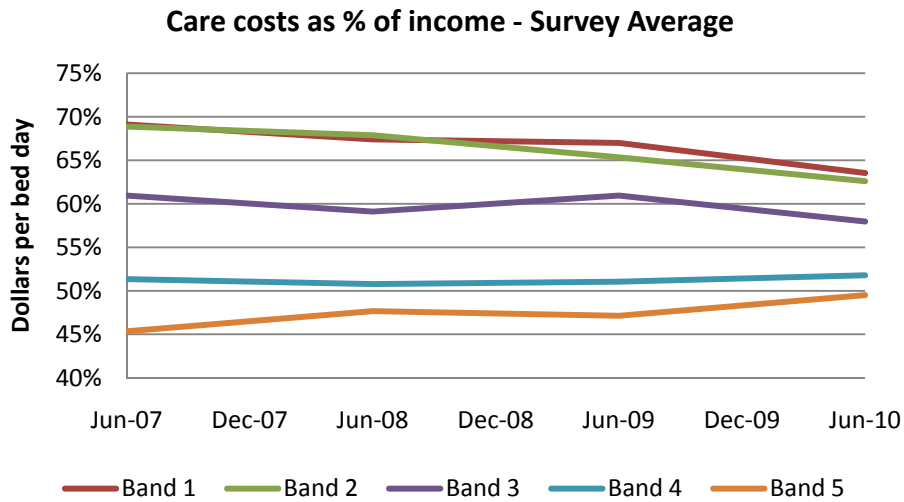
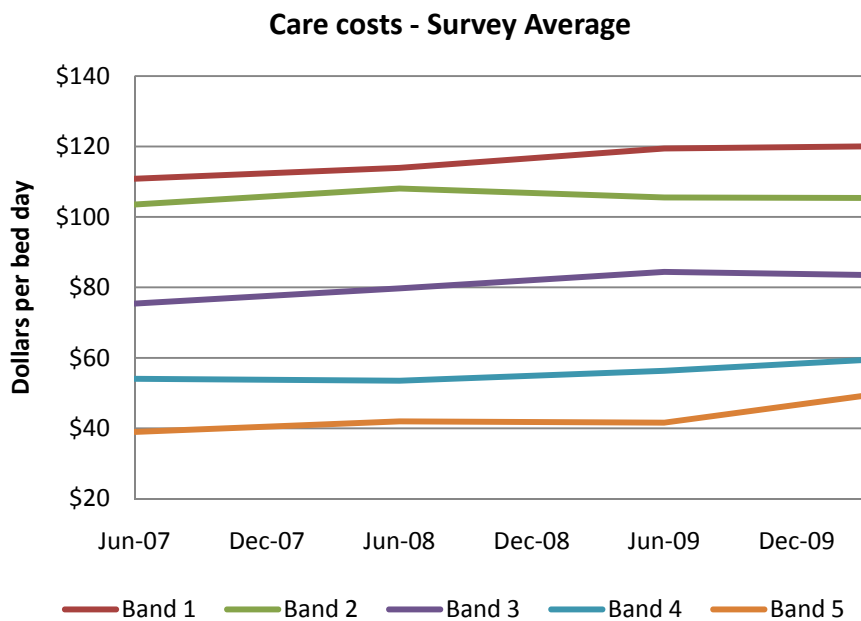
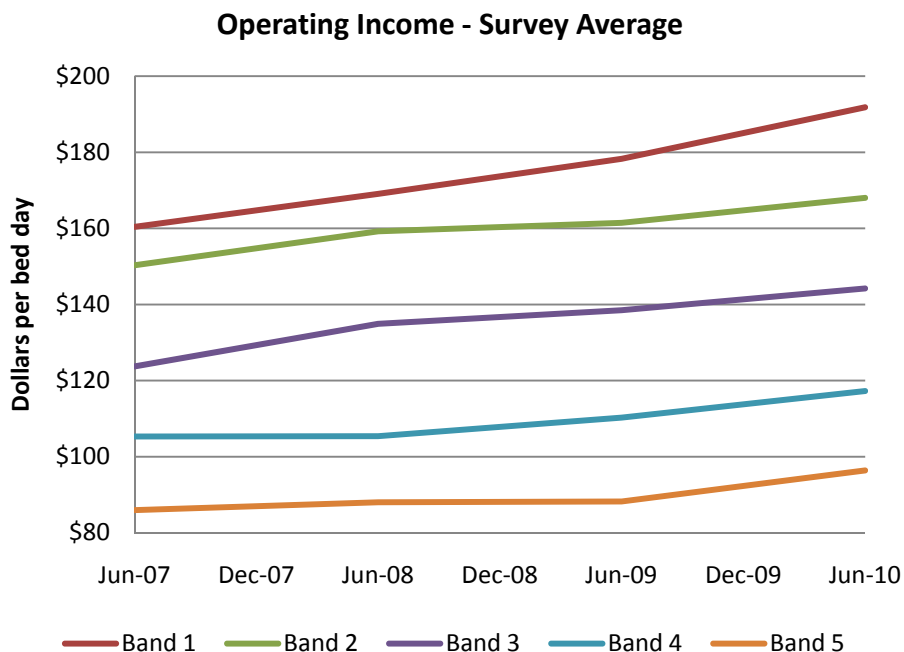


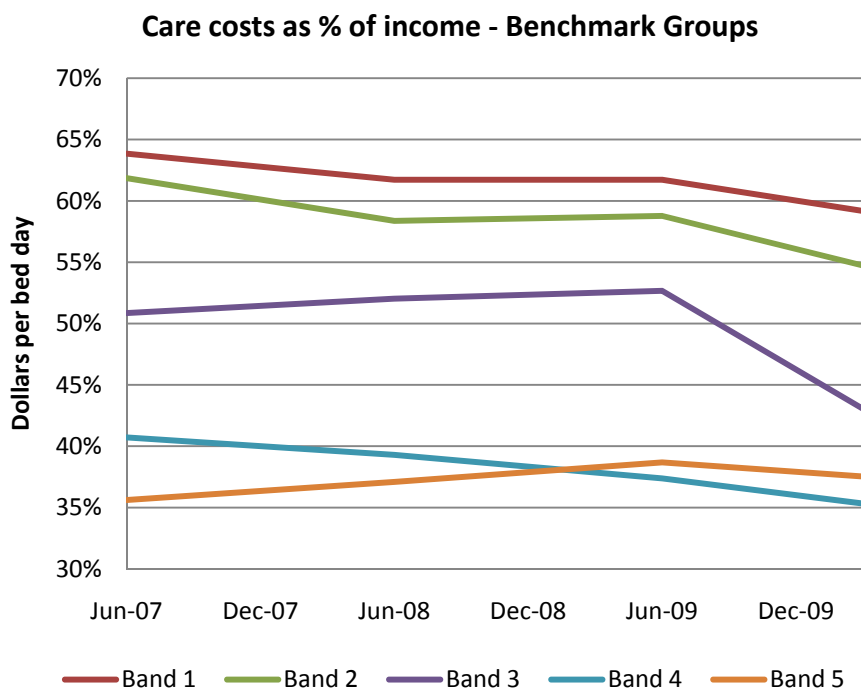
Illustration 21



As the graphs above and below show, in raw dollar terms, the increases in income for those High Care bands have been in excess of the increases in care costs. For this reason the care cost to income ratio has decreased. This has been mainly as a result of the relaxing of the ACFI capping rather than annual increases in subsidy rates.

Illustration 22


When we look at the care cost to income ratio of the facilities in each of the benchmark groups a similar picture is portrayed to that of the survey average. The main difference is that Band 4 facilities have also seen their care cost to income ratio decline and the increase in the ratio for Band 5 facilities is not as pronounced as it was for the survey average.

Illustration 23


The interesting aspect is to look at the movement in the gap in this ratio between the survey average and the benchmark groups.

Illustration 24

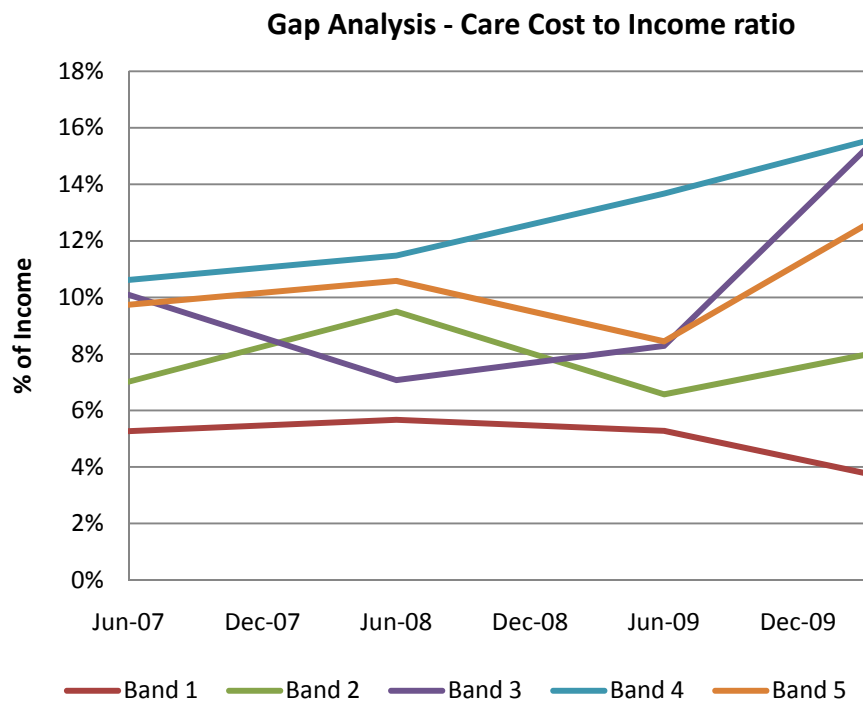
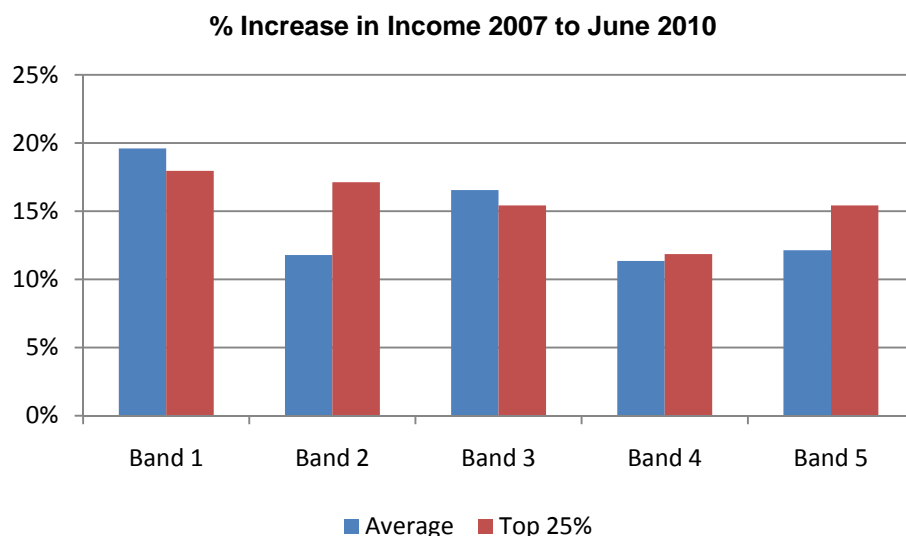


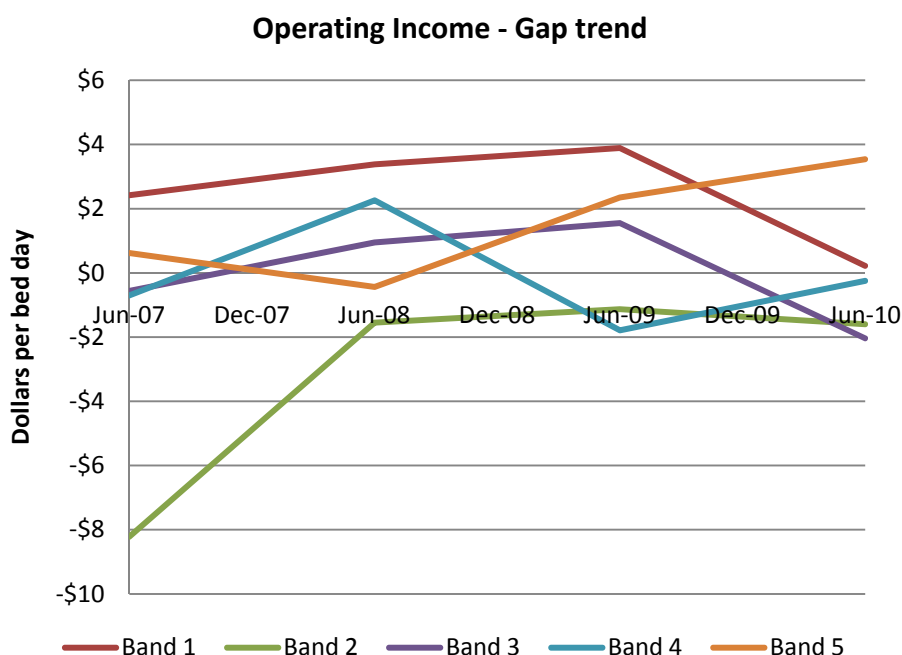
Table 11	Band 1	Band 2	Band 3	Band 4	Band 5
Difference in gap between care cost to income ratio this survey compared to June 2007	1.1%	-0.9%	3.1%	5.1%	5.4%

Earlier we highlighted the fact that the gap in operating results has widened for all bands in the past three years except for band 2. Now we are looking to identify the factors contributing to that gap widening. The previous graph and the table above shows that in the case of band 2, the gap in the care cost to income ratio has actually narrowed over the past three years by 0.9%. Certainly for those bands where the gap has widened, the care cost to income ratio has been a contributing factor.

As we move along the bands it is an increasingly important factor. This tells us that the facilities in the benchmark group have managed processes better than those outside this group. However, there are variations on this theme across the various bands. For some changes in income levels has been the main contributing factor, for others it has been care costs and for the rest it has been a combination of the two.

Illustration 25

Band 2 facilities

This group has seen both the survey average and the benchmark group benefit from a reduction in the care cost to income ratio. Despite this, the gap in results has widened as has the gap in care cost to income ratio. The graph above shows that for Band 2 facilities the rate of income increase by the benchmark group is significantly more than the survey average for that group. The main reason for this is that the benchmark is coming off a lower base income than the survey average. The benchmark group has actually closed the gap between its average income levels and that of the survey average. Care cost to income ratio has widened predominantly because of increased income levels for the benchmark group and maintaining care cost increases to a minimum.

Illustration 26


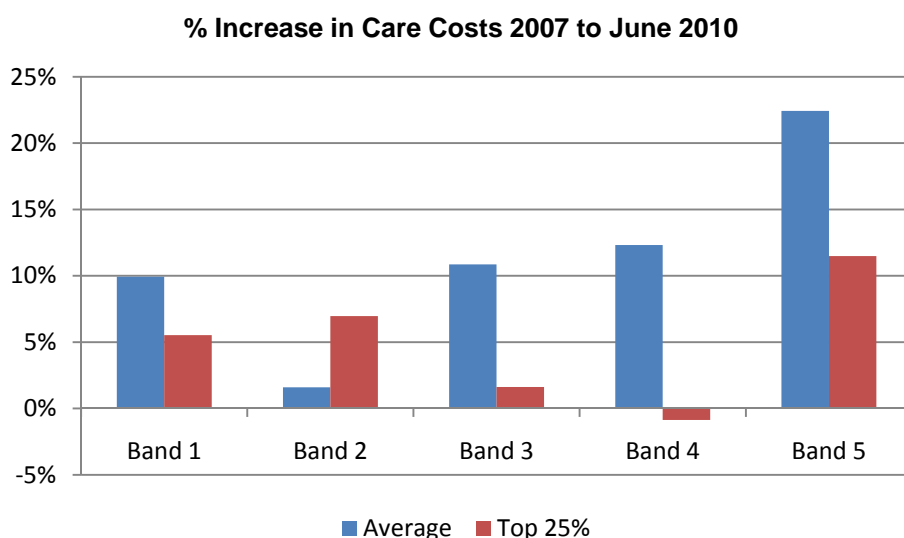
Band 1 and 3 facilities

The facilities in these bands have seen the largest increase in the gap in operating results between the benchmark group and survey average. The care cost to income ratio has been a major contributing factor for band 3 however for band 1 it has been other operating costs that has been the largest contributor to the widening gap.

Bands 4 Facilities

This is a similar story to that of the Band 3 group. The gap in the care cost to income ratio has widened by a factor of 5.1% and this has been a result of rising care costs in the survey average against declining care costs in the benchmark group.

Illustration 27



Band 5 facilities

The analysis for this group is similar to band 4. The gap in care costs has risen by significant amount. The contributing factors have been a moderate increase in the income gap and a large increase in the care cost gap. The difference to those facilities in bands 4 and 5 is that the band 5 facilities have also seen the a rise in the income gap between the benchmark group and the survey average.

Other Costs

The other contributing factor to profitability is the way other operating costs are managed, in particular hotel services and administration costs. Our analysis to date has shown that the gap in operating results for Band 1 facilities has widened and this was not as a result of the movement in the care cost to income ratio. In fact for this group, the gap in the care cost to income ratio has narrowed. As the graph and table below shows, for this group of facilities, there has been a widening of the gap in other costs for these facilities. Over the three years this gap has widened by \$4.41 per bed day. This has more than offset the savings made by reducing the care cost to income ratio for this group. The only other group where there has been an increase in the gap in other costs is band 3 with an increase of \$1.97 per bed day. For the other three groups the gap has narrowed over the 3 year period.

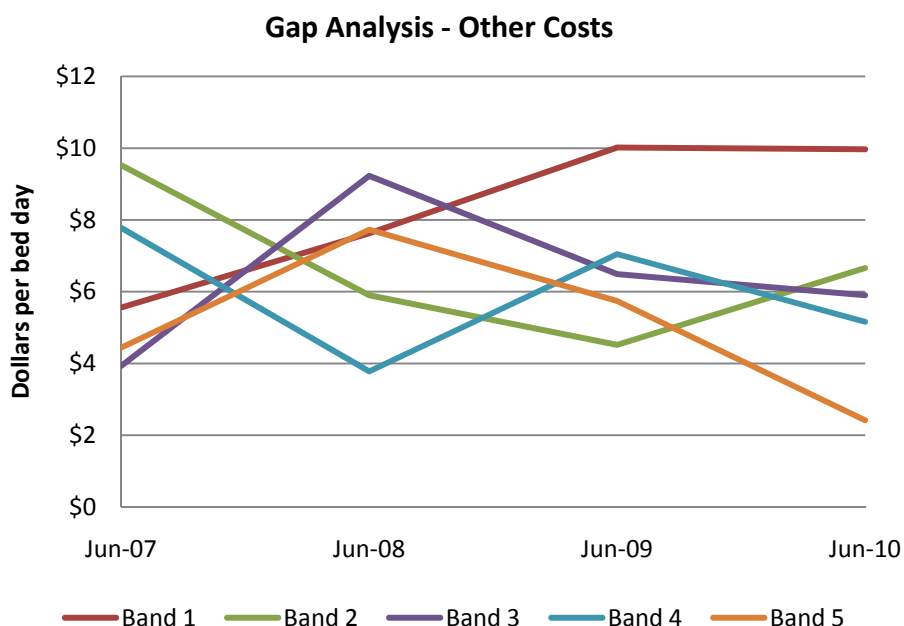
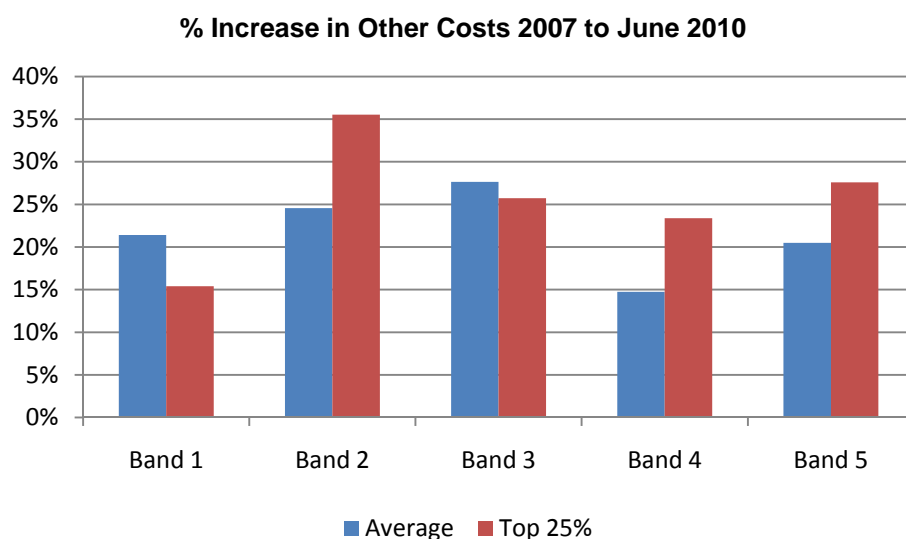
Illustration 28


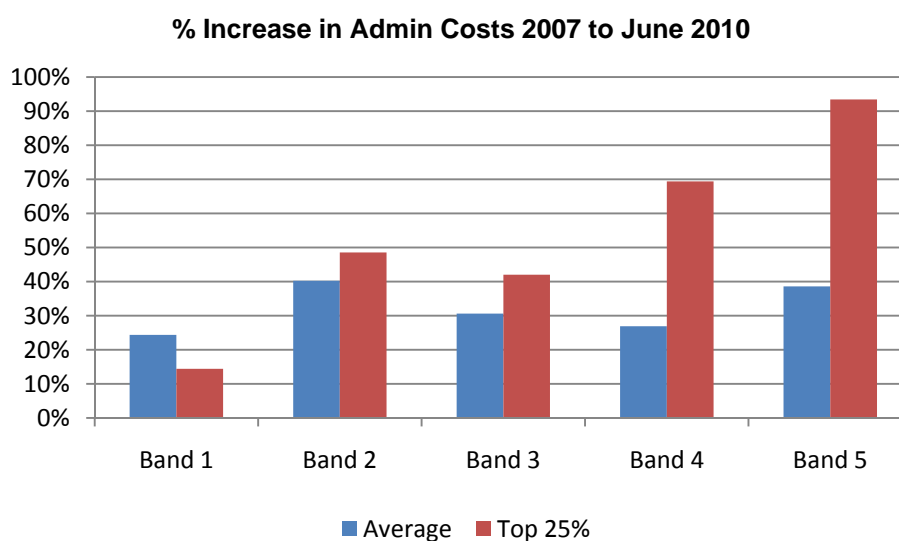
Table 12	Band 1	Band 2	Band 3	Band 4	Band 5
	\$	\$	\$	\$	\$
Difference in gap between other cost this survey compared to June 2007	4.41	(2.87)	1.97	(2.62)	(2.02)

For Bands 2, 4 and 5, there has been a reduction in the gap between the survey average and the benchmark group. The graph below clearly shows the rate of increase in the other operating costs of the survey average has been less than that of the benchmark group for these bands. In addition, the change in gap for band 3 has only marginally moved in the opposite direction

Illustration 29


There are numerous costs under this other cost category including catering, cleaning, laundry, utilities and maintenance. However, one of the major contributors to this contrasting rate of cost increase has been for administration costs. As the graph below shows, the rate of increase in administration costs for the benchmark group has been much higher than for the survey average for all bands except band 1. This is certainly one of the main reasons why the overall change in results has not been as great as it might have been for these groups based upon the influence of the care cost to income ratio alone. That is not to say that there still does not exist a gap between the survey average and the benchmark group. This gap remains and it is a significant one (refer table).

Illustration 30



Summary

We have learnt a number of things from this analysis. The first is that there is not a simple answer to the question “Why do the benchmark groups do better than the others?”

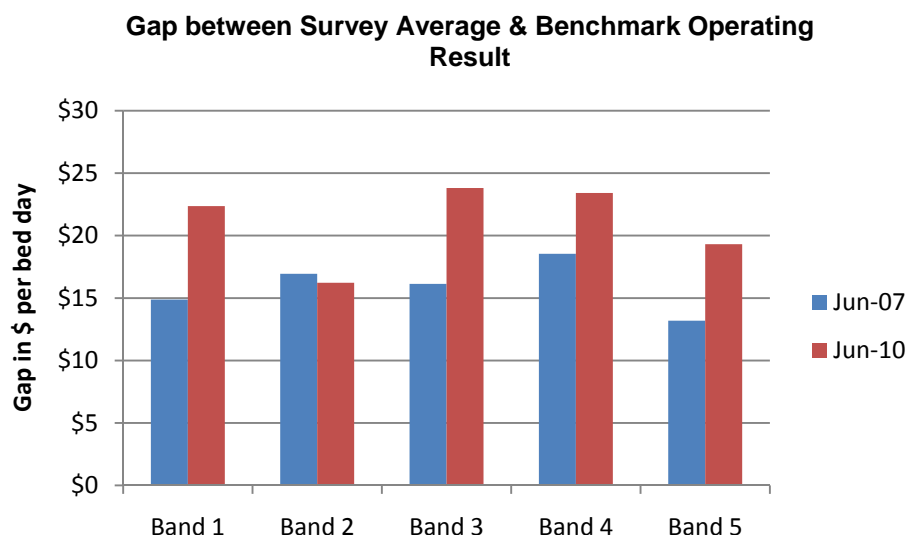
Band 1 – the gap between the operating results has increased by \$7.48 per bed day since 2007. There are opposing forces at work here. Across the survey average the gap in the care cost to income ratio has improved at a faster rate than that of the benchmark group. The fact that this ratio has improved for both groups is also worth noting. In contrast, other costs have been increasing at a faster rate for the survey average compared to the benchmark group. This has more than offset any savings made in care costs.

Band 2 – this group has seen on average a reduction in the gap in the care cost to income ratio of 0.9%. To compensate for this there have been reductions in the gap for other costs, including administration costs. The net change in the gap in results was a reduction of \$0.72 per bed day. To support this is a reduction in the gap in other costs of \$2.87 per bed day. Offsetting these favourable variances is a widening of the gap in income levels between the benchmark group and the average.

Bands 3, 4 and 5 – the story for these groups of facilities is similar. The facilities in these groups have seen the large increases in the gap in operating results between the benchmark group and survey average. Similarly, the gap in the care cost to income ratio has also widened significantly (factors of 3.1%, 5.1% and 5.4% respectively). In the case of these groups it has not been the rate of increase in income that has caused this gap to widen. Rather it is the care costs themselves.

The unfortunate factor is that the gap in operating results between the survey average and the benchmark groups in each of these bands with the exception of band 2 has widened over this three year period. The other unfortunate factor is that this gap is significant, as the graph below shows. Until these gaps can be bridged, large numbers of residential aged care facilities will continue to incur operating losses.

Illustration 31



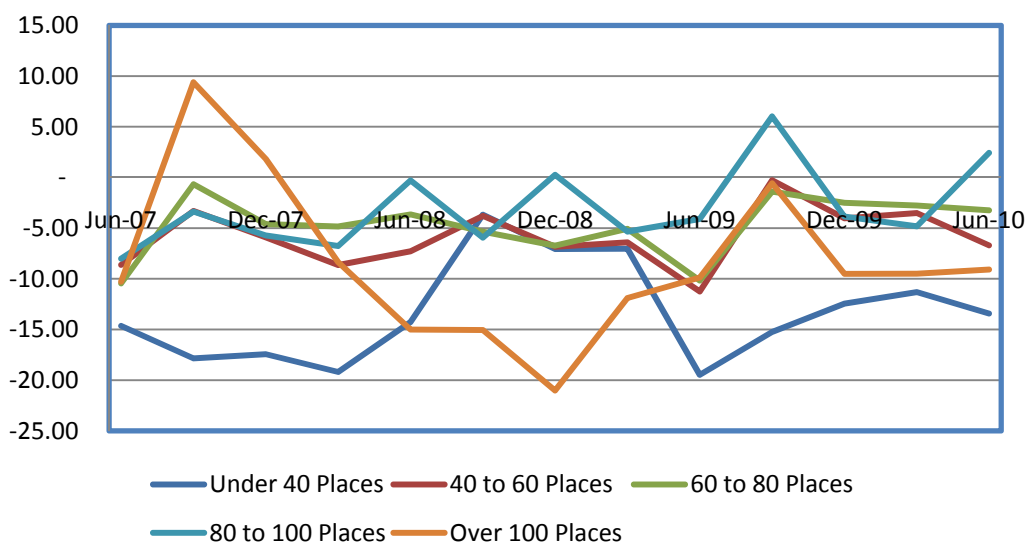
ANALYSIS BY SIZE

Anecdotally, the size of a facility would appear to play some part in how likely it is to make a profit. However, the actual results are mixed, as illustrated in the tables and graphs on the following pages.

Table 13 – Analysis by Size Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010.	Bands 1 & 2 Facility Size				
	0 to 40 Places \$	40 to 60 Places \$	60 to 80 Places \$	80 to 100 Places \$	Over 100 Places \$
Total of 161 Facilities	21 Facilities	42 Facilities	53 Facilities	21 Facilities	24 Facilities
Income	178.50	184.37	178.55	181.68	174.74
Care Costs	121.35	117.71	111.91	110.46	110.63
Care costs as % of income	67.98%	63.85%	62.68%	60.80%	63.31%
Operational Costs					
Catering	22.87	22.25	20.99	22.18	23.97
Cleaning	7.44	6.13	6.02	6.74	6.80
Laundry	4.89	3.99	4.03	3.48	4.20
Property & maintenance	10.09	13.90	11.71	10.90	12.31
Utilities	4.49	4.17	4.77	4.12	4.51
Administration	20.80	22.92	22.37	21.37	21.40
Total Operational costs	70.57	73.37	69.90	68.79	73.20
Total Costs	191.92	191.08	181.80	179.25	183.83
Net Operating Result	(13.42)	(6.71)	(3.25)	2.43	(9.09)
Total Facility Result	(3.93)	3.61	5.55	7.73	(4.76)
Net Operating Result – June 2009	(\$ 19.47)	(\$ 11.24)	(\$ 10.16)	(\$ 4.10)	(\$ 9.88)
Net Operating Result – June 2008	(\$ 14.26)	(\$ 7.28)	(\$ 3.65)	(\$ 0.29)	(\$ 15.01)
Net Operating Result – June 2007	(\$ 14.64)	(\$ 8.63)	(\$ 10.46)	(\$ 8.01)	(\$ 10.28)

Illustration 32

Bands 1 & 2 Results Trend - By Facility Size

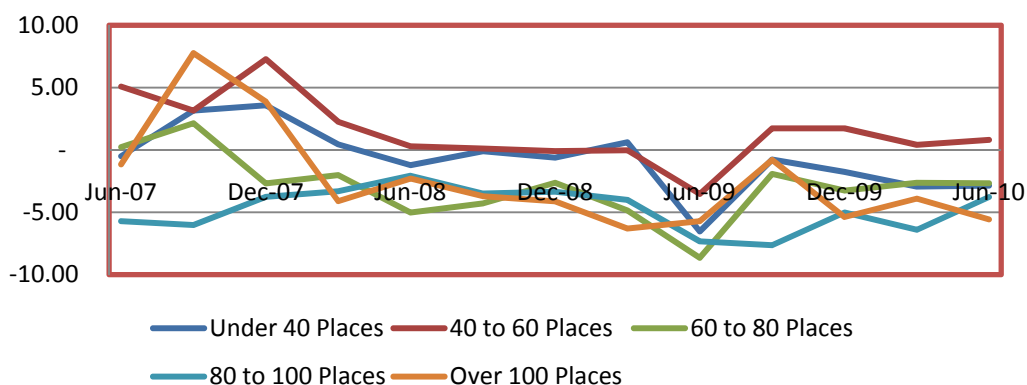


Not surprisingly given the overall results of the survey, and the stabilisation of results, there has been little change in the results by size of facility since the December survey. For the past few surveys the results of Band 1 & 2 groups with between 40 and 80 beds have been converging. This group has shown significant improvement during the latter half of this financial year and it is now performing better on average than it was at the same time in 2008. The group with between 80 and 100 places continues to perform best on average. The groups of facilities with less than 40 places and more than 100 places continue to perform worse than the others on average.

Table 14 – Analysis by Size Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010.	Low Care Facility Size				
	0 to 40 Places \$	40 to 60 Places \$	60 to 80 Places \$	80 to 100 Places \$	Over 100 Places \$
<i>Total of 271 Facilities</i>	<i>46 Facilities</i>	<i>92 Facilities</i>	<i>43 Facilities</i>	<i>28 Facilities</i>	<i>62 Facilities</i>
Income	120.53	118.07	123.78	124.49	133.55
Care Costs	62.86	57.21	66.18	68.92	77.96
<i>Care costs as % of income</i>	<i>52.15%</i>	<i>48.46%</i>	<i>53.47%</i>	<i>55.36%</i>	<i>58.38%</i>
Operational Costs					
Catering	18.26	19.91	19.64	19.20	20.62
Cleaning	4.70	4.64	4.94	5.18	5.85
Laundry	4.89	3.99	4.03	3.48	4.20
Property & maintenance	11.35	10.71	11.32	10.42	10.34
Utilities	4.73	4.13	4.11	4.00	4.31
Administration	19.34	18.16	17.79	18.30	17.16
Total Operational costs	60.54	60.05	60.28	59.35	61.15
Total Costs	123.39	117.26	126.46	128.27	139.12
Net Operating Result	(2.86)	0.81	(2.68)	(3.78)	(5.57)
Total Facility Result	9.60	8.54	7.99	5.59	0.82
Net Operating Result – June 2009	(\$ 6.54)	(\$ 3.53)	(\$ 8.65)	(\$ 7.32)	(\$ 5.72)
Net Operating Result – June 2008	(\$ 1.22)	\$ 0.29	(\$ 5.02)	(\$ 2.07)	(\$ 2.30)
Net Operating Result – June 2007	(\$ 0.50)	\$ 5.08	\$ 0.23	(\$ 5.72)	(\$ 1.16)

Illustration 33

Low Care Results Trend - By Facility Size



After a time when the results of most groups were converging, there has been some fragmentation of results in the past two survey periods. The results of those facilities with between 40 and 60 places remain significantly better on average than the other groups.

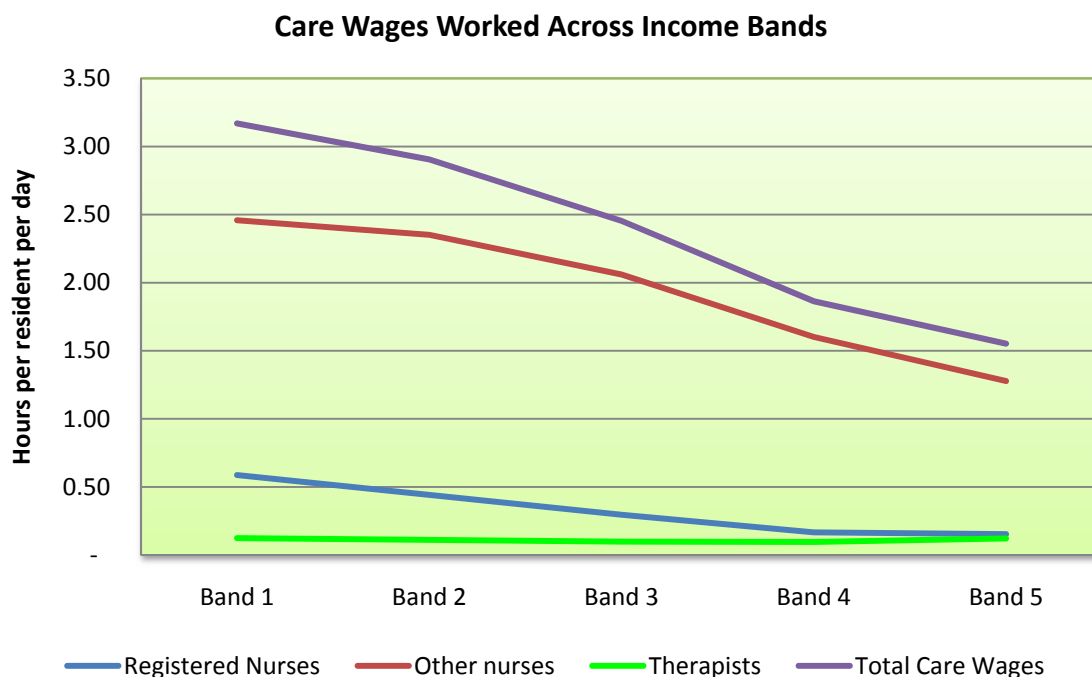
WAGE HOURS AND COST ANALYSIS

The following tables show the breakdown of hours per resident per day for the various staff categories. Table 16 provides the same information across the various income Bands.

Table 15	Bands 1 & 2 Average	Bands 1 & 2 TOP 25%	Bands 3 to 5 Average	Bands 3 to 5 TOP 25%
Registered Nurses	0.51	0.51	0.22	0.06
Other care staff	2.40	2.44	1.76	1.33
Therapists	0.12	0.09	0.10	0.11
Total care Hours	3.03	3.04	2.09	1.50
Hotel services	0.60	0.61	0.53	0.43
Maintenance	0.06	0.05	0.06	0.05
Administration	0.17	0.15	0.15	0.10
Total Hours	3.87	3.85	2.82	2.08

Table 16	Band 1	Band 2	Band 3	Band 4	Band 5
Registered Nurses	0.59	0.44	0.30	0.17	0.15
Other care staff	2.46	2.35	2.06	1.60	1.28
Therapists	0.12	0.11	0.10	0.10	0.12
Total care Hours	3.17	2.90	2.45	1.86	1.55
Hotel services	0.60	0.61	0.58	0.49	0.48
Maintenance	0.05	0.07	0.06	0.06	0.06
Administration	0.15	0.20	0.15	0.14	0.17
Total Hours	3.97	3.78	3.24	2.55	2.27

Table 15 and Illustration 33 (over page) show what might be expected given the financial data provided earlier in this report. As we move across the Bands from High Care to Low Care there is a reduction in total care hours as well as a change in the mix of hours between registered nurses and other care staff.

Illustration 34


In the past, registered nursing hours remained relatively constant through Bands 1 & 2 and then began to decline. In this survey period we have observed something different. Registered nursing hours decline at a steady rate throughout the Bands until income Band 4 at which point they flatten out and remain relatively constant through the last Band. There is obviously a base level of RN hours that must be, or is being maintained. The registered nursing hours have shown a similar pattern to other nursing hours in this survey period.

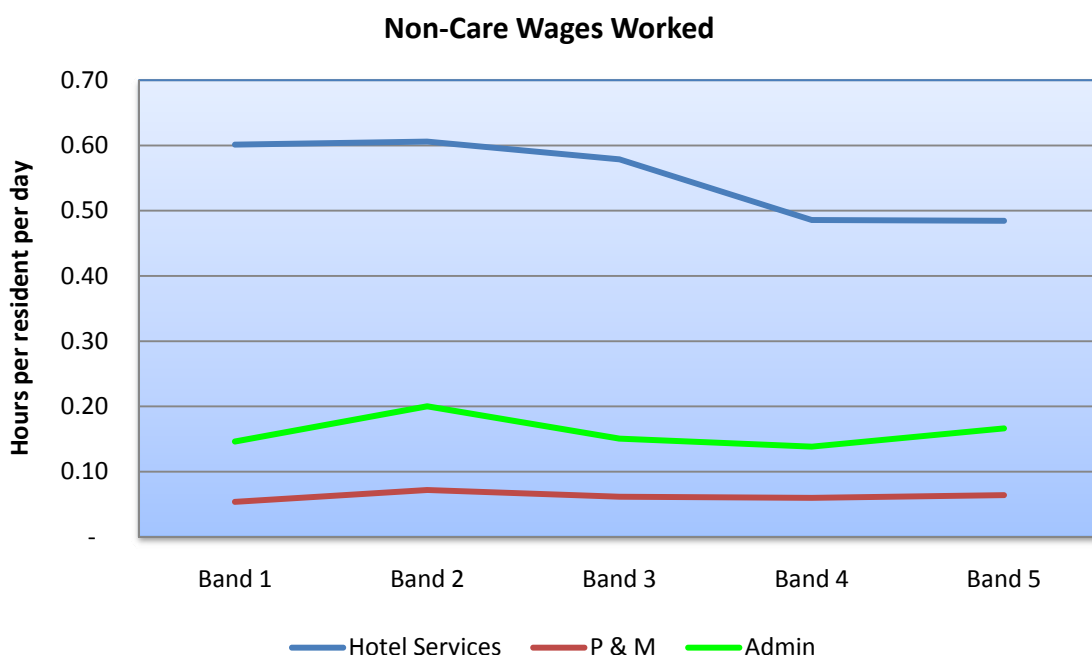
Illustration 35


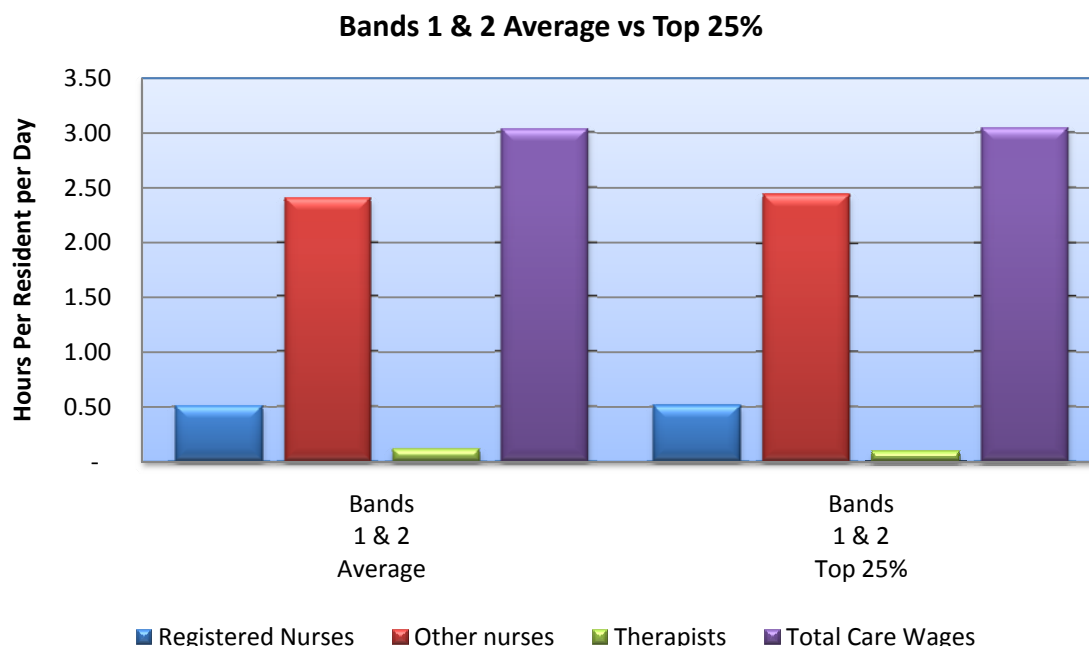
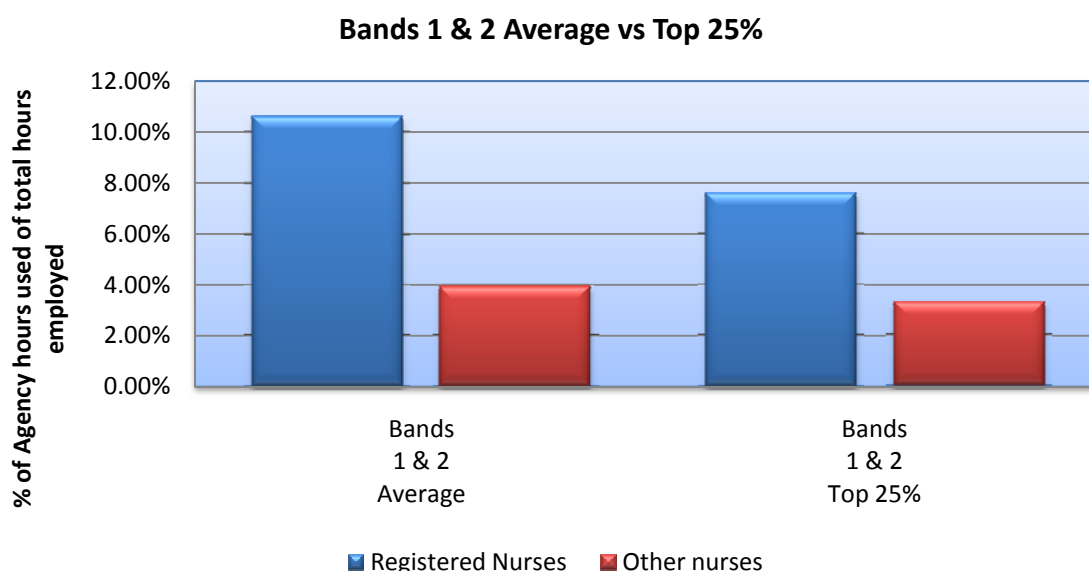
Illustration 36


Table 15 and Illustration 36 show that in the current year there does not appear to be a significant difference in hours between the survey average and the top quartile. The differences have ever only been very minor in high care facilities and certainly this survey continues that trend. This does not explain the difference in the cost associated with care staff for the survey average when compared with the benchmark group average.

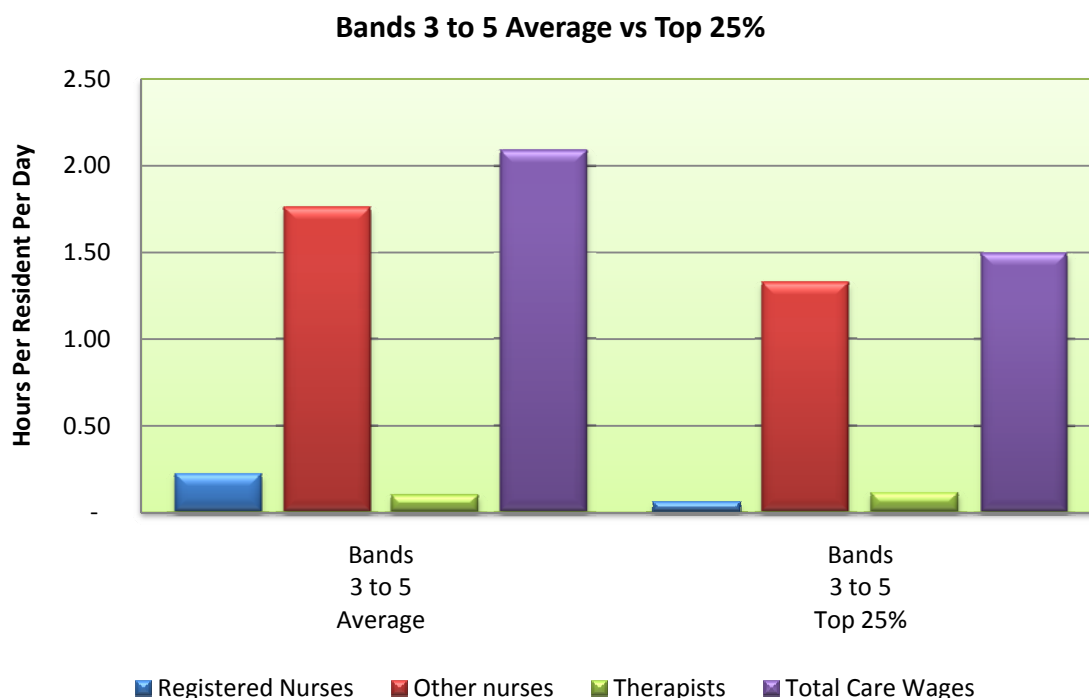
One thing that might explain some of the additional cost, despite similar staff hour profiles is the source of staff. For those facilities in bands 1 and 2 that use agency staff for care wages, the hours utilised as a proportion of total hours is higher for the survey average compared with the benchmark average.

Illustration 37


As shown by the following table, the prevalence of agency staff usage is nowhere near as high for those facilities in the top quartile as compared to the survey average. This goes a long way to explaining why there is a cost differential between the benchmark group and the survey average for care staff expenses despite there being very little difference in hours worked.

Number of facilities in bands 1 & 2 using agency staff as a proportion of total facilities	Registered Nurses	Other Nursing/Care staff
Top Quartile	25.0%	12.5%
Survey Average	46.3%	45.3%

Illustration 38



The differences between the benchmark group for bands 3 to 5 and the survey average are far more pronounced. The benchmark group utilise less hours for both registered nurses and other care staff and this results in a difference of 0.59 hours (35 minutes) per resident per day. At June 2009 the difference was 0.46 hours (28 minutes) per resident per day.

Number of facilities in bands 3 to 5 using agency staff as a proportion of total facilities	Registered Nurses	Other Nursing/Care staff
Top Quartile	0.0%	6.7%
Survey Average	20.6%	33.9%

On top of the additional hours employed, the survey average care wage costs are also influenced by the significantly higher prevalence of the use of agency staff compared to the benchmark group as shown in the table above. These two factors combined help to support the significant difference in care wage expenses between the survey average and the benchmark group for bands 3 to 5 that amounted to \$17.45 per bed day for the 2010 year.

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Table 17 displays further data on wage hours. This ratio is now 4.7:1 in High Care compared to 3:1 back in 2006. A similar situation has occurred in Low Care facilities. The ratio of other nursing hours to registered nursing hours is now 8:1 compared with 7:1 in the June 2007 survey. Whilst there has been some claw-back in the ratio in this latest survey, we are yet to see whether it will be sustained.

Table 17 – WAGE DATA	SURVEY AVERAGE					
	JUNE 2006	JUNE 2007	JUNE 2008	JUNE 2009	LAST SURVEY	THIS SURVEY
Bands 1 & 2						
Other Care staff to Registered Nurse ratio	3:1	4:1	4.5:1	4.4:1	5.3:1	4.7:1
Average hourly cost (all wages paid)	\$	\$	\$	\$	\$	\$
Registered nurses	41.42	41.77	43.33	45.16	46.22	45.21
Other care/nursing staff	26.65	24.73	25.52	28.01	25.99	27.85
Therapists	26.11	20.79	21.90	21.27	23.38	25.39
Total all care staff (ave hourly cost)	29.76	27.89	28.46	30.73	28.92	30.67
Hotel Services		21.51	19.42	23.90	21.36	23.44
Maintenance		24.62	20.52	24.76	23.83	23.85
Administration		29.87	28.92	30.77	31.56	36.16
Total – All staff (ave hourly cost)		26.97	26.90	29.65	27.59	29.70
Agency staff hrs as % of total hrs paid (where facility uses agency staff)						
Registered nurses	7.08%	5.44%	7.03%	9.15%	7.45%	10.62%
Other nursing/care staff	3.76%	4.23%	3.67%	5.98%	2.94%	3.93%
Overtime hours as % of total hours paid						
Registered nurses	0.94%	0.97%	0.83%	0.96%	0.84%	0.90%
Other nursing/care staff	0.98%	0.91%	0.88%	1.18%	0.77%	1.03%
Bands 3 to 5						
Other Care staff to Registered Nurse ratio	7:1	7.8:1	8.1:1	8.9:1	8:1	
Average hourly cost (all wages paid)	\$	\$	\$	\$	\$	\$
Registered nurses		37.12	42.27	43.41	44.68	41.08
Other care/nursing staff		24.46	24.75	26.42	26.65	25.22
Therapists		20.27	22.09	22.64	25.74	23.81
Total all care staff (ave hourly cost)	28.20	25.72	26.58	28.06	28.38	26.87
Hotel Services		22.00	21.67	23.00	22.88	22.39
Maintenance		24.95	17.91	22.10	22.35	23.66
Administration		26.89	30.88	29.64	32.90	34.13
Total – All staff (ave hourly cost)		25.13	25.80	27.09	27.43	26.34
Agency staff hrs as % of total hrs paid (where facility uses agency staff)						
Registered nurses	8.83%	9.47%	7.77%	6.30%	7.48%	5.67%
Other nursing/care staff	2.68%	3.99%	4.20%	4.43%	2.69%	3.06%
Overtime hours as % of total hours paid						
Registered nurses	N/A	0.76%	1.00%	1.48%	0.94%	1.12%
Other nursing/care staff	N/A	1.25%	1.38%	1.81%	1.55%	1.58%

Of course the concern with these cost-cutting measures with respect to wages and staff hours is that it will eventually have an impact on the level of care provided to residents. There is certainly evidence, as provided in the analysis performed in this survey, that there are real cuts in care wage costs and that this is being done across all levels of residential care facilities.

HOTEL SERVICES

Hotel Services is the name used to describe those support services of catering, cleaning and laundry. The table below shows the averages for these cost areas analysed on the basis of whether the service has been contracted to a third party or provided in-house. A third party contractor includes, for example, the situation of a central kitchen supplying a number of facilities within an organisation.

Table 18 Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010. All amounts shown are measured in Dollars Per Bed Day.	High Care Facilities		Low Care Facilities	
	Contracted \$	In-House \$	Contracted \$	In-House \$
	<i>48 facilities</i>	<i>113 facilities</i>	<i>106 facilities</i>	<i>165 facilities</i>
Catering				
Staff Costs	7.42	13.29	5.87	11.85
Consumables	1.25	8.53	1.17	7.76
Contract catering	15.49	(0.03)	14.02	(0.03)
Income from sale of meals	(0.08)	(0.28)	(0.15)	(0.30)
	24.08	21.52	20.91	19.27
30 June 2009	23.16	20.22	19.75	19.29
30 June 2008	20.42	19.47	18.08	17.61
	<i>48 facilities</i>	<i>113 facilities</i>	<i>88 facilities</i>	<i>183 facilities</i>
Cleaning				
Staff costs	0.23	5.19	0.26	4.38
Consumables	1.09	1.32	0.80	0.94
Contract cleaning	4.80	0.09	3.93	0.08
	6.12	6.60	4.99	5.40
30 June 2009	5.76	6.49	5.10	5.29
30 June 2008	5.72	5.21	5.05	4.71
	<i>84 facilities</i>	<i>77 facilities</i>	<i>144 facilities</i>	<i>127 facilities</i>
Laundry				
Staff costs	0.88	2.81	0.62	1.88
Consumables	0.33	0.53	0.24	0.46
Contract laundry	3.49	(0.02)	1.95	0.02
	4.69	3.31	2.81	2.36
30 June 2009	5.06	3.39	2.64	2.30
30 June 2008	5.23	3.34	2.52	2.44

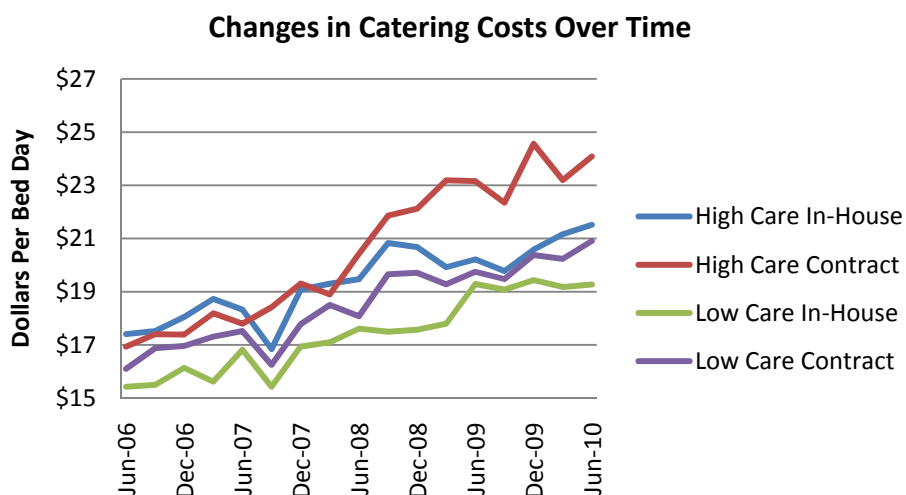
Catering

Catering costs continue to increase at a rate greater than many of the other costs associated with running an aged care facility. In fact the increases in catering costs have been one of the contributing factors to falling operating results. Using June 2006 as a base comparison, the CPI has increased by 11.5% to June 2010 (2009: 8.2%). In that same period catering costs have increased as follows:

Table 19	Cumulative increase from 2006 to 2010	Cumulative increase from 2006 to 2009
High care Contract	42.3%	36.8%
High care In-house	23.6%	16.1%
Low care Contract	29.9%	22.7%
Low care In-house	24.9%	25.0%

These increases in catering costs are further demonstrated by the graph below.

Illustration 39



Whilst the other catering categories have followed a similar pattern, the cost of contract catering in High Care has risen at a rate well above the others. While the rate of increase did show signs of slowing at certain times during the current year, the cumulative rate of increase is now 42.25% since 2006 compared to cumulative increases of 36.8% at June 2009 from the same base point of 2006.

Cleaning

The differences in costs for in-house and contract cleaning services remain marginal at best. This is an area where the decision is likely to be based on how to best manage this service rather than the cost involved.

Laundry

The contracted service remains the more expensive alternative in High Care. The difference is marginal in Low Care particularly if depreciation of equipment and energy costs were to be taken into consideration.

COMMUNITY CARE

Analysis of Community Aged Care Packages (CACP)

Table 21 Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010. All amounts shown are measured in Dollars Per Available Client Day.	Community Aged Care Packages		
	Year Ended 30 June 2010 \$	Year Ended 30 June 2009 \$	Change \$
Income	39.94	42.49	(2.55)
Expenditure			
Client Care Costs			
Staff Costs (care staff & coordinators incl. W/comp)	22.37	26.34	3.97
Care travel costs (incl MV expenses)	1.22	1.28	0.06
Other care costs	3.52	2.11	(1.41)
	27.11	29.73	2.62
<i>Client Care costs as % of income</i>	67.88%	69.95%	
Other Costs			
Operating costs	2.51	1.72	(0.79)
Administration	7.12	7.14	0.02
Depreciation – non building	0.52	0.38	(0.14)
Total Expenditure	37.27	38.97	1.7
Net Operating Result	\$ 2.67	\$ 3.52	(0.85)
<i>Result as % of income</i>	6.69%	8.24%	
Average Staff Hours per available package per week			
Client care staff	4.51	5.09	(0.58)
Coordinators/Case Managers	0.96	0.84	0.12
Administration	0.48	0.51	(0.03)
<i>Total</i>	5.95	6.45	(0.5)

The results for this period are \$0.85 per day worse than those for the 2009 financial year. The main reason for this is that the reduction in care wage costs has almost matched the reduction in income. We will be looking at collecting information on actual days subsidised in future so that we can bring you better data taking into account utilisation of package numbers. Unfortunately the current data is based upon available client days so it is skewed by packages not being utilised. This can be seen by the income per available day being less this year to last year. This is due to new packages coming on board in the lead up to December and not being fully utilised. The extent to which this is happening is not known.

We were able to collect a lot more of the actual subsidised days for this survey and this has helped to make the June figures much more reflective of the income and costs per client day – rather than per available day as was the case in past surveys (including June 2009).

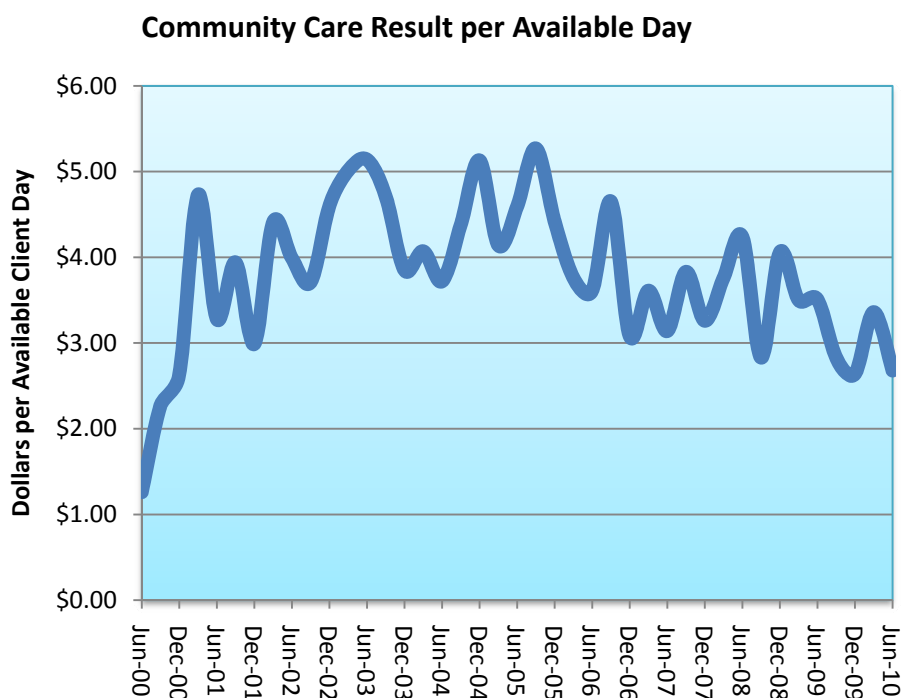
SB&C Aged Care Financial Performance Survey – Year Ended 30 June 2010

Due to the increasing numbers of packages, we have also been able to provide some more complete analysis of the CACP data. In the table below we have provided data for the average of the top quartile of packages (31 programs) as well as data split into bands based on the number of packages in a program. At this point it is a little too early in the process to be able to make too much of this data. However, the differences between the survey average and the top quartile bear a striking resemblance to those of residential care. The benchmark top quartile do far better at managing care costs albeit that there are also savings across all the other program costs.

Table 22 Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010. All amounts shown are measured in Dollars Per Available Client Day.	Community Aged Care Packages					
	Survey Average 2010 \$	Top Quartile Average 2010 \$	Under 15 Packages Average \$	15 to 45 Packages Average \$	45 to 75 Packages Average \$	Over 75 Packages Average \$
Income	39.94	40.12	39.40	40.82	39.67	39.88
Expenditure						
Client Care Costs						
Staff Costs (care staff & coordinators incl. W/comp)	22.37	21.61	25.29	25.02	22.56	22.11
Care travel costs (incl MV expenses)	1.22	1.06	0.52	1.49	1.32	1.09
Other care costs	3.52	1.12	2.50	1.73	2.65	4.84
	27.11	23.79	28.31	28.24	26.53	28.04
<i>Client Care costs as % of income</i>	67.9%	59.3%	71.9%	69.2%	66.9%	70.3%
Other Costs						
Operating costs	2.51	1.94	2.11	2.50	2.78	2.38
Administration	7.12	6.15	6.63	6.85	6.75	7.52
Depreciation – non building	0.52	0.40	0.73	0.56	0.44	0.55
Total Expenditure	37.27	32.28	37.77	38.15	36.49	38.49
Net Operating Result	\$ 2.67	\$ 7.84	\$ 1.63	\$ 2.67	\$ 3.18	\$ 1.39
<i>Result as % of income</i>	6.7%	19.5%	4.1%	6.5%	8.0%	3.5%
Average Staff Hours per available package per week						
Client care staff	4.51	4.10	7.49	4.86	4.42	4.07
Coordinators/Case Managers	0.96	1.01	1.26	0.86	0.89	0.86
Administration	0.48	0.48	0.32	0.53	0.55	0.44
<i>Total</i>	5.95	5.58	9.08	6.25	5.86	5.37

We will monitor trends with respect to the results based on numbers of packages. These initial results appear to indicate that there maybe a critical mass of packages at which point profits are maximised. After that point they decline again. We will see if this trend is maintained over coming surveys.

Illustration 40 (next page) shows the steady decline in results over a number of years. EBITDA per package now averages \$1,164 per annum. For the average of the top quartile this is \$3,008 per package per annum. While there is generally no major infrastructure associated with these packages that requires a specific rate of return, the average EBITDA is relatively poor, especially when compared to EACH and EACHD packages.

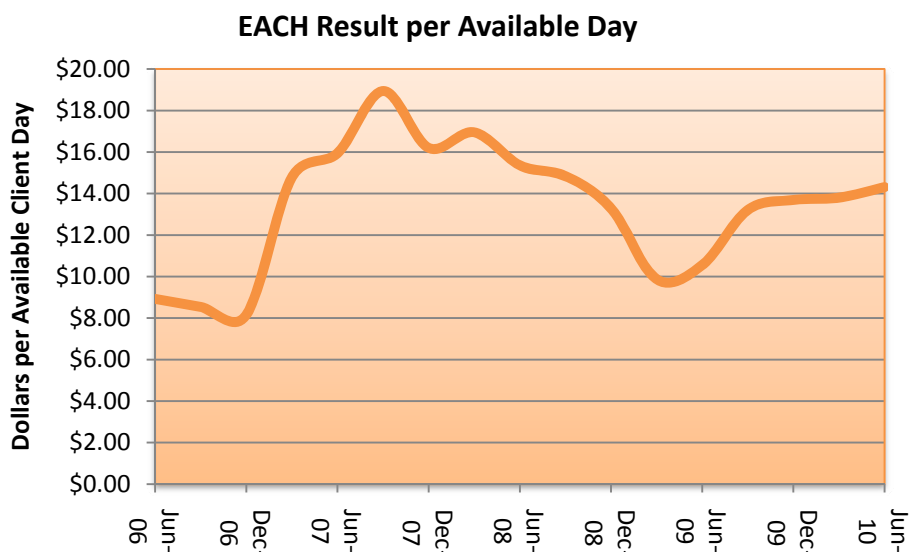
Illustration 40

Extended Aged Care at Home (EACH)

EACH results appear to be trending back upwards again after a period of decline during the 2008 and early part of 2009 financial years. There has been an increase in the trading results this year predominantly on the back of increases in income levels and little movement in costs. The results in March are very similar to those achieved in the December survey period. As was the case with CACP's we cannot be sure of the effect of the utilisation factor on these amounts.

This survey again indicates that there has been some reduction in the hours worked per client per week since 2009. This has also translated into a reduction in the direct care wage cost per client per day for the 2010 year.

The EBITDA for EACH packages for the current survey period is \$5,544 per package per annum. This compares with \$4,172 for the 2009 financial year. This is a very good rate of return given the minimum levels of capital that needs to be invested into these packages.

Table 23 Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010. All amounts shown are measured in Dollars Per Available Client Day.			
Extended Aged Care at Home Packages			
	Year Ended 30 June 2010 \$	Year Ended 30 June 2009 \$	Change \$
Income	125.63	118.17	7.46
Expenditure			
Client Care Costs			
Staff Costs (care staff & coordinators incl. W/comp)	71.87	72.42	0.55
Care travel costs (incl MV expenses)	3.27	2.18	(1.09)
Other care costs	12.45	10.46	(1.99)
	87.59	85.06	(2.53)
<i>Client Care costs as % of income</i>	69.72%	71.97%	
Other Costs			
Operating costs	5.10	4.12	(0.98)
Administration	17.73	17.56	(0.17)
Depreciation – non building	0.88	0.89	0.01
Total Expenditure	111.32	107.63	(3.69)
Net Operating Result	\$ 14.31	\$ 10.54	3.77
<i>Result as % of income</i>	11.39%	8.92%	
Average Staff Hours per available package per week			
Client care staff	13.02	12.87	0.15
Coordinators/Case Managers	2.43	3.69	(1.26)
Administration	1.25	1.21	0.04
<i>Total</i>	16.70	17.77	(1.07)

Illustration 39


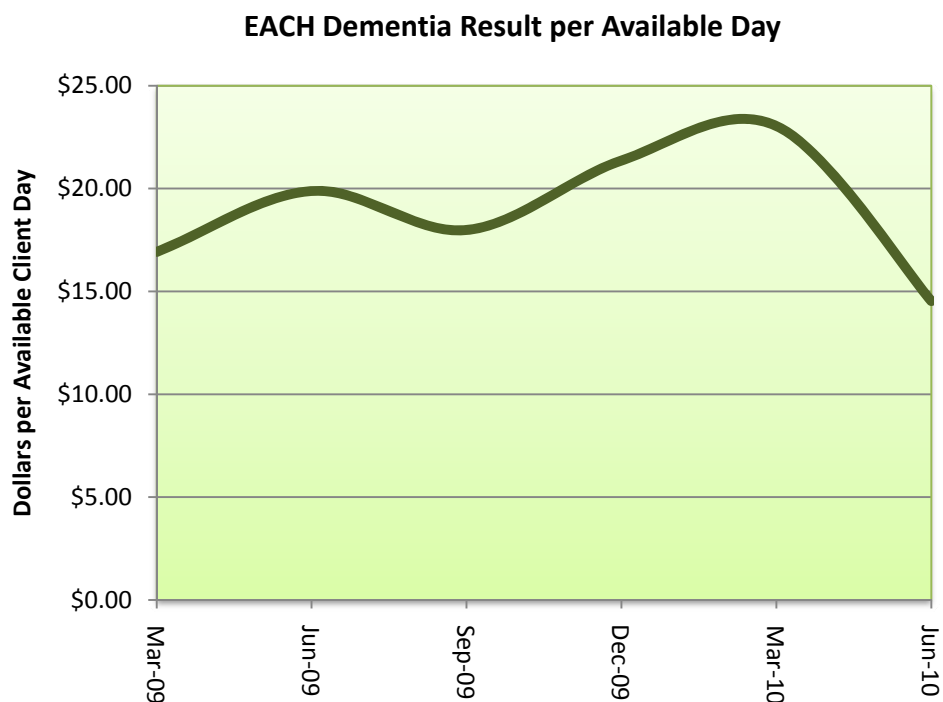
EACH Dementia

Table 24 Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010. All amounts shown are measured in Dollars Per Available Client Day.	EACH Dementia Packages		
	Year ended 30 June 2010 \$	Year ended 30 June 2009 \$	Change
Income	135.41	128.87	6.54
Expenditure			
Client Care Costs			
Staff Costs (care staff & coordinators incl. W/comp)	79.36	75.02	(4.34)
Care travel costs (incl MV expenses)	3.89	2.54	(1.35)
Other care costs	9.20	7.21	(1.99)
	92.45	84.77	(7.68)
<i>Client Care costs as % of income</i>	68.27%	65.78%	
Other Costs			
Operating costs	6.28	3.74	(2.54)
Administration	21.44	19.88	(1.56)
Depreciation – non building	0.71	0.60	(0.11)
Total Expenditure	120.89	108.99	(11.9)
Net Operating Result	14.52	\$ 19.88	(5.36)
<i>Result as % of income</i>	10.72%	15.43%	
Client care staff	13.06	13.78	(0.72)
Coordinators/Case Managers	2.14	3.03	(0.89)
Administration	1.51	1.20	0.31
<i>Total</i>	16.70	18.01	(1.31)

The amounts appearing in the table above are for 39 programs comprising 382 packages. There has been some movement in wage hours worked per client per week in this survey. There has been a reduction in hours of coordinators/case managers as well as a decrease in direct care hours. Overall, the wage hours data is telling us that there has been a reduction of 1.31 hours per client per week across all staff. Unfortunately this is not translating into the dollars shown in the table. It is showing a significant increase in the cost of care wages. We believe that the EACHD data is still subject to bias as a result of the still small numbers of packages/programs involved. It does not take much to skew the data slightly and we think that we are seeing the effects of that here. There are more packages signed on to submit data over the coming year and this should assist in alleviating the problem. The maturing of the programs and data will also assist in this process.

On an EBITDA basis, the results represent a return of \$5,559 per package per annum. This is more than double the EBITDA of an average High Care or Low Care facility in this survey – without the initial infrastructure costs of a residential facility.

Illustration 40



SUPPLEMENTARY SPECIAL ANALYSIS

The June survey collected data on a number of different areas including:

- Information on property design
- Financial statement extracts
- Energy usage (details disclosed on page 20)

In addition to this information we also promised to provide some analysis of the residential aged care data by state.

We take pleasure in reporting on all those issues in this supplementary analysis. Some of this analysis will become a standard feature on future reports, particularly the analysis of data by state.

The State of the Nation

At this point we are only able to provide information at the highest level – being a comparison of all facilities each state. As the numbers continue to grow we can make the focus narrower.

Table 25 Extracts from Stewart, Brown & Co aged care financial survey for the year ended 30 June 2010. All amounts shown are measured in Dollars Per Bed Day.	State Averages for Year ended 30 June 2010						Survey Average All Facilities \$
	NSW/ACT \$	QLD \$	SA/NT \$	TAS \$	VIC \$	WA \$	
Total of 432 facilities in survey	273 facilities	36 facilities	16 facilities	23 facilities	53 facilities	31 facilities	432 facilities
Income	144.86	142.57	149.81	139.91	159.97	140.17	146.05
Care Costs	81.77	90.70	95.43	84.26	100.60	82.75	85.46
Care costs as % of income	63.1%	63.6%	63.7%	60.2%	62.9%	59.0%	58.5%
Operational Costs							
Catering	20.17	25.75	19.79	20.58	22.73	18.70	20.85
Cleaning	5.57	6.46	6.38	6.32	5.96	4.53	5.71
Laundry	2.94	4.03	3.52	2.77	3.70	2.90	3.13
Property & maintenance	11.43	12.47	8.12	10.60	11.51	8.94	11.19
Utilities	4.19	4.20	4.63	5.58	4.16	4.80	4.32
Administration	21.96	14.80	18.14	19.84	20.76	19.79	19.35
Total Operational costs	64.03	67.71	60.57	65.69	68.82	59.65	64.55
Total Costs	145.80	158.41	156.00	149.95	169.42	142.40	150.01
Net Operating Result	(\$ 0.94)	(\$ 15.85)	(\$ 6.19)	(\$ 10.04)	(\$ 9.45)	(\$ 2.23)	(\$ 3.96)
Total Facility Result	\$ 7.09	(\$ 4.71)	(\$ 6.59)	(\$ 1.02)	(\$ 2.97)	\$ 6.87	\$ 3.89
EBITDA per bed per annum	\$ 6,151	\$ 1,269	(\$ 508)	\$ 3,972	(\$ 224)	\$ 7,240	\$ 4,663
Funded Facility Result	\$ 5,708	\$ 663	(\$ 689)	\$ 3,094	(\$ 627)	\$ 7,029	\$ 4,213
Average Bond held	\$ 176,471	\$ 162,016	\$ 161,085	\$ 140,758	\$ 172,543	\$ 188,783	\$ 172,722
Ave Bond Taken past 12 mths	\$ 233,250	\$ 240,304	\$ 216,491	\$ 193,837	\$ 224,480	\$ 227,189	\$ 229,910
Average number of places	76	75	91	75	68	60	74

While this data is interesting and will grow in significance, it must be taken at face value. The numbers of facilities submitting data in some states may not allow for a proper representation of the results for that state. One saving grace is that the data is relatively consistent across the various states. The figures for Victoria, with 53 facilities represented should show a fair representation of the state of play in that state and it is not a flattering picture. The operating result for that state is well below the survey average and the facilities in the survey have also averaged a negative EBITDA of \$224 per bed per annum. On the other hand, the NSW average is better than the survey average at all levels and has achieved an average EBITDA of \$6,151 per bed per annum.

We are continuing to grow this survey and the number of participants in it. As we do this state based data will become more representative. If the numbers allow we can also start to break the numbers down into bands so that we can benchmark facilities not only against survey benchmarks but we can compare them against state averages as well.

How healthy is the Industry?

In this survey we obtained data showing extracts from the participating organisation's financial statements for both the 2010 and 2009 financial years. While we did not get a response from everyone that submitted facility or community data, we did get a satisfactory response. Of the 95 organisations that submitted data to the main part of the survey, 74 (78%) provided the financial statement extracts.

The survey asked for the following information:

- Current Assets
- Non-Current Assets
- Current liabilities
- Non-current liabilities
- Total revenue
- Net profit/loss
- Total accommodation bonds
- Total other resident liabilities (self care loans)
- Whether bed licences were included in accounts and if so at valuation or cost

The numbers collected are impressive and give some indication of the scale of investment in this industry by the not-for-profit sector. The information collected also gives us a high level picture of the health of the sector, remembering that this information is based on the financial statements of the whole organisation, not just the residential facilities reported for the purposes of our main survey work.

Of the 74 respondents 13 (17.5%) made a loss in 2010 compared with 22 (29.7%) in 2009. The majority of losses that did occur were not significant in size compared to revenue or asset levels. This is a good sign for the industry. Despite the results being reported in the main survey with respect to residential care, the overall health of the organisations supporting those facilities remains in good shape.

The question as to whether bed licences should be recorded in the financial statements as an asset is one that has never been definitively answered over the years. It came to the fore a number of years ago when operators had to prepare general purpose financial reports for the first time and as a result adopt all the accounting standards. In recent times ASIC has also played into the argument with views as to whether, if they are recorded should be at valuation or cost. This survey appears to reflect the differences of opinion in this matter. Of the 74 respondents 27 (36.5%) did record all bed licences in the accounts as an asset and a further 6 (8.1%) respondents included some of them (usually those purchased or those granted since IFRS). So in total 44.6% of respondents include

some or all bed licences as assets in the accounts. Of those that did include them in the accounts, 55% included them at valuation and the remaining 45% included them at cost (based on the value at the time they were granted or purchased).

So the answers given appear to be typical of the differing opinions on this matter across the industry as well as between auditors. One aspect that needs to be considered is that should there be changes to the industry that results in the underlying values of bed licences to be impaired, then there will be some significant write-downs in operator's balance sheets.

A summary of the total assets employed by the respondents as well as the liabilities covered are shown in the following table:

	2010 \$000's	2009 \$000's
Current assets	1,843,664	1,466,599
Non-current assets	5,806,261	4,725,315
Total assets	7,649,925	6,191,914
Current liabilities	3,336,512	2,767,272
Non-current liabilities	1,150,685	545,109
Total liabilities	4,487,197	3,312,381
Net assets employed	3,162,728	2,879,533
Total revenues	2,287,688	1,975,365
Net Profit	159,482	107,238
Return on revenues	7.0%	5.4%
Return on assets	2.1%	1.7%
Accommodation bonds	2,083,790	1,571,140
Other resident loans	1,528,550	890,352

While these figures can only give an overview of the state of affairs of those participating in our survey it allows us to make some observations:

- While the balance sheets look healthy the return on assets employed is very poor
- The return on revenues is also very low
- Given our knowledge of a large number of the participants, it is safe to say that a large proportion of the current asset balances is comprised of cash, term deposits and investments in securities. This is a huge pool of funds that needs to be safeguarded
- The level of growth in the industry, particularly in self care over the past 12 months has been significant. There is a net increase in non-current assets (we assume largely relating to property, plant & equipment (PPE) totalling \$1.08b

- At the same time, other resident liabilities relating predominantly to self care loans increased by \$639m
- Accommodation bonds increased by \$513m during the same period

Given the amount of debt to residents, you can understand why the Government is reassessing current prudential rules with a mind to strengthening them. These figures also reflect how important the not-for-profit sector is to the aged care industry. Given the low rates of return it is only the not-for-profit sector that would be willing to operate in such an environment, particularly serving those that cannot afford a bond or additional user pay arrangements.

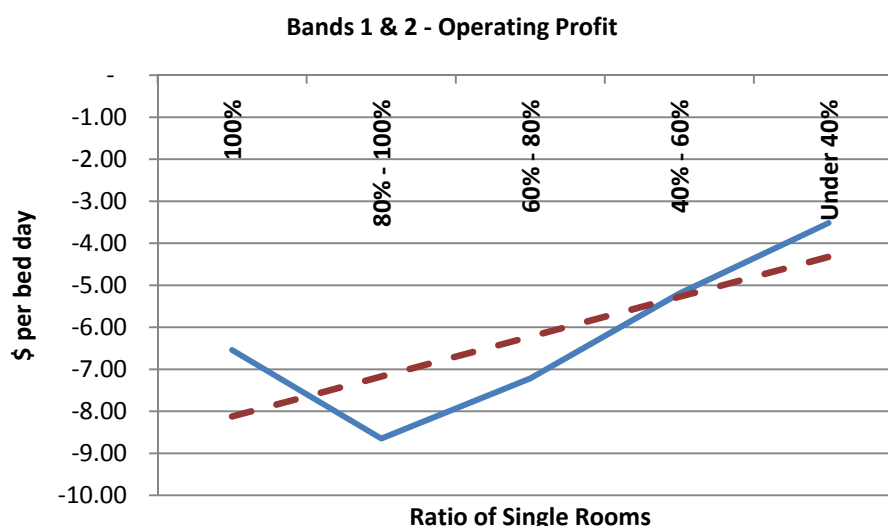
The design factors

In our June 2009 report we looked at several design features of residential aged care facilities to ascertain what affect, if any, they had on the operating results of those facilities. At the time the data set was not complete and while the results were interesting, they were far from conclusive in most areas. During this year we have been working to collect the missing data. While we still do not have data from all survey participants, we feel that it is now far more conclusive than in 2009. What we have found is that some of our findings from the 2009 survey have been confirmed, there have been changes to other findings and one or two cannot be explained.

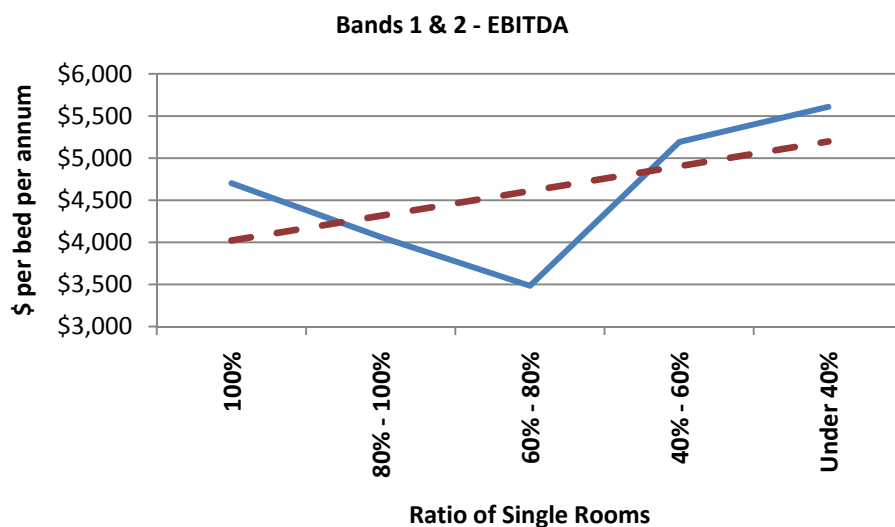
Single or Multi Bed rooms

Our 2009 survey found that there was certainly a case to be argued that those high care facilities that had a predominance of single bed rooms were more likely to achieve an operating result that was not as good as a facility with a majority of multi-bed rooms. We also found that if the facility had 100% single bed rooms it was better off than if it had a mixture of room types. Our latest survey confirms these results.

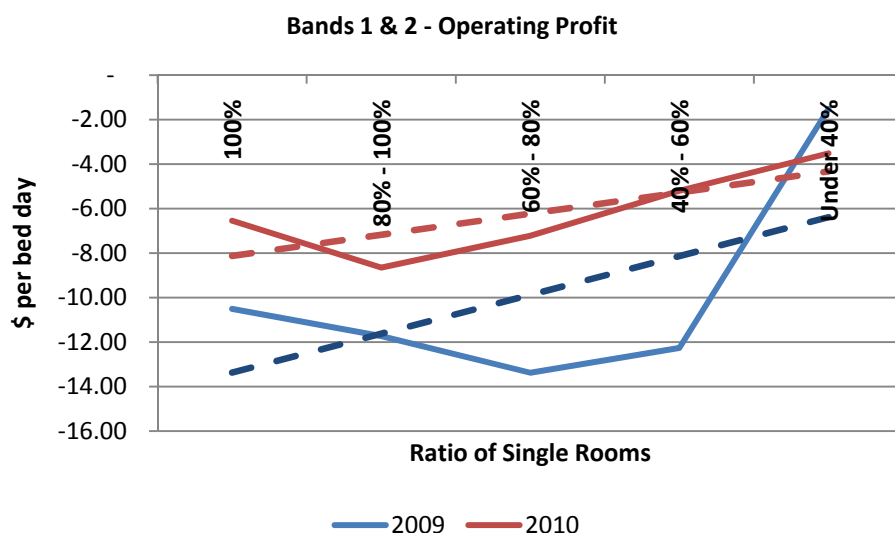
Illustration 41



The graph clearly shows that those facilities in the high care bands 1 and 2 that have all, or the majority of rooms as single bed rooms achieve an average operating result that is less than those facilities that have a majority of multi-bed rooms.

Illustration 42


Using EBITDA as the profit measurement tells a similar tale as shown in the above graph. This is going to be a continuing battle for operators. Regulation and market forces are pushing operators to design facilities where they are predominantly made up of single rooms yet, as the graph shows, these facilities are more likely to make larger operating loss than a facility with multi bed rooms. However, there is some good news. The graph below shows the comparison between the 2010 data and the 2009 data. The differences between the facilities with multi bedded rooms and single bedded rooms are not as pronounced as they were. The fact remains that it is harder to make a profit in a high care facility with single rooms but maybe managers are starting to learn how it is done.

Illustration 43


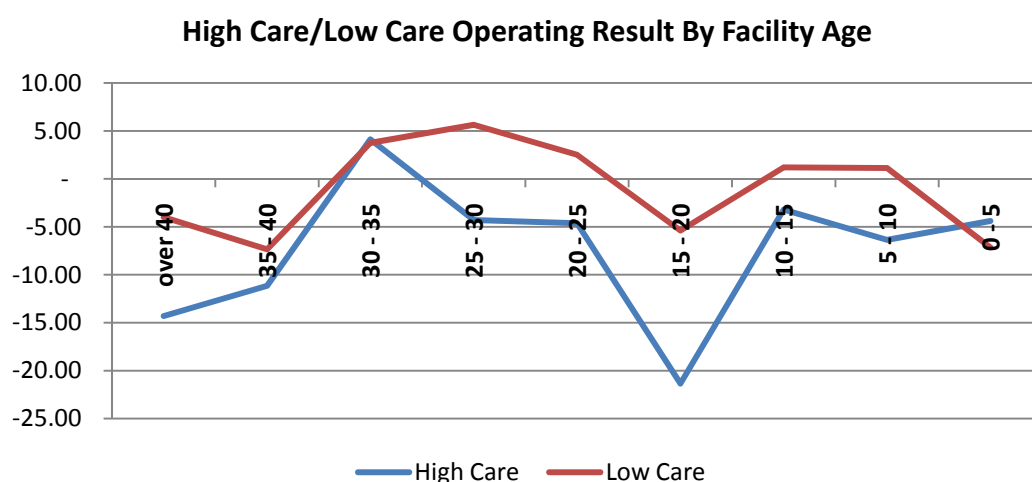
We will continue to monitor the situation and report on this again in the future.

Facility Age

There were some perplexing questions raised by the data when we looked at the effect of the age of a facility on operating profit. One of the interesting trends that emerged from the data was that there appeared to be range of facility ages that meant the facility was much more likely to have an improved operating result. This age range was somewhere between 23 and 35 year old.

Initial indications were that part of the reason for this was that during this period property and maintenance expenditure, particularly the depreciation expense was minimised. The most surprising aspect was that the care cost to income ratio of facilities in this age bracket was also lower on average than all the other age brackets. It could just mean that it has a greater number of low care facilities in this age bracket and that has influenced the care cost to income ratio. The 2010 results have confirmed the 2009 results as the graph below shows.

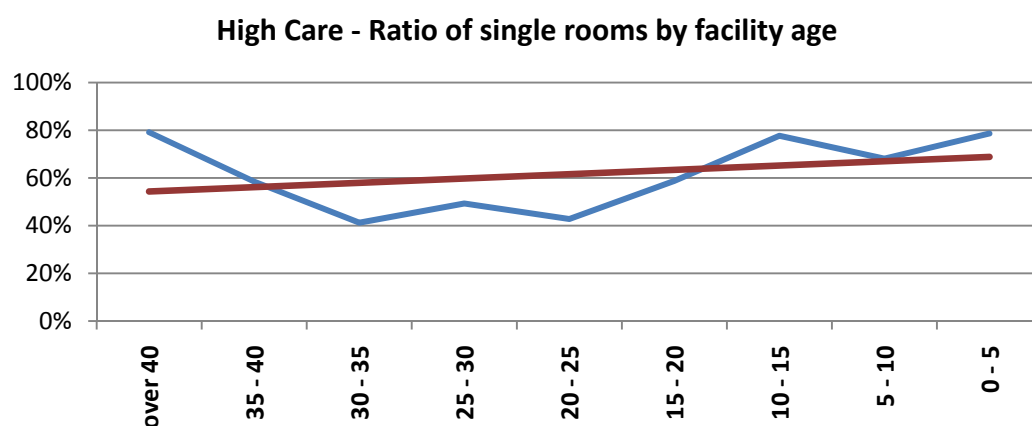
Illustration 44



This year we have shown high and low care facilities separately to indicate that it is not one or the other that has influenced the data. The period of between 25 and 35 years is still showing a higher average operating result than the other age brackets.

Interestingly, and given our previous analysis of facilities with single beds versus those with multi bedded rooms we decided to see whether that may be influencing the results. The data is displayed in the graph below.

Illustration 45



During the period in question it displays the lowest ratio of single bedded rooms in high care facilities so it is fair to say that this is having some influence on the results. Maybe we have to look back at how facilities were designed in that period to learn some lessons on how some of the design features can be incorporated in the facilities being constructed today.

Dementia Units

This is the third year that we have looked at the question of whether having a dementia unit or wing is likely to detrimental to the operating results of the facility or to improve them. In 2008 the conclusion was that it was likely to be detrimental. In 2009 we saw a reversal of fortunes and the existence of a dementia unit appeared to increase the average profit level of the facility. This was put down to the introduction of ACFI and the existence of a behavioural specific aspect to the overall subsidy paid for the care of a resident.

The 2010 results return to the conclusions of 2008. It would appear that having a dementia unit or wing is means that the facility is more likely to have an operating results that is worse off than if it did not have that dementia unit.

Illustration 46

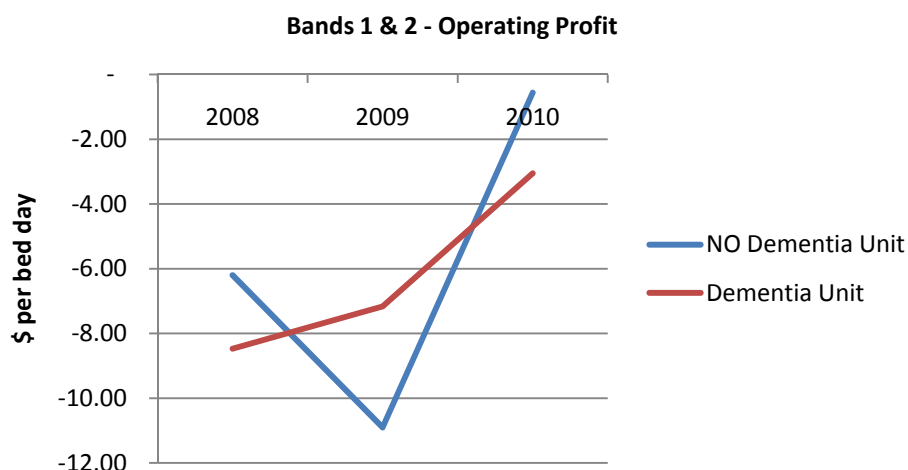
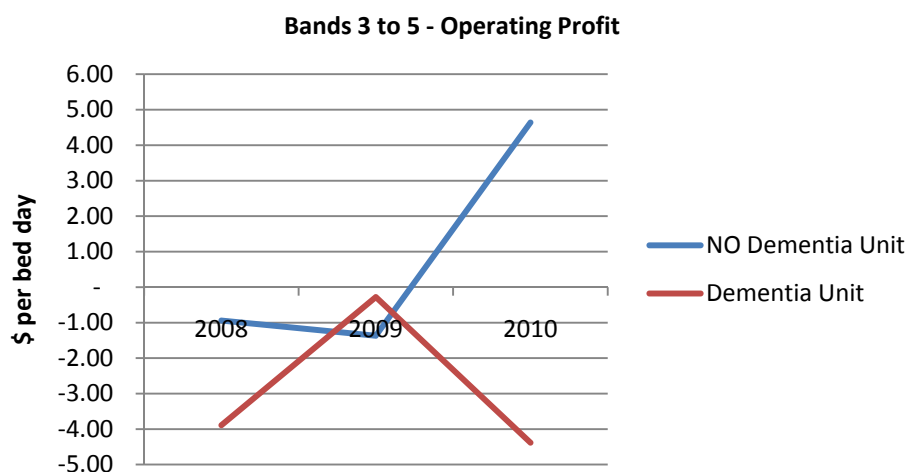


Illustration 47



At this point we cannot explain why this turnaround has occurred. Suffice to say that the gap in low care facilities in the 2009 year was only small so it would not have taken too much for the result to change. There is also the chance that there is an effect of the new participants in the survey on the

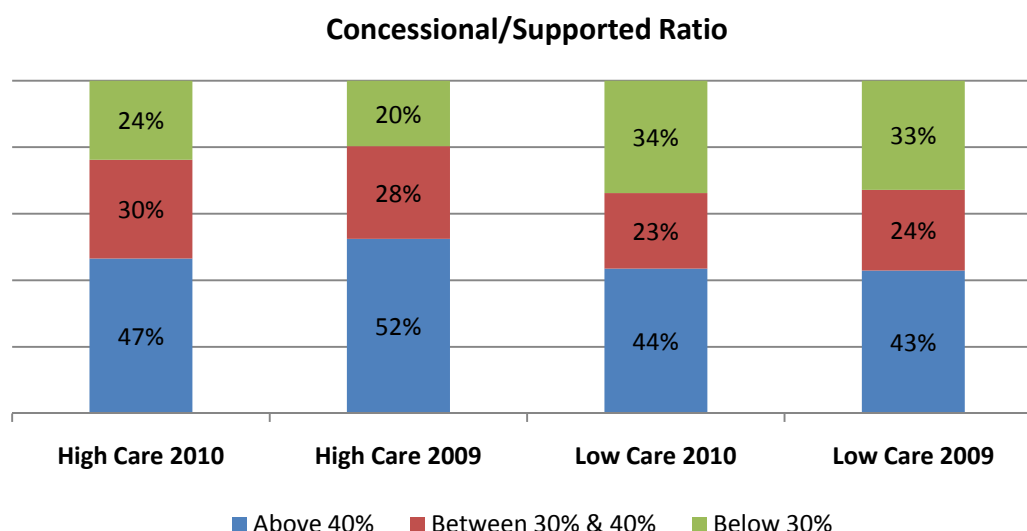
overall result. What it is telling us is that based on the 2010 data, the specific subsidy attached to behavioural issues is not having the benefit that it was intended to have. We often hear the argument put that the behavioural subsidy is not enough given the additional costs involved in operating a secure wing or unit. The 2010 results may lend some credence to that argument.

Concessional/Supported Ratio

There were a number of aspects that we looked in 2009 in relation to what effect this ratio had on the overall profitability of a facility. Of course this ratio is based on the number of concessional/supported residents as a proportion of the total residents and is an indication of the number of bonds that could be taken or accommodation charges levied.

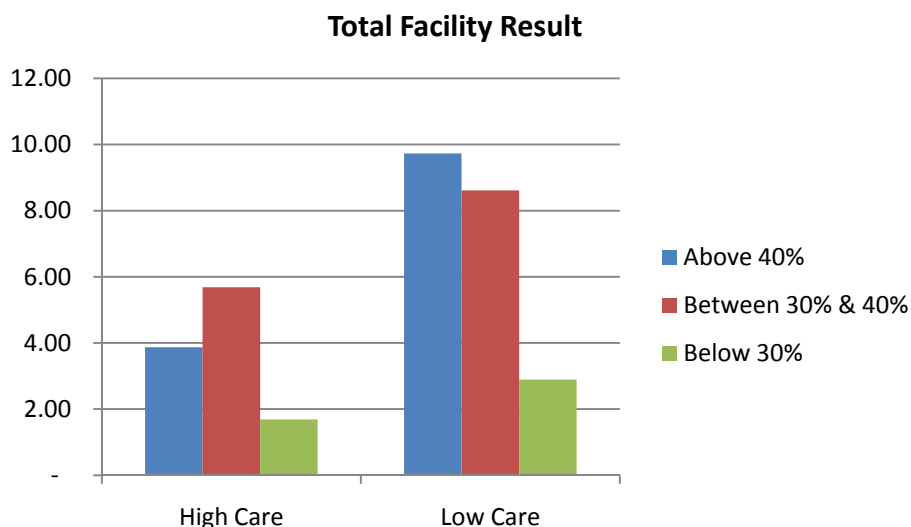
In 2009 we were a little surprised at the number of facilities in the survey that had ratios in excess of 40%. It certainly brought to the forefront the importance of the not-for-profit sector to the aged care industry and meeting the care needs of those residents that do not have the financial wherewithal to pay a bond or an accommodation charge but still have a need for care.

Illustration 48

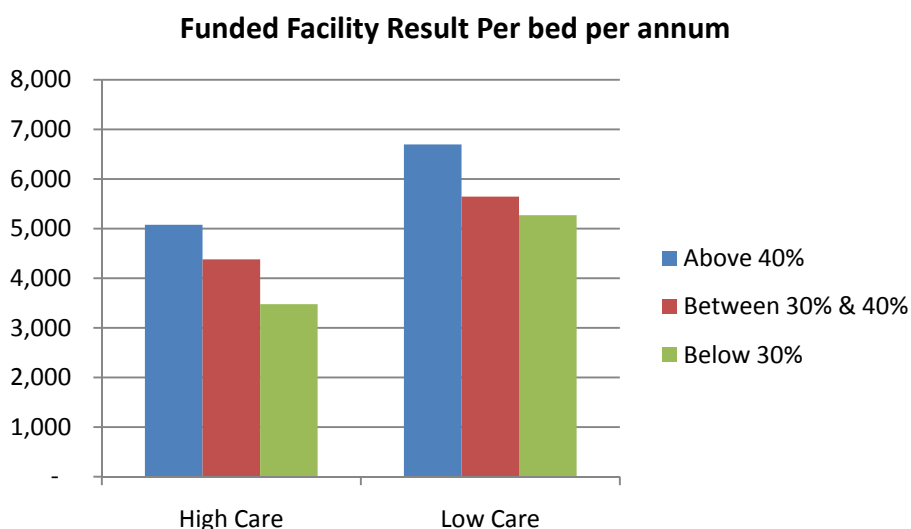


This first graph illustrates the support that the not-for-profit sector lends to the financial disadvantaged. While the overall proportion of high care facilities with a concessional/supported ratio of greater than 40% has decreased from 52% to 47% it is still very high. In low care there has actually been a small increase in the proportion of facilities with a concessional/supported ratio of greater than 40% from 43% in 2009 to 44% in 2010.

In illustration 48 (next page) we show the total facility result for high and low care facilities split into bands based on the concessional/supported ratio. In both cases it tells us that facilities are better off with a ratio above 40% compared to those with a ratio of below 30%. This needs to be qualified to the extent that many of the facilities that submit data do not included an interest income component. Should this be included then the results might be a little different. Operators have long argued that the income that can be earned from investing the money obtained from bonds far outweighs the funds received from concessional/supported residents supplements. Having said that, the higher level of supplement that is now paid for supported residents is much more attractive than it was in the past (albeit nearly \$7 of it represents what used to be received as the pensioner supplement).

Illustration 48


When we look at profit as measured by including only that income that is received through government funding or fees charged to residents then the results are clear and predictable – the higher the concessional/supported ratio the better the profit.

Illustration 48


Once again it is likely that this picture would be changed if the interest earned on bonds invested were to be taken into the equation. The bond date that we received this financial year was far more complete than it was in previous financial year. We will be working on getting more of this data. Once we do then it will be possible to perform some analysis based on imputed interest calculations. This will allow us to better ascertain the effect of bonds versus concessional/supported supplements.

LOOKING TO THE FUTURE

In recent months we have circulated a number of papers and held consultations including a number of forums to discuss what changes if any we make to our survey to make it better and maintain its relevance to users.

As a result of this consultation process we will be making some modifications with respect to:

- The amount of data that is collected
- The frequency of data collection
- The way that data is reported to participants

These changes will start with the collection of the December data. There will be some minor modifications to the data collection forms so that we can collect some additional line items with respect to educational and quality control expenditure. At the same time we will be dropping off or combining a number of line items. We will be issuing a new participant kit to all participants and this will include some clarifications on certain line items as well as the definitions for any new line items.

With respect to the frequency of data collection we understand that some of the more difficult data to collect relates to the wages hours data. For this reason we will only be collecting this data at December and June each year rather than every quarter. To enhance the information that we provide to participants we intend to undertake a study of the top quartile of facilities in the various bands to enable us to build a tool or guide for people to use for staffing purposes. We will gather wages data from these operators (with their permission) and examining the correlation between the staffing mix and the resident mix for these facilities in the benchmark group.

There will be two changes to the way in which we report data to participants. The facility reports will become true benchmark reports. There will be very little reference to high care or low care rather facilities will be benchmarked and compared to facilities with similar characteristics. We will also be changing the way the report looks. As a result of the blurring of income streams between capital and operating income we will be modifying the report to reflect that new regime. However, you will have a choice in format between the new and the old. For a small fee we can also tailor a report to suit your organisation should you wish to report in an altogether different way. We will endeavour to re-issue the September reports in the new format sometime in late January so participants know what their reports will look like before we issue the reports on the December data in March.

Looking further ahead, we are currently undertaking some development work to enable us to more easily report trend data on a facility by facility basis. This will allow us to include some graphs on one or more KPI's on facility reports showing the data trending over a period of time. This should greatly enhance the way that the data is presented and the usefulness of the data for participants.

We thank participants all for your continued support and look forward to developing and improving this service and to continue to meet the needs of participants into the future.

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	SURVEY ALL FACILITIES Average (432 Facilities)	HIGH CARE Average (161 Facilities)	HIGH CARE TOP 10% Average (16 Facilities)	HIGH CARE TOP 25% Average (40 Facilities)	HIGH CARE TOP 10 Average (10 Facilities)	HIGH CARE MIDDLE 10 Average (10 Facilities)	HIGH CARE BOTTOM 10 Average (10 Facilities)
INCOME							
Residents' fees	39.75	41.04	43.71	42.47	43.36	39.25	39.53
Government subsidies	105.64	136.72	141.28	138.94	144.73	134.59	140.22
Extra Service Income	0.66	1.33	1.46	0.62	0.00	0.34	0.72
<i>Total income</i>	146.05	179.09	186.45	182.04	188.10	174.18	180.47
RESIDENT CARE EXPENDITURE							
Staff costs							
Registered nurses	18.20	27.79	31.91	26.83	28.94	25.70	36.26
Other nursing	55.89	70.47	61.17	63.36	65.05	72.19	83.45
Therapists	3.23	3.96	2.62	3.28	2.57	2.70	4.85
Workers' compensation - Care	3.29	4.27	3.30	3.90	3.16	4.44	5.19
<i>Staff costs</i>	80.62	106.49	99.00	97.37	99.73	105.02	129.75
Staff training	0.46	0.53	0.49	0.50	0.39	0.96	1.47
Incontinence supplies	1.11	1.65	1.75	1.61	1.78	1.70	2.59
Chemist & medical	1.38	2.00	1.62	1.89	1.54	1.89	1.83
Chaplaincy	0.48	0.45	0.39	0.47	0.37	0.79	0.62
Other resident care	1.40	1.82	2.39	1.50	1.97	1.60	3.33
<i>Total resident care</i>	85.46	112.94	105.64	103.33	105.77	111.95	139.58
OPERATIONAL EXPENDITURE							
CATERING							
Staff costs	10.12	11.35	11.74	11.53	12.52	13.12	11.42
Consumables	5.44	6.13	7.51	6.72	7.33	7.03	6.63
Contract catering	5.52	5.10	1.15	2.23	0.01	1.71	7.09
Income from sale of meals	(0.23)	(0.22)	(0.03)	(0.10)	(0.01)	(0.12)	(0.05)
<i>Total catering</i>	20.85	22.36	20.37	20.38	19.84	21.73	25.10
CLEANING							
Staff costs	3.24	3.69	2.16	2.93	1.93	4.08	3.43
Consumables	1.03	1.25	1.33	1.23	1.31	1.54	0.93
Contract cleaning	1.44	1.52	1.76	1.62	1.52	0.48	2.79
<i>Total cleaning</i>	5.71	6.46	5.25	5.78	4.76	6.10	7.15

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	SURVEY ALL FACILITIES Average (432 Facilities)	HIGH CARE Average (161 Facilities)	HIGH CARE TOP 10% Average (16 Facilities)	HIGH CARE TOP 25% Average (40 Facilities)	HIGH CARE TOP 10 Average (10 Facilities)	HIGH CARE MIDDLE 10 Average (10 Facilities)	HIGH CARE BOTTOM 10 Average (10 Facilities)
LAUNDRY							
Staff costs	1.44	1.80	1.78	1.76	1.62	2.57	1.38
Consumables	0.37	0.42	0.51	0.44	0.50	0.28	0.47
Contract laundry	1.32	1.81	1.85	1.80	1.90	1.20	2.31
<i>Total laundry</i>	3.13	4.03	4.14	4.01	4.01	4.06	4.17
PROPERTY & MAINTENANCE							
Staff costs	1.69	1.86	0.97	2.30	0.88	2.17	0.41
Repairs & maintenance	3.55	3.76	2.32	3.23	2.05	3.83	5.47
Contract maintenance	1.31	1.24	1.64	1.29	2.01	1.12	2.21
Motor vehicle expenses	0.22	0.22	0.19	0.26	0.16	0.36	0.50
Insurances	0.74	0.75	0.97	0.87	0.80	0.69	0.65
Depreciation - non building	3.68	4.25	4.16	4.08	3.03	4.68	5.33
<i>Total property & maintenance</i>	11.19	12.08	10.25	12.02	8.92	12.84	14.57
UTILITIES							
Electricity	2.57	2.71	2.10	2.38	1.90	2.54	3.10
Gas	0.55	0.57	0.42	0.49	0.29	0.66	0.50
Rates	0.66	0.65	0.45	0.60	0.33	0.58	0.54
Rubbish removal	0.53	0.54	0.62	0.58	0.60	0.47	0.65
<i>Total utilities</i>	4.32	4.47	3.59	4.05	3.12	4.25	4.78
ADMINISTRATION							
Administration charges	9.39	10.89	3.89	7.56	4.03	6.40	11.84
Staff costs (direct)	5.74	5.98	4.24	5.02	4.32	7.39	6.89
Workers' compensation - other	1.00	1.40	2.38	1.77	1.48	0.93	1.09
Other administration costs	3.23	3.69	2.17	3.08	2.27	3.43	9.37
<i>Total administration</i>	19.35	21.96	12.68	17.43	12.10	18.16	29.19
OPERATIONAL EXPENDITURE	64.55	71.36	56.28	63.67	52.75	67.14	84.96
TOTAL EXPENDITURE	150.01	184.30	161.92	167.00	158.52	179.10	224.54
OPERATING RESULT	(3.96)	(5.21)	24.53	15.04	29.57	(4.92)	(44.07)

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	SURVEY ALL FACILITIES Average (432 Facilities)	HIGH CARE Average (161 Facilities)	HIGH CARE TOP 10% Average (16 Facilities)	HIGH CARE TOP 25% Average (40 Facilities)	HIGH CARE TOP 10 Average (10 Facilities)	HIGH CARE MIDDLE 10 Average (10 Facilities)	HIGH CARE BOTTOM 10 Average (10 Facilities)
NON-OPERATING INCOME							
Resident Income							
Accommodation charges	3.24	5.39	3.69	4.78	4.54	6.41	7.77
Bond retention	3.05	1.92	2.21	1.89	0.59	0.85	2.37
Late bond interest	1.38	0.76	0.47	0.55	0.36	0.46	0.31
Government							
Concessional Supplement	6.26	6.48	5.23	4.99	5.26	6.26	10.05
Transitional Supplement	0.78	0.70	0.80	0.65	0.55	0.19	1.06
Grants	0.09	0.07	-	0.11	-	(0.03)	0.05
Accommodation supplement	0.34	0.34	-	0.16	-	0.00	0.20
Other							
Sundry	0.73	0.77	0.07	0.27	0.04	0.86	0.83
Donations/bequests/fundraising	0.50	0.82	1.66	0.75	2.49	1.12	0.26
Interest on investments	2.96	1.61	0.35	0.70	0.55	1.38	1.67
<i>Total Non-operating Income</i>	19.33	18.86	14.48	14.86	14.39	17.50	24.57
EXPENDITURE							
Refurbishment	0.70	0.53	1.49	0.96	1.44	0.08	0.17
Bond and other interest paid	0.65	0.54	0.83	0.54	0.80	0.09	0.95
Building Depreciation	7.52	7.01	5.74	6.50	4.37	8.81	8.06
Administration charges	1.39	1.90	6.50	2.91	7.82	3.15	2.61
Other non-operating expenses	1.22	1.57	1.73	1.28	0.91	1.64	0.83
<i>Total Non-operating Expenditure</i>	11.48	11.55	16.29	12.19	15.35	13.76	12.63
NON-OPERATING RESULT	7.85	7.31	(1.81)	2.66	(0.96)	3.73	11.94
TOTAL RESULT FOR FACILITY	3.89	2.10	22.72	17.70	28.61	(1.18)	(32.13)
Number of bonds at reporting date	4,531	2,451	174	550	75	99	32
Average bond value at reporting date	173,344	180,410	213,762	174,896	164,185	163,425	112,765
Average bond taken (last 12 months)	222,367	223,264	209,991	203,259	199,033	144,658	239,353
Number of bonds taken (last 12 months)	1,263	769	65	151	28	37	10

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

SURVEY ALL FACILITIES Average (432 Facilities)	HIGH CARE Average (161 Facilities)	HIGH CARE TOP 10% Average (16 Facilities)	HIGH CARE TOP 25% Average (40 Facilities)	HIGH CARE TOP 10 Average (10 Facilities)	HIGH CARE MIDDLE 10 Average (10 Facilities)	HIGH CARE BOTTOM 10 Average (10 Facilities)
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REPORT CARD

Profile Data

Number of places	32,101	11,868	1,152	2,970	720	707	471
Number of occupied days	11,124,133	4,154,764	411,125	1,045,346	259,995	251,685	156,807
Occupancy rate	95.28%	95.95%	97.78%	96.43%	98.93%	97.53%	91.21%

Result by Area

Operating result	(3.96)	(5.21)	24.53	15.04	29.57	(4.92)	(44.07)
Non-operating result	7.85	7.31	(1.81)	2.66	(0.96)	3.73	11.94
Total Result	3.89	2.10	22.72	17.70	28.61	(1.18)	(32.13)
EBITDA	12.77	12.29	33.10	28.13	36.27	11.01	(19.46)
EBITDA PER BED PER ANNUM	4,663	4,486	12,082	10,267	13,237	4,020	(7,102)
Funded Facility Result	4,213	3,906	11,450	9,894	12,314	3,299	(7,498)

Expenses as % of Operating Income

Resident Care	58.51%	63.06%	56.66%	56.76%	56.23%	64.28%	77.34%
Catering	14.28%	12.49%	10.93%	11.19%	10.55%	12.48%	13.91%
Cleaning	3.91%	3.61%	2.82%	3.18%	2.53%	3.50%	3.96%
Laundry	2.14%	2.25%	2.22%	2.20%	2.13%	2.33%	2.31%
Property and maintenance	7.66%	6.75%	5.50%	6.61%	4.74%	7.37%	8.07%
Utilities	2.96%	2.50%	1.93%	2.23%	1.66%	2.44%	2.65%
Administration	13.25%	12.26%	6.80%	9.57%	6.44%	10.43%	16.17%
	102.71%	102.91%	86.84%	91.74%	84.28%	102.82%	124.42%

Wages as % of Operating Income*

Resident Care	52.94%	57.08%	51.33%	51.34%	51.34%	57.75%	69.02%
Catering	6.93%	6.34%	6.30%	6.33%	6.65%	7.53%	6.33%
Cleaning	2.22%	2.06%	1.16%	1.61%	1.03%	2.34%	1.90%
Laundry	0.99%	1.01%	0.95%	0.97%	0.86%	1.48%	0.76%
Property and maintenance	1.15%	1.04%	0.52%	1.26%	0.47%	1.24%	0.23%
Administration	3.93%	3.34%	2.27%	2.76%	2.30%	4.24%	3.82%
	68.16%	70.86%	62.53%	64.27%	62.64%	74.58%	82.05%

* Excludes workers compensation premium

Workers compensation expense as % of wages

Resident care wages	4.26%	4.18%	3.45%	4.17%	3.28%	4.41%	4.17%
Other wages	4.48%	5.67%	11.39%	7.53%	6.95%	3.18%	4.63%
Total all wages	4.31%	4.47%	4.87%	4.85%	3.94%	4.13%	4.24%

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	LOW CARE Average (271 Facilities)	LOW CARE TOP 10% Average (27 Facilities)	LOW CARE TOP 25% Average (68 Facilities)	LOW CARE TOP 10 Average (10 Facilities)	LOW CARE MIDDLE 10 Average (10 Facilities)	LOW CARE BOTTOM 10 Average (10 Facilities)
INCOME						
Residents' fees	38.98	40.15	39.92	41.07	40.19	38.31
Government subsidies	87.11	90.13	85.75	88.66	82.10	98.98
Extra Service Income	0.26	0.11	0.13	0.12	0.02	0.88
<i>Total income</i>	126.35	130.39	125.80	129.84	122.31	138.16
RESIDENT CARE EXPENDITURE						
Staff costs						
Registered nurses	12.49	10.76	8.37	2.85	6.99	25.94
Other nursing	47.20	30.54	35.36	31.89	54.15	67.55
Therapists	2.79	2.65	2.34	2.91	1.53	6.35
Workers' compensation - Care	2.71	1.69	1.67	1.61	3.02	3.84
<i>Staff costs</i>	65.19	45.64	47.74	39.27	65.68	103.68
Staff training	0.42	0.26	0.33	0.24	0.22	0.52
Incontinence supplies	0.80	0.48	0.52	0.23	0.55	1.52
Chemist & medical	1.01	0.89	0.76	0.56	0.60	2.26
Chaplaincy	0.51	0.59	0.58	0.78	0.31	0.80
Other resident care	1.16	1.09	1.00	1.10	0.77	0.78
<i>Total resident care</i>	69.09	48.95	50.93	42.18	68.12	109.56
OPERATIONAL EXPENDITURE						
CATERING						
Staff costs	9.38	9.02	9.26	10.17	5.89	11.17
Consumables	5.03	4.72	4.25	4.84	3.51	5.71
Contract catering	5.78	5.09	5.82	4.49	7.32	11.52
Income from sale of meals	(0.24)	(0.36)	(0.30)	(0.37)	(0.07)	(0.42)
<i>Total catering</i>	19.95	18.47	19.03	19.12	16.65	27.98
CLEANING						
Staff costs	2.97	2.09	2.06	1.63	2.28	5.09
Consumables	0.89	0.79	0.84	0.61	0.87	0.91
Contract cleaning	1.40	1.84	1.59	1.80	1.65	2.39
<i>Total cleaning</i>	5.26	4.72	4.49	4.04	4.80	8.39

**STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010**

	LOW CARE Average (271 Facilities)	LOW CARE TOP 10% Average (27 Facilities)	LOW CARE TOP 25% Average (68 Facilities)	LOW CARE TOP 10 Average (10 Facilities)	LOW CARE MIDDLE 10 Average (10 Facilities)	LOW CARE BOTTOM 10 Average (10 Facilities)
LAUNDRY						
Staff costs	1.23	1.45	1.12	1.17	0.78	1.34
Consumables	0.34	0.22	0.28	0.21	0.43	0.23
Contract laundry	1.02	0.73	0.80	0.73	0.65	3.47
<i>Total laundry</i>	<u>2.59</u>	<u>2.40</u>	<u>2.20</u>	<u>2.11</u>	<u>1.86</u>	<u>5.03</u>
PROPERTY & MAINTENANCE						
Staff costs	1.58	1.66	1.44	2.27	1.12	1.50
Repairs & maintenance	3.43	2.52	3.13	2.09	2.70	3.53
Contract maintenance	1.36	1.22	1.25	0.83	0.96	2.20
Motor vehicle expenses	0.21	0.20	0.19	0.22	0.14	0.21
Insurances	0.73	0.98	0.82	0.91	0.72	0.94
Depreciation - non building	3.35	2.65	2.69	3.32	3.25	4.13
<i>Total property & maintenance</i>	<u>10.66</u>	<u>9.23</u>	<u>9.52</u>	<u>9.64</u>	<u>8.89</u>	<u>12.51</u>
UTILITIES						
Electricity	2.50	2.08	2.19	1.95	2.96	2.72
Gas	0.55	0.47	0.52	0.37	0.40	0.61
Rates	0.67	0.50	0.61	0.43	0.43	1.09
Rubbish removal	0.52	0.58	0.55	0.62	0.38	0.73
<i>Total utilities</i>	<u>4.24</u>	<u>3.63</u>	<u>3.87</u>	<u>3.37</u>	<u>4.16</u>	<u>5.15</u>
ADMINISTRATION						
Administration charges	8.50	5.93	7.09	5.11	11.99	9.51
Staff costs (direct)	5.59	4.27	5.19	6.07	4.59	9.11
Workers' compensation - other	0.76	0.82	0.83	0.51	0.99	0.83
Other administration costs	2.95	3.57	3.11	3.78	1.87	3.65
<i>Total administration</i>	<u>17.80</u>	<u>14.59</u>	<u>16.21</u>	<u>15.46</u>	<u>19.45</u>	<u>23.09</u>
OPERATIONAL EXPENDITURE	60.50	53.04	55.34	53.74	55.82	82.15
TOTAL EXPENDITURE	129.59	101.99	106.27	95.92	123.94	191.72
OPERATING RESULT	(3.24)	28.40	19.53	33.92	(1.63)	(53.55)

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	LOW CARE Average (271 Facilities)	LOW CARE TOP 10% Average (27 Facilities)	LOW CARE TOP 25% Average (68 Facilities)	LOW CARE TOP 10 Average (10 Facilities)	LOW CARE MIDDLE 10 Average (10 Facilities)	LOW CARE BOTTOM 10 Average (10 Facilities)
NON-OPERATING INCOME						
Resident Income						
Accommodation charges	1.96	0.71	0.80	0.11	1.21	4.60
Bond retention	3.72	4.03	4.34	4.14	3.96	5.19
Late bond interest	1.74	1.85	1.74	1.67	1.79	3.03
Government						
Concessional Supplement	6.13	5.12	5.42	4.71	5.30	5.30
Transitional Supplement	0.83	0.85	0.82	0.55	0.73	0.93
Grants	0.10	0.16	0.12	-	0.55	-
Accommodation supplement	0.34	-	0.34	-	0.90	0.08
Other						
Sundry	0.71	0.16	0.33	0.20	0.26	1.26
Donations/bequests/fundraising	0.31	0.14	0.25	0.14	0.12	1.11
Interest on investments	3.77	1.04	1.72	0.34	1.99	7.17
<i>Total Non-operating Income</i>	19.61	14.06	15.87	11.86	16.82	28.67
EXPENDITURE						
Refurbishment	0.80	2.10	1.79	3.48	0.52	0.24
Bond and other interest paid	0.71	0.38	0.28	0.48	0.57	4.71
Building Depreciation	7.82	5.48	6.36	7.99	13.07	14.29
Administration charges	1.09	1.86	1.15	1.62	-	3.62
Other non-operating expenses	1.01	2.83	1.73	0.53	0.58	0.22
<i>Total Non-operating Expenditure</i>	11.43	12.65	11.31	14.10	14.74	23.08
NON-OPERATING RESULT	8.18	1.41	4.56	(2.24)	2.08	5.59
TOTAL RESULT FOR FACILITY	4.94	29.81	24.09	31.68	0.45	(47.97)
Number of bonds at reporting date	9,541	911	2,217	401	581	239
Average bond value at reporting date	170,747	168,611	156,425	175,349	205,630	248,605
Average bond taken (last 12 months)	232,022	240,309	240,097	270,779	258,615	341,704
Number of bonds taken (last 12 months)	2,420	262	605	125	151	96

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

LOW CARE	LOW CARE	LOW CARE	LOW CARE	LOW CARE	LOW CARE
Average	TOP 10%	TOP 25%	TOP 10	MIDDLE 10	BOTTOM 10
(271 Facilities)	Average	Average	Average	Average	Average
(271 Facilities)	(27 Facilities)	(68 Facilities)	(10 Facilities)	(10 Facilities)	(10 Facilities)

REPORT CARD

Profile Data

Number of places	20,233	1,697	4,322	676	1,103	762
Number of occupied days	6,969,369	579,581	1,493,872	223,868	384,948	238,942
Occupancy rate	94.88%	93.57%	94.70%	90.73%	95.62%	85.91%

Result by Area

Operating result	(3.24)	28.40	19.53	33.92	(1.63)	(53.55)
Non-operating result	8.18	1.41	4.56	(2.24)	2.08	5.59
Total Result	4.94	29.81	24.09	31.68	0.45	(47.97)
EBITDA	13.05	37.28	31.71	43.13	15.34	(32.01)
EBITDA PER BED PER ANNUM	4,763	13,607	11,573	15,742	5,601	(11,683)
Funded Facility Result	4,391	13,498	11,360	15,621	5,461	(12,549)

Expenses as % of Operating Income

Resident Care	54.68%	37.54%	40.49%	32.48%	55.69%	79.30%
Catering	15.79%	14.17%	15.13%	14.73%	13.61%	20.25%
Cleaning	4.16%	3.62%	3.57%	3.11%	3.92%	6.07%
Laundry	2.05%	1.84%	1.75%	1.63%	1.52%	3.64%
Property and maintenance	8.44%	7.08%	7.57%	7.42%	7.27%	9.05%
Utilities	3.36%	2.78%	3.08%	2.59%	3.41%	3.73%
Administration	14.09%	11.19%	12.89%	11.91%	15.91%	16.71%
	102.56%	78.22%	84.47%	73.87%	101.33%	138.76%

Wages as % of Operating Income*

Resident Care	49.45%	33.71%	36.62%	29.00%	51.23%	72.26%
Catering	7.42%	6.92%	7.36%	7.83%	4.81%	8.08%
Cleaning	2.35%	1.60%	1.64%	1.26%	1.86%	3.68%
Laundry	0.97%	1.11%	0.89%	0.90%	0.64%	0.97%
Property and maintenance	1.25%	1.27%	1.15%	1.75%	0.92%	1.09%
Administration	4.42%	3.27%	4.12%	4.67%	3.76%	6.59%
	65.87%	47.89%	51.78%	45.41%	63.21%	92.68%

* Excludes workers compensation premium

Workers compensation expense as % of wages

Resident care wages	4.34%	3.85%	3.63%	4.29%	4.82%	3.85%
Other wages	3.66%	4.43%	4.34%	2.37%	6.78%	2.94%
Total all wages	4.17%	4.02%	3.84%	3.60%	5.19%	3.65%

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	BAND 1 TOP 10% Average (8 Facilities)	BAND 1 TOP 25% Average (20 Facilities)	BAND 2 TOP 10% Average (8 Facilities)	BAND 2 TOP 25% Average (21 Facilities)	BAND 3 TOP 10% Average (11 Facilities)	BAND 3 TOP 25% Average (27 Facilities)	BAND 4 TOP 10% Average (12 Facilities)	BAND 4 TOP 25% Average (30 Facilities)	BAND 5 TOP 10% Average (5 Facilities)	BAND 5 TOP 25% Average (11 Facilities)
INCOME										
Residents' fees	42.62	41.75	45.56	43.34	40.40	40.45	40.51	39.74	37.23	39.86
Government subsidies	148.07	150.12	117.88	122.07	103.49	101.54	79.91	77.13	63.42	60.05
Extra Service Income	0.00	0.17	2.56	1.03	0.11	0.20	0.17	0.15	-	0.00
<i>Total income</i>	190.70	192.05	166.00	166.44	144.00	142.19	120.58	117.02	100.65	99.92
RESIDENT CARE EXPENDITURE										
Staff costs										
Registered nurses	26.14	30.07	16.56	23.06	21.62	16.05	1.17	2.29	2.52	2.38
Other nursing	69.49	65.92	62.04	57.99	29.66	38.72	31.87	33.44	26.20	27.92
Therapists	2.59	3.77	1.27	3.04	2.62	2.39	3.04	2.55	1.04	1.78
Workers' compensation - Care	3.16	3.77	5.02	3.85	2.70	2.37	0.84	1.10	0.78	0.93
<i>Staff costs</i>	101.38	103.53	84.89	87.94	56.60	59.52	36.92	39.38	30.55	33.01
Staff training	0.44	0.54	0.29	0.33	0.35	0.43	0.21	0.23	0.08	0.23
Incontinence supplies	1.86	1.92	1.01	1.07	0.69	0.69	0.32	0.34	0.27	0.21
Chemist & medical	1.14	1.62	2.27	2.21	1.04	0.97	0.66	0.55	0.48	0.38
Chaplaincy	0.33	0.53	0.70	0.38	0.55	0.78	0.73	0.64	0.07	0.16
Other resident care	2.35	1.55	2.12	2.09	0.83	1.25	0.82	1.09	0.36	0.37
<i>Total resident care</i>	107.49	109.70	91.29	94.02	60.06	63.65	39.65	42.23	31.81	34.37
OPERATIONAL EXPENDITURE										
CATERING										
Staff costs	12.79	11.02	9.70	12.14	10.89	10.09	7.48	8.87	8.96	8.01
Consumables	7.46	6.05	7.42	7.19	4.92	4.91	4.89	4.14	1.51	2.16
Contract catering	0.01	2.98	0.73	1.24	4.06	4.76	5.85	6.36	5.55	7.77
Income from sale of meals	(0.01)	(0.03)	(0.01)	(0.39)	(0.36)	(0.38)	(0.20)	(0.21)	(0.05)	(0.25)
<i>Total catering</i>	20.25	20.02	17.84	20.17	19.51	19.38	18.03	19.16	15.98	17.70
CLEANING										
Staff costs	1.98	2.22	2.02	3.40	2.90	2.59	1.61	1.39	0.52	1.41
Consumables	1.37	1.32	1.16	1.11	0.93	0.90	0.73	0.75	0.60	0.76
Contract cleaning	1.37	1.79	2.34	1.15	0.99	1.22	2.06	2.03	1.95	1.76
<i>Total cleaning</i>	4.71	5.33	5.51	5.65	4.83	4.70	4.39	4.17	3.07	3.93

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	BAND 1 TOP 10% Average (8 Facilities)	BAND 1 TOP 25% Average (20 Facilities)	BAND 2 TOP 10% Average (8 Facilities)	BAND 2 TOP 25% Average (21 Facilities)	BAND 3 TOP 10% Average (11 Facilities)	BAND 3 TOP 25% Average (27 Facilities)	BAND 4 TOP 10% Average (12 Facilities)	BAND 4 TOP 25% Average (30 Facilities)	BAND 5 TOP 10% Average (5 Facilities)	BAND 5 TOP 25% Average (11 Facilities)
LAUNDRY										
Staff costs	1.42	1.69	1.21	1.84	1.79	1.62	1.04	0.86	0.52	0.71
Consumables	0.58	0.59	0.29	0.42	0.13	0.28	0.29	0.30	0.10	0.15
Contract laundry	1.90	1.64	2.46	1.36	0.65	0.38	0.91	1.17	0.78	1.02
<i>Total laundry</i>	3.89	3.92	3.96	3.63	2.57	2.27	2.23	2.33	1.41	1.88
PROPERTY & MAINTENANCE										
Staff costs	0.80	2.48	1.19	2.03	1.84	1.54	1.72	1.20	0.81	1.16
Repairs & maintenance	1.93	3.13	3.39	3.13	2.56	2.93	2.79	2.77	3.43	3.99
Contract maintenance	2.21	1.41	0.81	1.12	1.08	1.23	0.97	1.25	1.73	1.53
Motor vehicle expenses	0.16	0.23	0.23	0.22	0.23	0.26	0.21	0.16	0.07	0.10
Insurances	0.72	0.88	0.75	0.82	1.35	1.10	0.73	0.65	0.47	0.54
Depreciation - non building	2.88	4.02	4.84	4.37	2.78	3.29	3.08	2.57	1.88	1.70
<i>Total property & maintenance</i>	8.70	12.15	11.21	11.69	9.84	10.35	9.49	8.59	8.40	9.02
UTILITIES										
Electricity	1.91	1.99	2.65	2.75	1.89	2.15	2.23	2.13	2.13	2.20
Gas	0.21	0.49	0.43	0.49	0.55	0.68	0.36	0.40	0.46	0.46
Rates	0.30	0.39	0.75	0.75	0.32	0.61	0.54	0.60	0.88	0.73
Rubbish removal	0.67	0.55	0.70	0.58	0.58	0.51	0.60	0.61	0.52	0.52
<i>Total utilities</i>	3.08	3.43	4.54	4.58	3.34	3.94	3.73	3.74	3.99	3.92
ADMINISTRATION										
Administration charges	3.57	7.67	4.14	8.21	3.09	3.95	6.84	9.25	12.07	9.69
Staff costs (direct)	4.78	5.38	6.52	5.00	5.56	6.65	2.94	3.87	5.16	4.88
Workers' compensation - other	0.74	1.77	1.88	1.86	1.68	1.39	0.17	0.46	0.22	0.36
Other administration costs	2.34	2.09	5.07	3.58	5.36	5.16	1.92	2.20	1.11	1.19
<i>Total administration</i>	11.43	16.90	17.61	18.64	15.69	17.14	11.87	15.77	18.55	16.13
OPERATIONAL EXPENDITURE	52.06	61.75	60.68	64.37	55.79	57.79	49.75	53.77	51.40	52.58
TOTAL EXPENDITURE	159.55	171.45	151.97	158.38	115.84	121.44	89.40	96.00	83.21	86.94
OPERATING RESULT	31.14	20.60	14.03	8.06	28.15	20.74	31.18	21.02	17.44	12.97

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	BAND 1 TOP 10% Average (8 Facilities)	BAND 1 TOP 25% Average (20 Facilities)	BAND 2 TOP 10% Average (8 Facilities)	BAND 2 TOP 25% Average (21 Facilities)	BAND 3 TOP 10% Average (11 Facilities)	BAND 3 TOP 25% Average (27 Facilities)	BAND 4 TOP 10% Average (12 Facilities)	BAND 4 TOP 25% Average (30 Facilities)	BAND 5 TOP 10% Average (5 Facilities)	BAND 5 TOP 25% Average (11 Facilities)
NON-OPERATING INCOME										
Resident Income										
Accommodation charges	4.51	5.74	1.32	2.89	0.94	1.21	0.18	0.26	1.24	0.60
Bond retention	0.19	1.63	2.51	2.58	4.11	4.08	4.25	4.37	4.25	5.23
Late bond interest	0.05	0.28	1.43	1.11	2.30	1.98	1.76	1.45	1.51	1.89
Government										
Concessional Supplement	6.07	5.50	4.27	4.63	3.01	4.17	5.89	6.77	6.54	5.65
Transitional Supplement	0.27	0.50	0.89	1.04	0.84	1.08	0.62	0.76	0.63	0.69
Grants	-	0.24	(0.06)	(0.02)	-	0.05	0.38	0.23	-	-
Accommodation supplement	-	0.09	0.10	0.18	-	0.00	-	0.28	0.53	0.78
Other										
Sundry	0.05	0.10	0.26	0.72	0.17	0.29	0.20	0.39	0.52	0.34
Donations/bequests/fundraising	3.03	1.37	0.08	0.08	0.23	0.44	0.09	0.09	0.00	0.17
Interest on investments	0.68	0.50	1.62	0.84	2.16	4.07	0.27	0.10	-	0.34
<i>Total Non-operating Income</i>	14.85	15.95	12.42	14.06	13.76	17.38	13.63	14.71	15.23	15.68
EXPENDITURE										
Refurbishment	1.69	0.76	1.21	0.75	1.06	1.75	3.22	2.03	0.74	1.61
Bond and other interest paid	0.86	0.54	0.86	0.53	0.26	0.33	0.49	0.31	0.13	0.18
Building Depreciation	3.55	5.53	6.96	7.20	6.77	7.27	5.18	5.89	8.04	5.36
Administration charges	9.22	4.20	3.07	1.52	2.85	2.17	1.56	0.63	-	0.10
Other non-operating expenses	0.06	0.97	1.60	1.63	5.97	3.89	0.66	0.39	0.00	0.07
<i>Total Non-operating Expenditure</i>	15.38	12.00	13.70	11.63	16.90	15.40	11.11	9.25	8.91	7.31
NON-OPERATING RESULT	(0.54)	3.95	(1.28)	2.43	(3.14)	1.98	2.51	5.46	6.32	8.37
TOTAL RESULT FOR FACILITY	30.61	24.55	12.75	10.49	25.01	22.72	33.70	26.48	23.76	21.34
Number of bonds at reporting date	29	159	162	448	426	847	385	976	141	379
Average bond value at reporting date	133,822	182,889	207,233	175,067	170,369	167,531	160,998	145,297	178,383	159,331
Average bond taken (last 12 months)	214,517	201,774	243,143	214,469	292,145	337,227	189,357	189,116	206,660	181,530
Number of bonds taken (last 12 months)	10	49	49	119	125	214	117	270	41	117

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	BAND 1 TOP 10% Average (8 Facilities)	BAND 1 TOP 25% Average (20 Facilities)	BAND 2 TOP 10% Average (8 Facilities)	BAND 2 TOP 25% Average (21 Facilities)	BAND 3 TOP 10% Average (11 Facilities)	BAND 3 TOP 25% Average (27 Facilities)	BAND 4 TOP 10% Average (12 Facilities)	BAND 4 TOP 25% Average (30 Facilities)	BAND 5 TOP 10% Average (5 Facilities)	BAND 5 TOP 25% Average (11 Facilities)
REPORT CARD										
Profile Data										
Number of places	582	1,427	619	1,684	723	1,720	705	1,871	281	656
Number of occupied days	210,159	514,049	217,842	514,049	245,478	595,945	242,618	645,982	96,531	224,158
Occupancy rate	98.93%	98.69%	96.42%	94.73%	93.02%	94.93%	94.28%	94.59%	94.12%	93.62%
Result by Area										
Operating result	31.14	20.60	14.03	8.06	28.15	20.74	31.18	21.02	17.44	12.97
Non-operating result	(0.54)	3.95	(1.28)	2.43	(3.14)	1.98	2.51	5.46	6.32	8.37
Total Result	30.61	24.55	12.75	10.49	25.01	22.72	33.70	26.48	23.76	21.34
EBITDA	37.22	34.14	23.79	21.75	32.66	29.53	42.18	35.15	33.81	28.24
EBITDA PER BED PER ANNUM	13,586	12,462	8,682	7,939	11,921	10,777	15,397	12,830	12,340	10,309
Funded Facility Result	12,462	11,925	8,558	7,646	11,774	10,511	15,289	12,655	12,150	10,121
Expenses as % of Operating Income										
Resident Care	56.37%	57.12%	55.00%	56.49%	41.71%	44.77%	32.88%	36.09%	31.61%	34.39%
Catering	10.62%	10.42%	10.75%	12.12%	13.55%	13.63%	14.95%	16.37%	15.87%	17.71%
Cleaning	2.47%	2.77%	3.32%	3.40%	3.35%	3.31%	3.64%	3.56%	3.05%	3.94%
Laundry	2.04%	2.04%	2.39%	2.18%	1.78%	1.60%	1.85%	2.00%	1.40%	1.88%
Property and maintenance	4.56%	6.33%	6.75%	7.02%	6.83%	7.28%	7.87%	7.34%	8.35%	9.03%
Utilities	1.62%	1.78%	2.74%	2.75%	2.32%	2.77%	3.10%	3.20%	3.97%	3.92%
Administration	5.99%	8.80%	10.61%	11.20%	10.90%	12.06%	9.84%	13.48%	18.43%	16.14%
	83.67%	89.27%	91.55%	95.16%	80.45%	85.41%	74.14%	82.04%	82.67%	87.02%
Wages as % of Operating Income*										
Resident Care	51.51%	51.95%	48.12%	50.52%	37.43%	40.20%	29.92%	32.71%	29.58%	32.11%
Catering	6.71%	5.74%	5.84%	7.29%	7.57%	7.10%	6.20%	7.58%	8.90%	8.01%
Cleaning	1.04%	1.15%	1.21%	2.04%	2.01%	1.82%	1.33%	1.19%	0.52%	1.41%
Laundry	0.74%	0.88%	0.73%	1.11%	1.24%	1.14%	0.86%	0.74%	0.52%	0.71%
Property and maintenance	0.42%	1.29%	0.72%	1.22%	1.28%	1.09%	1.42%	1.03%	0.81%	1.16%
Administration	2.51%	2.80%	3.93%	3.00%	3.86%	4.68%	2.44%	3.30%	5.12%	4.89%
	62.92%	63.81%	60.55%	65.19%	53.39%	56.02%	42.18%	46.55%	45.44%	48.28%
* Excludes workers compensation premium										
Workers compensation expense as % of wages										
Resident care wages	3.21%	3.78%	6.28%	4.58%	5.01%	4.14%	2.32%	2.88%	2.64%	2.90%
Other wages	3.38%	7.78%	9.12%	7.63%	7.31%	6.18%	1.13%	2.85%	1.37%	2.24%
Total all wages	3.24%	4.52%	6.87%	5.26%	5.70%	4.72%	1.98%	2.87%	2.19%	2.68%

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY

RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT

YEAR ENDED 30 JUNE 2010

	HIGH CARE UNDER 40 PLACES Average (21 Facilities)	HIGH CARE 40 TO 60 PLACES Average (42 Facilities)	HIGH CARE 60 TO 80 PLACES Average (53 Facilities)	HIGH CARE 80 TO 100 PLACES Average (21 Facilities)	HIGH CARE OVER 100 PLACES Average (24 Facilities)	LOW CARE UNDER 40 PLACES Average (46 Facilities)	LOW CARE 40 TO 60 PLACES Average (92 Facilities)	LOW CARE 60 TO 80 PLACES Average (43 Facilities)	LOW CARE 80 TO 100 PLACES Average (28 Facilities)	LOW CARE OVER 100 PLACES Average (62 Facilities)
INCOME										
Residents' fees	40.82	40.44	40.50	40.44	42.42	39.30	38.89	38.99	38.71	39.06
Government subsidies	137.53	141.46	137.61	139.95	130.53	80.62	78.80	84.71	85.41	94.33
Extra Service Income	0.16	2.47	0.44	1.29	1.79	0.61	0.38	0.08	0.38	0.16
<i>Total income</i>	178.50	184.37	178.55	181.68	174.74	120.53	118.07	123.78	124.49	133.55
RESIDENT CARE EXPENDITURE										
Staff costs										
Registered nurses	34.42	33.14	30.01	24.33	22.39	9.46	8.73	12.33	13.43	14.94
Other nursing	71.49	69.10	67.47	72.88	73.17	44.79	39.74	44.29	46.92	52.96
Therapists	4.95	4.34	3.87	3.96	3.61	3.07	2.94	2.34	2.27	2.97
Workers' compensation - Care	3.84	4.01	4.11	3.66	5.05	2.55	1.95	2.98	2.56	3.12
<i>Staff costs</i>	114.70	110.60	105.46	104.83	104.22	59.88	53.35	61.93	65.17	73.99
Staff training	0.65	0.76	0.54	0.29	0.46	0.48	0.52	0.48	0.42	0.33
Incontinence supplies	2.31	2.04	1.53	1.62	1.41	0.58	0.49	0.70	0.77	1.06
Chemist & medical	1.58	2.05	1.88	1.94	2.23	0.94	0.93	0.84	1.05	1.11
Chaplaincy	0.25	0.60	0.40	0.46	0.44	0.31	0.38	0.86	0.38	0.52
Other resident care	1.86	1.67	2.10	1.32	1.87	0.67	1.53	1.38	1.13	0.96
<i>Total resident care</i>	121.35	117.71	111.91	110.46	110.63	62.86	57.21	66.18	68.92	77.96
OPERATIONAL EXPENDITURE										
CATERING										
Staff costs	11.75	11.11	11.01	11.24	11.90	9.64	9.29	9.14	9.05	9.57
Consumables	7.97	7.07	5.93	5.59	5.67	5.17	5.52	4.81	5.15	4.78
Contract catering	3.59	4.43	4.30	5.42	6.54	3.80	5.46	5.83	5.34	6.43
Income from sale of meals	(0.45)	(0.36)	(0.24)	(0.07)	(0.13)	(0.35)	(0.36)	(0.14)	(0.33)	(0.16)
<i>Total catering</i>	22.87	22.25	20.99	22.18	23.97	18.26	19.91	19.64	19.20	20.62
CLEANING										
Staff costs	4.42	3.24	3.65	3.68	3.90	2.52	2.57	2.69	3.28	3.28
Consumables	1.55	1.28	1.19	1.38	1.17	0.96	0.82	0.86	0.99	0.90
Contract cleaning	1.47	1.62	1.18	1.69	1.73	1.21	1.25	1.39	0.90	1.67
<i>Total cleaning</i>	7.44	6.13	6.02	6.74	6.80	4.70	4.64	4.94	5.18	5.85

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY

RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT

YEAR ENDED 30 JUNE 2010

	HIGH CARE UNDER 40 PLACES Average (21 Facilities)	HIGH CARE 40 TO 60 PLACES Average (42 Facilities)	HIGH CARE 60 TO 80 PLACES Average (53 Facilities)	HIGH CARE 80 TO 100 PLACES Average (21 Facilities)	HIGH CARE OVER 100 PLACES Average (24 Facilities)	LOW CARE UNDER 40 PLACES Average (46 Facilities)	LOW CARE 40 TO 60 PLACES Average (92 Facilities)	LOW CARE 60 TO 80 PLACES Average (43 Facilities)	LOW CARE 80 TO 100 PLACES Average (28 Facilities)	LOW CARE OVER 100 PLACES Average (62 Facilities)
LAUNDRY										
Staff costs	1.73	1.83	1.87	1.37	1.96	1.12	1.24	1.25	0.83	1.35
Consumables	0.78	0.41	0.32	0.34	0.53	0.35	0.34	0.39	0.42	0.31
Contract laundry	2.38	1.75	1.85	1.77	1.71	0.70	0.91	0.83	1.00	1.22
<i>Total laundry</i>	4.89	3.99	4.03	3.48	4.20	2.16	2.50	2.47	2.25	2.88
PROPERTY & MAINTENANCE										
Staff costs	1.57	2.65	1.88	1.51	1.55	1.57	1.39	1.63	1.81	1.61
Repairs & maintenance	3.46	3.99	3.65	2.84	4.32	4.60	3.76	3.69	3.48	2.91
Contract maintenance	0.54	1.89	0.90	1.62	1.10	1.08	1.42	1.19	1.15	1.49
Motor vehicle expenses	0.25	0.27	0.25	0.14	0.21	0.25	0.21	0.22	0.22	0.20
Insurances	0.89	0.80	0.75	0.63	0.75	0.71	0.68	0.84	0.81	0.71
Depreciation - non building	3.38	4.31	4.27	4.16	4.39	3.14	3.26	3.73	2.95	3.42
<i>Total property & maintenance</i>	10.09	13.90	11.71	10.90	12.31	11.35	10.71	11.32	10.42	10.34
UTILITIES										
Electricity	2.75	2.47	2.93	2.45	2.76	2.92	2.43	2.33	2.40	2.54
Gas	0.61	0.59	0.61	0.44	0.57	0.61	0.49	0.55	0.55	0.56
Rates	0.54	0.60	0.72	0.70	0.61	0.68	0.70	0.75	0.60	0.64
Rubbish removal	0.58	0.50	0.52	0.54	0.58	0.51	0.50	0.49	0.44	0.57
<i>Total utilities</i>	4.49	4.17	4.77	4.12	4.51	4.73	4.13	4.11	4.00	4.31
ADMINISTRATION										
Administration charges	10.23	10.72	11.25	10.51	10.95	8.72	8.76	7.85	10.25	8.02
Staff costs (direct)	6.48	6.67	5.88	6.19	5.40	7.11	5.45	4.83	4.56	5.96
Workers' compensation - other	1.02	1.52	1.53	1.46	1.21	0.57	0.66	0.63	0.84	0.87
Other administration costs	3.07	4.02	3.70	3.20	3.83	2.94	3.30	4.48	2.66	2.31
<i>Total administration</i>	20.80	22.92	22.37	21.37	21.40	19.34	18.16	17.79	18.30	17.16
OPERATIONAL EXPENDITURE	70.57	73.37	69.90	68.79	73.20	60.54	60.05	60.28	59.35	61.15
TOTAL EXPENDITURE	191.92	191.08	181.80	179.25	183.83	123.39	117.26	126.46	128.27	139.12
OPERATING RESULT	(13.42)	(6.71)	(3.25)	2.43	(9.09)	(2.86)	0.81	(2.68)	(3.78)	(5.57)

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY

RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT

YEAR ENDED 30 JUNE 2010

	HIGH CARE UNDER 40 PLACES Average (21 Facilities)	HIGH CARE 40 TO 60 PLACES Average (42 Facilities)	HIGH CARE 60 TO 80 PLACES Average (53 Facilities)	HIGH CARE 80 TO 100 PLACES Average (21 Facilities)	HIGH CARE OVER 100 PLACES Average (24 Facilities)	LOW CARE UNDER 40 PLACES Average (46 Facilities)	LOW CARE 40 TO 60 PLACES Average (92 Facilities)	LOW CARE 60 TO 80 PLACES Average (43 Facilities)	LOW CARE 80 TO 100 PLACES Average (28 Facilities)	LOW CARE OVER 100 PLACES Average (62 Facilities)
NON-OPERATING INCOME										
Resident Income										
Accommodation charges	5.85	6.38	5.99	4.30	4.59	1.28	1.01	1.43	2.15	2.74
Bond retention	1.56	2.36	1.77	1.98	1.83	4.61	4.18	3.54	3.17	3.53
Late bond interest	0.60	0.87	0.66	1.21	0.57	1.77	1.67	1.85	1.86	1.70
Government										
Concessional Supplement	6.93	6.82	6.52	6.27	6.24	7.00	6.81	6.47	5.67	5.60
Transitional Supplement	0.58	0.80	0.66	0.56	0.79	1.00	1.07	0.56	0.85	0.74
Grants	0.00	0.12	0.17	-	(0.01)	0.17	0.22	(0.01)	0.12	0.06
Accommodation supplement	0.25	0.23	0.39	0.64	0.20	0.17	0.15	0.18	0.21	0.56
Other										
Sundry	0.60	1.07	0.61	0.46	0.95	0.75	0.58	0.63	0.59	0.83
Donations/bequests/fundraising	0.78	1.57	1.00	0.24	0.46	0.16	0.17	0.22	0.27	0.46
Interest on investments	2.27	1.87	1.09	2.81	1.20	3.29	2.48	6.51	3.53	3.71
<i>Total Non-operating Income</i>	19.41	22.09	18.86	18.45	16.84	20.21	18.34	21.37	18.41	19.93
EXPENDITURE										
Refurbishment	0.29	0.32	0.73	0.53	0.51	0.28	1.04	1.44	0.38	0.68
Bond and other interest paid	0.49	0.58	0.48	0.97	0.36	0.29	0.71	0.30	0.46	1.00
Building Depreciation	5.34	7.04	7.50	5.43	7.67	6.80	7.69	7.84	6.79	8.39
Administration charges	1.78	2.76	0.37	3.89	1.92	0.11	0.69	0.44	0.66	1.85
Other non-operating expenses	2.02	1.06	0.98	2.33	2.06	0.27	0.48	0.69	0.74	1.64
<i>Total Non-operating Expenditure</i>	9.92	11.76	10.06	13.15	12.52	7.75	10.61	10.71	9.03	13.55
NON-OPERATING RESULT	9.49	10.32	8.80	5.30	4.33	12.47	7.74	10.67	9.38	6.38
TOTAL RESULT FOR FACILITY	(3.93)	3.61	5.55	7.73	(4.76)	9.60	8.54	7.99	5.59	0.82
Number of bonds at reporting date	142	297	733	541	738	724	2,222	1,459	1,296	3,840
Average bond value at reporting date	135,989	147,967	161,298	192,688	212,014	161,002	153,751	176,104	163,575	182,803
Average bond taken (last 12 months)	189,927	157,101	228,160	216,604	274,853	196,041	232,508	284,334	221,595	225,411
Number of bonds taken (last 12 months)	64	112	220	185	25	216	582	330	323	969

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY

RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT

YEAR ENDED 30 JUNE 2010

	HIGH CARE UNDER 40 PLACES Average (21 Facilities)	HIGH CARE 40 TO 60 PLACES Average (42 Facilities)	HIGH CARE 60 TO 80 PLACES Average (53 Facilities)	HIGH CARE 80 TO 100 PLACES Average (21 Facilities)	HIGH CARE OVER 100 PLACES Average (24 Facilities)	LOW CARE UNDER 40 PLACES Average (46 Facilities)	LOW CARE 40 TO 60 PLACES Average (92 Facilities)	LOW CARE 60 TO 80 PLACES Average (43 Facilities)	LOW CARE 80 TO 100 PLACES Average (28 Facilities)	LOW CARE OVER 100 PLACES Average (62 Facilities)
REPORT CARD										
Profile Data										
Number of places	633	2,251	3,714	1,881	3,389	1,542	4,708	2,921	2,500	8,562
Number of occupied days	120,740	797,174	1,302,198	663,141	1,170,758	464,138	1,642,096	1,010,444	865,632	2,912,801
Occupancy rate	95.87%	97.03%	96.06%	96.85%	94.65%	95.66%	95.56%	94.77%	94.86%	94.41%
Result by Area										
Operating result	(13.42)	(6.71)	(3.25)	2.43	(9.09)	(2.86)	0.81	(2.68)	(3.78)	(5.57)
Non-operating result	9.49	10.32	8.80	5.30	4.33	12.47	7.74	10.67	9.38	6.38
Total Result	(3.93)	3.61	5.55	7.73	(4.76)	9.60	8.54	7.99	5.59	0.82
EBITDA	3.02	13.67	16.70	15.48	6.45	16.53	17.72	13.35	12.26	9.91
EBITDA PER BED PER ANNUM	1,101	4,989	6,096	5,649	2,353	6,034	6,468	4,872	4,475	3,618
Funded Facility Result	599	4,026	5,510	5,395	1,836	5,703	6,193	4,561	4,164	3,148
Expenses as % of Operating Income										
Resident Care	67.98%	63.85%	62.68%	60.80%	63.31%	52.15%	48.46%	53.47%	55.36%	58.38%
Catering	12.81%	12.07%	11.76%	12.21%	13.72%	15.15%	16.86%	15.87%	15.42%	15.44%
Cleaning	4.17%	3.33%	3.37%	3.71%	3.89%	3.90%	3.93%	3.99%	4.16%	4.38%
Laundry	2.74%	2.17%	2.26%	1.92%	2.41%	1.80%	2.12%	2.00%	1.81%	2.15%
Property and maintenance	5.65%	7.54%	6.56%	6.00%	7.04%	9.42%	9.07%	9.14%	8.37%	7.74%
Utilities	2.51%	2.26%	2.67%	2.27%	2.58%	3.92%	3.49%	3.32%	3.21%	3.23%
Administration	11.65%	12.43%	12.53%	11.76%	12.25%	16.05%	15.38%	14.37%	14.70%	12.85%
	107.52%	103.64%	101.82%	98.66%	105.20%	102.38%	99.32%	102.17%	103.04%	104.17%
Wages as % of Operating Income*										
Resident Care	62.11%	57.81%	56.76%	55.69%	56.76%	47.56%	43.53%	47.63%	50.29%	53.06%
Catering	6.58%	6.02%	6.17%	6.19%	6.81%	7.99%	7.87%	7.38%	7.27%	7.16%
Cleaning	2.48%	1.76%	2.04%	2.03%	2.23%	2.09%	2.18%	2.18%	2.64%	2.46%
Laundry	0.97%	0.99%	1.05%	0.75%	1.12%	0.93%	1.05%	1.01%	0.67%	1.01%
Property and maintenance	0.88%	1.43%	1.06%	0.83%	0.89%	1.31%	1.18%	1.32%	1.45%	1.21%
Administration	3.63%	3.62%	3.29%	3.41%	3.09%	5.90%	4.61%	3.91%	3.66%	4.46%
	76.65%	71.64%	70.37%	68.89%	70.89%	65.78%	60.42%	63.43%	65.99%	69.36%
* Excludes workers compensation premium										
Workers compensation expense as % of wages										
Resident care wages	3.47%	3.76%	4.05%	3.62%	5.09%	4.45%	3.80%	5.05%	4.08%	4.40%
Other wages	3.91%	5.95%	6.29%	6.08%	4.89%	2.59%	3.30%	3.21%	4.31%	3.99%
Total all wages	3.55%	4.18%	4.49%	4.09%	5.05%	3.93%	3.66%	4.59%	4.14%	4.31%

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	BAND 1	BAND 2	BAND 3	BAND 4	BAND 5
	Average	Average	Average	Average	Average
	(79 Facilities)	(82 Facilities)	(107 Facilities)	(119 Facilities)	(45 Facilities)
INCOME					
Residents' fees	41.53	40.61	39.42	38.68	38.51
Government subsidies	148.22	126.75	104.42	78.38	57.87
Extra Service Income	2.08	0.68	0.38	0.22	0.00
<i>Total income</i>	<u>191.83</u>	<u>168.04</u>	<u>144.23</u>	<u>117.27</u>	<u>96.38</u>
RESIDENT CARE EXPENDITURE					
Staff costs					
Registered nurses	31.09	24.94	17.93	8.72	6.50
Other nursing	75.37	66.22	54.07	43.99	34.80
Therapists	4.43	3.55	3.21	2.59	2.08
Workers' compensation - Care	4.19	4.34	3.43	2.21	1.92
<i>Staff costs</i>	<u>115.08</u>	<u>99.03</u>	<u>78.64</u>	<u>57.51</u>	<u>45.29</u>
Staff training	0.59	0.47	0.49	0.36	0.37
Incontinence supplies	1.94	1.39	1.12	0.61	0.34
Chemist & medical	1.86	2.13	1.27	0.85	0.65
Chaplaincy	0.49	0.42	0.63	0.45	0.27
Other resident care	1.91	1.74	1.45	0.96	0.80
<i>Total resident care</i>	<u>121.87</u>	<u>105.18</u>	<u>83.60</u>	<u>60.73</u>	<u>47.72</u>
OPERATIONAL EXPENDITURE					
CATERING					
Staff costs	11.43	11.29	9.62	9.26	8.96
Consumables	6.01	6.23	5.28	4.77	5.06
Contract catering	6.00	4.31	6.10	5.54	5.47
Income from sale of meals	(0.19)	(0.24)	(0.27)	(0.18)	(0.36)
<i>Total catering</i>	<u>23.24</u>	<u>21.60</u>	<u>20.73</u>	<u>19.40</u>	<u>19.13</u>
CLEANING					
Staff costs	3.60	3.76	3.46	2.52	2.75
Consumables	1.31	1.20	0.94	0.92	0.69
Contract cleaning	1.69	1.37	1.38	1.45	1.29
<i>Total cleaning</i>	<u>6.60</u>	<u>6.32</u>	<u>5.78</u>	<u>4.89</u>	<u>4.73</u>

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	BAND 1	BAND 2	BAND 3	BAND 4	BAND 5
	Average	Average	Average	Average	Average
	(79 Facilities)	(82 Facilities)	(107 Facilities)	(119 Facilities)	(45 Facilities)
LAUNDRY					
Staff costs	1.55	2.01	1.55	1.05	0.73
Consumables	0.41	0.44	0.34	0.36	0.29
Contract laundry	2.65	1.08	1.01	1.08	0.91
<i>Total laundry</i>	<u>4.61</u>	<u>3.53</u>	<u>2.90</u>	<u>2.49</u>	<u>1.93</u>
PROPERTY & MAINTENANCE					
Staff costs	1.96	1.77	1.61	1.55	1.60
Repairs & maintenance	3.63	3.88	3.63	3.24	3.35
Contract maintenance	1.40	1.11	1.26	1.39	1.56
Motor vehicle expenses	0.27	0.19	0.22	0.21	0.17
Insurances	0.81	0.70	0.80	0.70	0.63
Depreciation - non building	4.25	4.24	3.71	3.19	2.63
<i>Total property & maintenance</i>	<u>12.32</u>	<u>11.88</u>	<u>11.22</u>	<u>10.29</u>	<u>9.95</u>
UTILITIES					
Electricity	2.43	2.95	2.59	2.48	2.24
Gas	0.52	0.61	0.58	0.52	0.53
Rates	0.54	0.75	0.69	0.64	0.67
Rubbish removal	0.58	0.50	0.55	0.53	0.42
<i>Total utilities</i>	<u>4.07</u>	<u>4.80</u>	<u>4.41</u>	<u>4.17</u>	<u>3.85</u>
ADMINISTRATION					
Administration charges	10.04	11.63	7.85	9.35	7.95
Staff costs (direct)	5.40	6.48	6.33	5.14	4.58
Workers' compensation - other	1.69	1.14	0.90	0.64	0.67
Other administration costs	3.75	3.63	3.56	2.55	2.22
<i>Total administration</i>	<u>20.88</u>	<u>22.89</u>	<u>18.64</u>	<u>17.68</u>	<u>15.41</u>
OPERATIONAL EXPENDITURE	71.72	71.04	63.69	58.92	55.00
TOTAL EXPENDITURE	193.59	176.22	147.29	119.65	102.72
OPERATING RESULT	(1.76)	(8.18)	(3.06)	(2.38)	(6.35)

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	BAND 1	BAND 2	BAND 3	BAND 4	BAND 5
	Average	Average	Average	Average	Average
	(79 Facilities)	(82 Facilities)	(107 Facilities)	(119 Facilities)	(45 Facilities)
NON-OPERATING INCOME					
Resident Income					
Accommodation charges	6.29	4.61	3.11	1.10	0.88
Bond retention	1.53	2.26	3.29	3.99	4.29
Late bond interest	0.51	0.97	1.86	1.54	1.99
Government					
Concessional Supplement	6.79	6.22	5.88	6.51	5.74
Transitional Supplement	0.61	0.78	0.79	0.85	0.85
Grants	0.11	0.05	0.09	0.14	0.05
Accommodation supplement	0.18	0.48	0.26	0.36	0.53
Other					
Sundry	0.47	1.03	0.71	0.67	0.78
Donations/bequests/fundraising	1.17	0.52	0.48	0.20	0.11
Interest on investments	1.16	2.00	4.24	2.93	4.86
<i>Total Non-operating Income</i>	18.83	18.92	20.70	18.29	20.09
EXPENDITURE					
Refurbishment	0.53	0.53	0.82	0.86	0.57
Bond and other interest paid	0.50	0.58	0.92	0.59	0.39
Building Depreciation	6.99	7.03	8.77	7.04	7.16
Administration charges	2.53	1.37	1.52	0.81	0.54
Other non-operating expenses	0.80	2.23	1.76	0.52	0.09
<i>Total Non-operating Expenditure</i>	11.35	11.75	13.80	9.83	8.74
NON-OPERATING RESULT	7.47	7.17	6.90	8.46	11.35
TOTAL RESULT FOR FACILITY	5.71	(1.01)	3.84	6.08	5.01
Number of bonds at reporting date	1,002	1,449	3,662	4,240	1,638
Average bond value at reporting date	189,017	174,455	180,707	165,649	161,675
Average bond taken (last 12 months)	227,743	219,561	268,997	216,206	197,942
Number of bonds taken (last 12 months)	348	421	889	1,057	474

STEWART BROWN AGED CARE FINANCIAL PERFORMANCE SURVEY
RESIDENTIAL AGED CARE FACILITIES DATA ANALYSIS REPORT
YEAR ENDED 30 JUNE 2010

	BAND 1	BAND 2	BAND 3	BAND 4	BAND 5
	Average	Average	Average	Average	Average
	(79 Facilities)	(82 Facilities)	(107 Facilities)	(119 Facilities)	(45 Facilities)
REPORT CARD					
Profile Data					
Number of places	5,489	6,379	9,013	8,475	2,745
Number of occupied days	1,930,060	2,224,704	3,077,287	2,951,540	940,542
Occupancy rate	96.34%	95.62%	94.69%	95.41%	93.87%
Result by Area					
Operating result	(1.76)	(8.18)	(3.06)	(2.38)	(6.35)
Non-operating result	7.47	7.17	6.90	8.46	11.35
Total Result	5.71	(1.01)	3.84	6.08	5.01
EBITDA	16.30	8.84	13.00	13.98	10.32
EBITDA PER BED PER ANNUM	5,948	3,228	4,744	5,104	3,767
Funded Facility Result	5,348	2,662	4,310	4,785	3,441
Expenses as % of Operating Income					
Resident Care	63.53%	62.59%	57.97%	51.79%	49.51%
Catering	12.11%	12.86%	14.37%	16.54%	19.85%
Cleaning	3.44%	3.76%	4.01%	4.17%	4.91%
Laundry	2.40%	2.10%	2.01%	2.12%	2.00%
Property and maintenance	6.42%	7.07%	7.78%	8.77%	10.32%
Utilities	2.12%	2.86%	3.06%	3.55%	4.00%
Administration	10.88%	13.62%	12.92%	15.08%	15.99%
	<u>100.92%</u>	<u>104.87%</u>	<u>102.12%</u>	<u>102.03%</u>	<u>106.59%</u>
Wages as % of Operating Income*					
Resident Care	57.81%	56.35%	52.15%	47.15%	45.01%
Catering	5.96%	6.72%	6.67%	7.90%	9.30%
Cleaning	1.88%	2.24%	2.40%	2.15%	2.86%
Laundry	0.81%	1.20%	1.08%	0.89%	0.76%
Property and maintenance	1.02%	1.05%	1.11%	1.32%	1.67%
Administration	2.81%	3.86%	4.39%	4.38%	4.75%
	<u>70.28%</u>	<u>71.43%</u>	<u>67.80%</u>	<u>63.81%</u>	<u>64.34%</u>
* Excludes workers compensation premium					
Workers compensation expense as % of wages					
Resident care wages	3.78%	4.58%	4.56%	4.00%	4.42%
Other wages	7.08%	4.50%	3.98%	3.27%	3.59%
Total all wages	4.37%	4.56%	4.43%	3.81%	4.17%

**AGED CARE FINANCIAL PERFORMANCE SURVEY
CACP RESULTS
YEAR TO DATE 30 JUNE 2010**

	SURVEY AVERAGE (125 Programs) \$	JUNE 2009 (88 Programs)
INCOME		
Clients' fees	4.50	6.47
Government subsidies	35.07	35.48
Sundry income	0.37	0.54
<i>Total income</i>	<u>39.94</u>	<u>42.49</u>
EXPENDITURE		
CLIENT CARE		
Care staff	17.08	20.57
Case managers & coordinators	4.35	4.68
Workers compensation insurance	0.94	1.09
Training for care staff	0.14	0.11
Care related expenditure (consumables)	0.27	0.24
Care related travel (incl MV expenses)	1.22	1.28
Special access for clients	0.08	0.02
Sub contracted or brokered services	2.25	0.45
Catering	0.14	0.36
Cleaning	0.03	0.04
Home maintenance and modification cost	0.10	0.10
Other care related expenditure	0.52	0.79
<i>Total client care</i>	<u>27.11</u>	<u>29.73</u>
Operating Costs		
Rent	0.49	0.48
Insurances	0.07	0.06
Utilities	0.10	0.05
Telephone	0.22	0.12
Office equipment maintenance	0.10	0.10
Other operating costs	1.54	0.91
<i>Total operating costs</i>	<u>2.51</u>	<u>1.72</u>
Administration fees & Costs		
Administration charges	5.15	5.19
Staff costs - direct	1.97	1.95
Depreciation non-building	0.52	0.38
Total administration	<u>7.64</u>	<u>7.52</u>
TOTAL EXPENDITURE	<u>37.27</u>	<u>38.97</u>
RESULT FOR THE YEAR	<u>\$ 2.67</u>	<u>\$ 3.52</u>
<i>Available client days</i>	2,327,711	1,474,600
<i>Number of approved packages</i>	6,629	4,040
Average staff hours per package per week		
Summary		
Client care staff direct	4.51	5.09
Co-ordinators	0.96	0.84
Administration	0.48	0.51
Total	<u>5.95</u>	<u>6.44</u>

**AGED CARE FINANCIAL PERFORMANCE SURVEY
EACH RESULTS
YEAR TO DATE 30 JUNE 2010**

	SURVEY AVERAGE \$ (57 Programs)	JUNE 2009 \$ (39 Programs)
INCOME		
Clients' fees	5.58	5.04
Government subsidies	119.18	111.96
Sundry income	0.88	1.17
<i>Total income</i>	<u>125.63</u>	<u>118.17</u>
EXPENDITURE		
CLIENT CARE		
Care staff	56.30	56.60
Case managers & coordinators	12.75	12.48
Workers compensation insurance	2.82	3.34
Training for staff care	0.48	0.12
Care related expenditure (consumables etc)	2.10	2.47
Care related travel (incl MV expenses)	3.27	2.18
Special access for clients	0.00	0.07
Sub-contracted or brokered services	5.63	3.18
Catering	0.05	0.13
Cleaning	0.06	0.37
Home maintenance and modification costs	0.44	0.36
Other care related expenditure	3.69	3.76
<i>Total client care</i>	<u>87.59</u>	<u>85.06</u>
OPERATING COSTS		
Rent	1.44	1.86
Insurance	0.15	0.11
Utilities	0.27	0.08
Telephone	0.35	0.33
Office equipment	0.24	0.36
Other operating Costs	2.65	1.38
<i>Total operating costs</i>	<u>5.10</u>	<u>4.12</u>
ADMINISTRATION		
Administration charges	14.12	14.00
Staff costs	3.63	3.56
Depreciation non-building	0.88	0.89
<i>Total administration</i>	<u>18.63</u>	<u>18.45</u>
TOTAL EXPENDITURE	<u>111.32</u>	<u>107.63</u>
RESULT FOR THE YEAR	<u>\$ 14.31</u>	<u>\$ 10.54</u>
<i>Available client days</i>	321,271	293,460
<i>Number of approved packages</i>	956	804
<i>Utilisation rate</i>	92.07%	100.00%
Staff Hours Analysis		
Client care staff direct	13.18	12.87
Co-ordinators	2.46	3.69
Administration	1.28	1.21
	<u>16.92</u>	<u>17.77</u>

**AGED CARE FINANCIAL PERFORMANCE SURVEY
EACH DEMENTIA PACKAGE RESULTS
YEAR TO DATE 30 JUNE 2010**

	SURVEY AVERAGE \$ (39 Programs)	JUNE 2009 \$ (21 Programs)
INCOME		
Clients' fees	5.73	5.59
Government subsidies	128.67	122.22
Sundry income	1.02	1.06
<i>Total income</i>	<u>135.41</u>	<u>128.87</u>
EXPENDITURE		
CLIENT CARE		
Care staff	66.10	57.29
Case managers & coordinators	9.94	14.20
Workers compensation insurance	3.32	3.53
Training for staff care	0.77	0.11
Care related expenditure (consumables etc)	2.19	3.46
Care related travel (incl MV expenses)	3.89	2.54
Special access for clients	2.29	-
Sub-contracted or brokered services	0.28	0.27
Catering	0.06	-
Cleaning	0.12	0.38
Home maintenance and modification costs	1.90	1.52
Other care related expenditure	1.59	1.47
<i>Total client care</i>	<u>92.45</u>	<u>84.77</u>
OPERATING COSTS		
Rent	1.97	1.23
Insurance	0.13	0.09
Utilities	0.24	0.09
Telephone	0.54	0.22
Office equipment	0.33	0.71
Other operating costs	3.08	1.40
<i>Total operating costs</i>	<u>6.28</u>	<u>3.74</u>
ADMINISTRATION		
Administration charges	18.05	14.51
Staff costs	3.39	5.37
Depreciation non-building	0.71	0.60
<i>Total administration</i>	<u>22.15</u>	<u>20.48</u>
TOTAL EXPENDITURE	<u>120.89</u>	<u>108.99</u>
RESULT FOR THE YEAR	<u>\$ 14.52</u>	<u>\$ 19.88</u>
<i>Available client days</i>	119,570	64,313
<i>Number of approved packages</i>	382	186
<i>Occupancy rate</i>	85.76%	100.00%
Staff Hours Analysis		
Client care staff direct	13.06	13.78
Co-ordinators	2.14	3.03
Administration	1.51	1.20
	<u>16.70</u>	<u>18.01</u>