

Annual Financial Report for the year ended 30 June 2012

Fairway Investment Holdings Pty Limited - Annual Report

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Corporate Information

This financial report covers the consolidated entity comprising Fairway Investment Holdings Pty Limited ("Company") ACN 125 203 054 and its subsidiaries ("Group").

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report. The Directors' Report is not part of the Financial Report.

Fairway Investment Holdings Pty Limited is incorporated in Australia

Directors

Mr Bryan A Dorman (Chairman)
Mr Ian G Roberts
Mr Rees Wegenaar
Hugh W FitzSimons (appointed 30 August 2012)
Mr Leigh P Harrison (resigned 30 August 2012)
Mr Michael W Cook - (alternate for Mr Wegenaar)

Company Secretary

Mr Martin Bede

Registered Office

Level 2, 615 Dandenong Road, Armadale Vic 3143

Principal Place of Business

Level 2, 615 Dandenong Road Armadale Vic 3143

Solicitors

King & Wood Mallesons

Bankers

ANZ Bank Bank of Melbourne

Share Register

C/o Rees Corporate Advisory Pty Ltd Suite 101, 615 Dandenong Road Armadale Vic 3143

Auditors

Ernst & Young Australia

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2012.

Directors

The names of directors in office at any time during or since the end of the year are:

Mr Bryan A Dorman (Chairman)

Mr Ian G Roberts

Mr Rees Wegenaar

Hugh W FitzSimons (appointed 30 August 2012)

Mr Leigh P Harrison (resigned 30 August 2012)

Mr Michael W Cook - (alternate for Mr Wegenaar)

Principal Activities

The Company is the ultimate holding company for a group of controlled entities that own and operate residential aged care facilities and retirement villages.

Operating Result

The group result for the year after income tax was a profit of \$1,634,000 (2011: loss of \$12,349,000).

Dividends Paid or Recommended

Set out below are dividends paid or declared for payment since the start of the financial year totalling \$1,400,000:

Paid	Total	Class of Shares
October 2011	\$350,000	Special Shares
December 2011	\$350,000	Special Shares
April 2012	\$350,000	Special Shares
June 2012	\$350,000	Special Shares

Dividends totalling \$1,400,000 (2011: \$11,501,682) are recorded in the Statement of Comprehensive Income as a finance cost.

Review of Operations

The Company continued to monitor the operations of its controlled entities and the management of the aged care services and retirement villages together with the development and maintenance of those properties under its control. During the period, upgrade and/or refurbishment was undertaken at various properties housing aged care and retirement residences operated by the Group. Additional aged care beds became operational during the year through the expansion of existing sites and opening of new sites. A new facility was acquired during the year. The results of those operations are set out in the accompanying financial report.

Significant Changes in State of Affairs

No significant changes in the consolidated group's state of affairs occurred during the financial year.

DIRECTORS' REPORT (continued)

Significant Events after Balance Sheet date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Likely Developments and Expected Results

On the 20th of April 2012, the federal government unveiled its Living Better Living Longer Aged Care reform package, which is scheduled to be rolled out over the next two years as part of a longer term reform program for the aged care sector. The timing and quantum of many of the proposed changes are still being evaluated by government in consultation with stakeholders. Regis has conducted a range of scenario analyses incorporating the full impact of most of the changes proposed. The analyses indicate that the impact if implemented will materially reduce profitability, but to the best of our knowledge will not be so serious as to cause a material issue from a banking covenant or going concern basis.

Environmental Regulations and Performance

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Indemnification and Insurance of Directors and officers

The constitution of the Company provides for the Company to indemnify the directors and secretary of the Company against liability incurred in their capacity as directors and secretary, except as may be prohibited by law.

Premiums have been paid by Regis Aged Care Pty Ltd, a 100% owned subsidiary company, with regard to directors' and officers' liability insurance to insure each of the directors and officers of the Company against certain liabilities incurred by them arising out of their conduct whilst acting in the capacity of directors or officers of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premiums.

Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor's Independent Declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 56.

DIRECTORS' REPORT (continued)

Rounding of Amounts

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Signed this 27th day of September 2012 in accordance with a resolution of the Board of Directors.

B A Dorman - Director

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Consolid	ated Group
		2012 \$'000	2011 \$'000
Revenue	5	323,604	276,350
Other income	5	4,203	1,249
Rent		(1,049)	(1,157)
Employee benefits expense		(198,692)	(166,361)
Payroll tax expense		(9,462)	(8,344)
Agency expenses		(4,368)	(3,967)
Catering expenses		(10,575)	(9,059)
Professional services		(5,194)	(2,708)
Insurance		(8,149)	(6,841)
Repairs and maintenance		(4,093)	(3,475)
Advertising & marketing		(1,735)	(1,410)
External contracts		(10,578)	(13,062)
Depreciation	6	(19,204)	(19,333)
Impairment of bed licences		(3,711)	(1,265)
Loss on disposal of property, plant & equipment		(521)	(4)
Minor equipment		(1,527)	(1,534)
Rates and utilities		(8,658)	(7,741)
Other staff costs		(3,016)	(2,334)
Travel and accommodation expenses		(1,191)	(1,115)
Other expenses		(9,873)	(9,667)
Profit/(loss) before income tax and finance costs		26,211	18,222
Finance costs	6	(21,607)	(30,619)
Profit/(loss) before income tax		4,604	(12,397)
Income tax benefit/(expense)	7	(2,970)	48
Profit/(loss) for the year		1,634	(12,349)
Other comprehensive income			
Fair value revaluation of land & buildings		_	-
Income tax on items of other comprehensive income			
	•••••	-	-
Total comprehensive income/(loss) for the year, net of tax		1,634	(12,349)
Total comprehensive income/(loss) for the period is attributable to:			
Owners of the parent		1,634	(12,349)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2012

	Notes	Consolidate	d Group
		2012 \$'000	2011 \$'000
ASSETS		φ 000	φ 000
Current Assets			
Cash and cash equivalents	9	13,776	46,516
Trade and other receivables Inventories	10 11	2,175 429	3,032 372
Other current assets	12	4,133	1,771
Total Current Assets		20,513	51,691
Non-Current Assets			
Receivables	13	17,264	2,838
Property, plant and equipment	15	541,503	515,088
Deferred tax assets	7	24,852	27,113
Goodwill and intangible assets Total Non-Current Assets	16	233,578	230,459
Total Non-Current Assets		817,197	775,498
TOTAL ASSETS		837,710	827,189
LIABILITIES			
Current Liabilities			
Trade and other payables	17	25,432	26,210
Provisions	18	22,818	18,665
Derivative financial instrument	21	2,933	1,429
Interest-bearing loans and borrowings	19	30,849 600	70,000
Income tax payable Accommodation bonds and entry contributions	7 20	503,310	600 435,253
Total Current Liabilities	20	585,942	552,157
Non-Current Liabilities	*******		
Interest-bearing loans and borrowings	19	205,288	230,707
Deferred tax liabilities	7	5,502	5,502
Provisions	18	3,120	2,599
Total Non-Current Liabilities		213,910	238,808
TOTAL LIABILITIES		799,852	790,965
NET ASSETS	- September - Sept	37,858	36,224
EQUITY			
Equity attributable to equity holders of the parent:-			
Issued Capital	22	141,143	141,143
Retained earnings/(accumulated losses) Reserves	23	(33,954)	(35,588)
TOTAL EQUITY		(69,331) 37,858	(69,331) 36,224
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The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

	Issued capital	Retained earnings/ (accumulated losses)	Asset revaluation reserve	Acquisition reserve	Total equity
CONSOLIDATED GROUP	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	138,305	(23,239)	30,093	(99,424)	45,735
Profit/(Loss) for the period Other comprehensive income	-	(12,349)	•	-	(12,349)
Total comprehensive income for the year	-	(12,349)	-	-	(12,349)
Transactions with owners in their capacity as owners:					
Shares issued	2,838	-	-	-	2,838
At 30 June 2011	141,143	(35,588)	30,093	(99,424)	36,224
At 1 July 2011	141,143	(35,588)	30,093	(99,424)	36,224
Profit/(Loss) for the period Other comprehensive income		1,634		-	1,634
Total comprehensive income for the year	**	1,634	-	M	1,634
Transactions with owners in their capacity as owners:	-	-	-	-	-
At 30 June 2012	141,143	(33,954)	30,093	(99,424)	37,858

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

1	Notes		Consolidated Group	
		2012 \$'000	2011 \$'000	
Cash flows from operating activities				
Receipts from residents and government subsidies		323,294	277,235	
Payments to suppliers and employees		(286,560)	(247,109)	
Interest received		1,537	2,818	
Finance costs		(20,103)	(33,526)	
Net receipts from accommodation bonds		64,424	85,052	
Income tax paid	_	(600)	(1,856)	
Net cash flows from operating activities	9(b) _	81,992	82,615	
Cash flows from investing activities				
Proceeds of sale of property, plant and equipment		**	-	
Purchase of property, plant and equipment		(37,640)	(44,253)	
Purchase of bed licences		(5)	(262)	
Purchase of businesses	_	(7,234)	(7,147)	
Net cash flows used in investing activities	_	(44,879)	(51,662)	
Cash flows from financing activities				
Proceeds from borrowings - bank debt		278,401	20,983	
Repayment of bank debt		(342,971)	(62,523)	
Proceeds from repayment of director related entity loans		-	11,919	
Loans from director related entities		_	5,283	
Repayment of loans from director related entities		(5,283)	-	
Repayment of hire purchase loans		-	(204)	
Dividend paid on special shares	••••		(7,510)	
Net cash flows used in financing activities		(69,853)	(32,052)	
Net decrease in cash held		(32,740)	(1,099)	
Cash at the beginning of the year		46,516	47,615	
Cash at the end of the year	^{9(b)} =	13,776	46,516	

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

1 CORPORATE INFORMATION

Fairway Investment Holdings Pty Limited (the "Company") is a company limited by shares domiciled in Australia.

This financial report includes the consolidated financial statements and notes for the consolidated entity consisting of Paragon Group Investments Pty Ltd, as the accounting parent under the reverse acquisition, and its deemed subsidiaries and the separate financial statements and notes. The financial report was authorised for issue in accordance with a resolution of the directors on 27 September 2012.

The nature of the operations and principal activities of the Group are described in the directors' report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for land and buildings and derivative financial instruments which have been measured at fair value.

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

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board.

(c) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011:

AASB 1048 Interpretation of Standards

AASB 124 Related Party Disclosures (amendment) effective 1 July 2011

AASB 2009-12 Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]

AASB 1054 Australian Additional Disclosures

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]

AASB 2010-5 Amendments to Australian Accounting Standards [AASBs 1, 3, 4, 5, 101, 107, 112, 118, 119,

121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]

(ii) Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ending 30 June 2012, outlined in the table below:

- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
- (c) New accounting standards and interpretations (continued)
- (ii) Accounting standards and interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard *	Impact on Group financial report	Application date for Group *
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or	of standard * 1 January 2015 **	The Group has not yet determined the extent of the impact of these amendments if any	* 1 July 2015
		loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be			
		accounted for as follows: The change attributable to changes in credit risk are presented in other comprehensive income (OCI) The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.			
		Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.			

^{*} Designates the beginning of the application annual reporting period unless otherwise stated

^{**} AASB ED 215 Mandatory effective date of IFRS 9 proposes to defer the mandatory effective date of AASB 9 from annual periods beginning 1 January 2012 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
- (c) New accounting standards and interpretations (continued)
- (ii) Accounting standards and interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard *	Impact on Group financial report	Application date for Group *
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards; and (b) Tier 2: Australian Accounting Standards — Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and (b) the Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) for-profit private sector entities that do not have public accountability; (b) all not-for-profit private sector entities; and (c) public sector entities other than the Australian Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.	1 July 2013	The impact of this standard is on presentation of the disclosures in the financial report	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB I, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.		These amendments will affect the presentation of the Group's financial statements only and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report	1 July 2012

^{*} Designates the beginning of the application annual reporting period unless otherwise stated

- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
- (c) New accounting standards and interpretations (continued)
- (ii) Accounting standards and interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date	Impact on Group financial report	Application date for Group *
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any	1 July 2013
		The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.			
		Consequential amendments were also made to other standards via AASB 2011-7.			
AASB 12		AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group has not yet determined the extent of the impact of these amendments if any	1 July 2013
AASB 13		AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.		Some of these amenedments may have an impact on the Group , however the Group has yet to assess the impact	l July 2013
		AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.			
		Consequential amendments were also made to other standards via AASB 2011-8.			

^{*} Designates the beginning of the application annual reporting period unless otherwise stated

- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
- (c) New accounting standards and interpretations (continued)
- (ii) Accounting standards and interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard *	Impact on Group	Application date for Group *
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets.	1 January 2013	Some of these amenedments may have an impact on the Group , however the Group has yet to assess the impact	1 July 2013
		The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other			
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Ofsetting Financial Assets and Financial Liabilities	standards via AASB 2011-10. AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.		These amendments will affect the presentation of the Group's financial statements only and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009- 2011 Cycle: and	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements)		These amendments will affect the presentation of the Group's financial statements only and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report	1 July 2013

^{*} Designates the beginning of the application annual reporting period unless otherwise stated

- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
- (c) New accounting standards and interpretations (continued)
- (ii) Accounting standards and interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard *	Impact on Group financial report	Application date for Group *
AASB 2012-3	Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.		These amendments will affect the presentation of the Group's financial statements only and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report	1 July 2015

^{*} Designates the beginning of the application annual reporting period unless otherwise stated

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Summary of significant accounting policies

(i) Basis of consolidation

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Fairway Investment Holdings Pty Limited has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

(ii) Property, plant and equipment

Land is measured at fair value. Buildings are measured at fair value less accumulated depreciation and any impairment in value.

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows: Buildings – over 50 years

Plant and equipment - over 3 to 10 years

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses. Newly constructed and substantially upgraded facilities are carried at cost for the first three years after the commencement of initial operations or enhanced services, to allow external valuations to reflect normalised operations.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Property, plant and equipment, (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in other comprehensive income. Decreases that offset previous increases of the same asset are charged against revaluation surpluses directly in other comprehensive income; all other decreases are charged to the statement of comprehensive income.

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

(iii) Borrowing costs

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

(iv) Intangible assets

Bed Licences

Bed licences for aged care facilities are initially carried at historical cost.

Bed licences acquired through a business combination are revalued to fair value at the date of acquisition in accordance with AASB 3 Business Combinations in the consolidated accounts. The bed licences continue to be carried at cost in the accounts of the individual acquired entities within the Group.

In accordance with the requirements of AASB 136 Impairment of Assets, the recoverable amount of bed licences is assessed each year.

No amortisation has been provided as the Group believes the useful lives of these assets are indefinite.

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Intangible assets (continued)

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Costs of acquisition including stamp duty, due diligence costs, and fees paid to facilitate the transaction are expensed.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised but is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. When the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognised.

(v) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(vi) Investments

All other non-current investments are carried at the lower of cost and recoverable amount.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the reporting date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vii) Inventories

Inventories are valued at the lower of cost and net realisable value based on year to date expenditure for the following items:

Food - 7 days Continence Supplies - 14 days Medical supplies & toiletries - 30 days

(viii) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(ix) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process.

(x) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process.

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xi) Derivatives

The Group uses derivative financial instruments to hedge its risks associated with interest rate fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged. The Group designates certain derivatives as either;

- (i) fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability.
- (ii) cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

The fair values of interest rate swap contracts are determined by reference to market values for similar instruments and any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit and loss for the year.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

- (i) changes in the fair value of derivatives that are designated as fair value hedges are recognised in the profit and loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
 (ii) the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in a hedging reserve. The gain or loss relating to the ineffective position is
- hedges is recognised in equity in a hedging reserve. The gain or loss relating to the ineffective position is recognised in the statement of comprehensive income.

Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (finance costs or inventory purchases) when the forecast transaction occurs.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the statement of comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked due to it being ineffective, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(xii) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xiii) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item are recognised as an expense on a straight line basis.

(xiv) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to the residents.

Interest

Revenue is recognised when the Group controls the right to receive the interest payment.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(xv) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(xvi) Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xvi) Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that
 is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable
 profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial
 recognition of an asset or liability in a transaction that is not a business combination and, at the time of the
 transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests
 in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary
 differences will reverse in the foreseeable future and taxable profit will be available against which the temporary
 differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are shown as other comprehensive income in the statement of comprehensive income.

Tax consolidation

Effective 3 July 2007, for the purpose of income taxation, Fairway Investment Holdings Pty Limited and its 100% owned subsidiaries formed a tax consolidated group. Members of the group have entered into a tax funding arrangement therefore the income tax expense of the consolidated group is borne by each respective member of the consolidated group on a stand alone notional basis.

Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xvi) Income tax (continued)

The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on the group allocation. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Other taxes

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

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

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

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

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

(xvii) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xviii) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction cost arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Mandatorily redeemable preference shares are classified as liabilities.

Special Shares are classified as liabilities. Dividends paid on special shares are accounted for as either a reduction to the liability or as interest costs as appropriate.

(xix) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits are charged against profits on a net basis in their respective categories.

Senior Executive Employee Share Plan

Under a share plan for senior executives, certain senior executives may, at the discretion of the directors, be offered to acquire shares in Fairway Investment Holdings Pty Limited financed by way of a non-recourse loan. When issues relating to this plan are made, non-recourse loans to assist in the purchase of the shares are classified against share capital. The issues are accounted for as an option and the fair value at grant date is independently determined using an appropriate options pricing model that takes into account the discount to market price at grant date, the expected life/term of the interest free loan and its non-recourse nature, the vesting terms, the expected price volatility, the expected dividend yield and the risk-free interest rate for the term. The fair value has been fully recognised in the accounts of the Consolidated Entity.

(xx) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognised in the statement of comprehensive income.

FOR THE YEAR ENDED 30 JUNE 2012

3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Significant accounting estimates, judgement and assumptions

Impairment

The Group tests annually whether goodwill and intangible assets with indefinite lives have suffered any impairment, in accordance with the accounting policy stated in note 2(d)(v). The recoverable amounts of the cash-generating units have been determined in fair value less costs to sell.

Land and building

Refer to Note 2(d)(ii) for the accounting policy on revaluation of land and building.

4 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, accommodation bonds, derivatives and cash.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy.

The Group enters into derivative transactions, principally interest rate swaps to manage the risk arising from the Group's sources of finance. Detail of interest rate swap entered into by the Group are disclosed note 21 (a). The borrowings subject to interest rate swap are disclosed in note 19 (b).

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group has no foreign currency risk because it has no dealings with foreign countries. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for future interest rates. Liquidity risk is monitored through rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

FOR THE YEAR ENDED 30 JUNE 2012

4 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Risk Exposure and Responses

Interest rate risk

The Group's exposure to interest rate risks and the effective interest rate of financial assets and liabilities both recognised and unrecognised at the reporting date are as follows:

The details of debt are disclosed in note 19 to the financial statements.

	1	erage effective st rates	Fixed or
	2012 %	2011 %	floating
Cash and liquid assets	3.50	4.75	Floating
Bank loans	6.88	7.70	Floating
Bank Ioans	5.89	7.63	Fixed
Receivable from related parties	n/a	7.40	Floating
Hire purchase contracts	n/a	9.55	Fixed

All other financial assets and liabilities are non-interest bearing.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

Consolidat	ed Group
2012	2011
\$'000	\$'000
13,696	46,516
14,518	2,838
28,214	49,354
(2,933)	(1,429)
(98,963)	(138,842)
(101,896)	(140,271)
(73,682)	(90,917)
	2012 \$'000 13,696 14,518 28,214 (2,933) (98,963) (101,896)

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax	Profit	Other comprehensiv	e income
	Higher/(I	Lower)	Higher/(Lower)	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Consolidated				
+1% (100 basis points)	(516)	(652)	(516)	(652)
-1% (100 basis points)	516	652	516	652

FOR THE YEAR ENDED 30 JUNE 2012

4 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Risk Exposure and Responses (continued)

Price risk

The Group has no exposure to equity security price risk as it has no equity securities.

Credit risk

Credit risk arises from the financial assets of the Group, which comprises cash and cash equivalents, trade and other receivables and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the asset.

The Group does not hold any credit derivatives to offset its credit exposure.

Approximately 70% of the revenue of the Group is obtained through Commonwealth Government funding by way of payments for residential aged care residents. This funding is maintained for providers as long as they continue to comply with Accreditation standards and other requirements per the Aged Care Act 1997.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Economic market condition risk

The Group receives accommodation bonds and receipt may be delayed or impacted by the state of residential market in Australia.

Fair value risk

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 2 - the fair value is estimated using inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The derivative financial instrument falls within this method of determining fair value.

Liquidity risk

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2012. The undiscounted cash flows for the respective upcoming financial years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2012.

FOR THE YEAR ENDED 30 JUNE 2012

4 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Risk Exposure and Responses (continued)

Liquidity risk (continued)

Maturity analysis of financial assets and liabilities are as follows -

	1 - 12	1- 5	>5	
	months \$'000	years \$'000	years \$'000	Total \$'000
	<u> </u>	ΨΟΟΟ	\$ 000	Ψ 000
Consolidated Group				
Year ended 30 June 2012				
Financial assets				
Cash and cash equivalents	13,776	-	-	13,776
Trade and other receivables	2,175	-	-	2,175
Non current receivables	-	17,264	••	17,264
Other current assets	781	-		781
	16,732	17,264		33,996
Financial liabilities				
Trade and other payables	(25,432)	-	_	(25,432)
Derivative financial instrument	(2,933)	_	_	(2,933)
Interest bearing loans and borrowings	(30,849)	(205,288)	_	(236,137)
Accommodation bonds	(503,310)	-	_	(503,310)
	$\frac{(562,524)}{(562,524)}$	(205,288)		(767,812)
Net maturity	(545,792)	(188,024)		(733,816)
		······································		
Year ended 30 June 2011				
Financial assets				
Cash and cash equivalents	46,516	-	-	46,516
Trade and other receivables	3,032	=	-	3,032
Receivables	-	2,838	~	2,838
Other current assets	782	-	-	782
	50,330	2,838		53,168
Financial liabilities				
Trade and other payables	(26,210)	-	-	(26,210)
Derivative financial instrument	(1,429)	-	-	(1,429)
Interest bearing loans and borrowings	(70,000)	(206,359)	-	(276,359)
Accommodation bonds	(435,253)	-	-	(435,253)
	(532,892)	(206,359)		(739,251)
Net maturity	(482,562)	(203,521)	_	(686,083)

⁽a) Cash flows from accommodation bonds are not expected to result in a net outflow because historically as bonds are settled they are generally replaced by new bonds of similar or greater amounts.

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

At reporting date, the Group had available \$140,898,790 of unused credit facilities.

			Consolida	ted Group
		Notes	2012 \$'000	2011 \$'000
5	REVENUE AND OTHER INCOME			
	Revenue			
	Government funding		211,558	180,283
	Resident fees		78,227	67,173
	Interest		1,537	2,818
	Other operating revenue		32,282	26,076
	Total revenues	_	323,604	276,350
	Other income			
	Gain on bargain purchase	31 _	4,203	1,249
6	EXPENSES AND LOSSES/(GAINS)			
	Expenses			
	Depreciation of property, plant & equipment	15	19,204	19,333
	Finance costs			
	Interest expense:			
	- Bank loans and overdrafts		16,972	21,811
	- Related parties		1,400	11,502
	- Net (gain)/loss from revaluation of interest rate swap		1,504	(2,907)
	Hire purchase charges		-	2
	Other	_	2,021	1,608
	Total finance costs		21,897	32,016
	Less finance charges capitalised		(290)	(1,397)
	Total finance costs expensed		21,607	30,619
	Finance charges were capitalised to land and buildings at a weighted average interest rate of 6.87% (2011: 6.78%)			
	Interest paid to related parties in 2011 includes a divdend paid on special shares of \$10,102,000 paid that enabled the repayment of loans to director related entities.			
	Allowance for impairment loss - trade receivables	10	215	-

FOR THE YEAR ENDED 30 JUNE 2012

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	Consolidat 2012 \$'000	2011 \$'000
INCOME TAX		
Major components of income tax (benefit)/expense are:		
Current income tax		
Current income tax charge Adjustments in respect of current income tax of previous years	180	180 (2)
Deferred income tax	_	(2)
Relating to origination and reversal of temporary differences	2,790	(226)
Income tax expense/(credit) reported in statement of comprehensive income	2,970	(48)
Deferred tax assets		
Deferred tax assets	24,852	27,113
Taxation liabilities		
Current income tax liability	(600)	(600)
The current income tax liability at 30 June 2012 and 30 June 2011 represents the amount payable by Fairway Investment Holdings Pty Limited to the Australian Taxation Office in respect of franking deficit tax for the years ended 30 June 2012 and 2011 respectively.		
Deferred tax liabilities		
Deferred tax liabilities	(5,502)	(5,502)
A reconciliation of income tax expense/(benefit) and the product of accounting profit/(loss) before tax multiplied by the applicable income tax rate is as follows:		
Accounting profit/(loss) before tax	4,604	(12,397)
At the statutory income tax rate of 30% (2011: 30%)	1,381	(3,719)
Adjustments in respect of current income tax of previous years	(82)	(220)
Employee share option expense Deferred tax asset in relation to indefinite life intangible assets not recognised.	(6) 1,113	(329) 380
Franking deficit tax	180	180
Non deductible finance costs	420	3,451
Other	(36)	(11)
Income tax reported in the statement of comprehensive income	2,970	(48)

FOR THE YEAR ENDED 30 JUNE 2012

7 INCOME TAX (continued)

	Statement of Financial Position		Stateme Comprehens	
	2012	2011	2012	2011
Deferred tax assets and liabilities	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED GROUP				
Deferred tax liabilities				
Revaluations of property to fair value	(5,502)	(5,502)		_
Others		-	_	(70)
Gross deferred tax liabilities	(5,502)	(5,502)	•	
Deferred tax assets				
Employee benefits	7,221	6,220	(1,001)	(1,214)
Losses available for offset against future taxable income	10,641	15,247	4,606	(433)
Accelerated depreciation for accounting purposes	2,533	2,959	426	163
Derivatives	880	429	(451)	872
Other	3,577	2,258	(1,319)	(221)
Gross deferred tax assets	24,852	27,113	•	
Acquisition of businesses			109	257
Other			420	420
Deferred income tax charge			2,790	(226)

Tax consolidation

Effective 3 July 2007, for the purpose of income taxation, Fairway Investment Holdings Pty Limited and its 100% owned subsidiaries formed a tax consolidated group. Members of the group have entered into a tax funding arrangement therefore the income tax expense of the consolidated group is borne by each respective member of the consolidated group on a stand alone notional basis.

Refer the accounting policy on note 2(d)(xvi) for further detail.

FOR THE YEAR ENDED 30 JUNE 2012

7 INCOME TAX (continued)

Tax effect accounting by members of the tax consolidated group.

Measurement method adopted under UIG 1052 Tax Consolidation Accounting.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement.

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on the group allocation. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Consolidated 2012 2011 \$'000 \$'000

8 DIVIDENDS PAID AND PROPOSED

Declared and paid during the year on ordinary shares

Dividends paid under Special Shares of \$nil (2011: \$7,510,000) are treated as a reduction to the liability and disclosed in Note 19 to the financial report. Dividends totalling \$1,400,000 (2011: \$11,501,682) are recorded in the statement of comprehensive income as a finance cost. Dividends paid under Special Shares are disclosed as a financing activity in the statement of cash flows.

FOR THE YEAR ENDED 30 JUNE 2012

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Net profit/(loss) 1,633 (12,349) Non-Cash Items Depreciation and impairment of non-current assets 22,915 20,598 Fair value (gain)/loss on derivative 1,504 (2,907) Gain on bargain purchase (4,203) (1,249) Other non cash items 715 (1,231) Changes in assets and liabilities (Increase)/decrease in trade and other receivables 642 (345) (Increase)/decrease in inventory (57) (94) (Increase)/decrease in other current assets (2,362) 1,475 (Increase)/decrease in non current receivables (14,426) - (Increase)/decrease in tax provision - (1,856) (Decrease)/increase in tax provision - (1,856) (Decrease)/increase in trade and other payables 4,505 (7,619) (Decrease)/increase in restructuring provision 809 - (Decrease)/increase in restructuring provision 809 - (Decrease)/increase in provisions 3,522 3,187 Net cash flow from operating activities 81,991 <th></th> <th colspan="2">Consolidated Group</th>		Consolidated Group	
(a) Reconciliation of the net profit/(loss) after tax to the net cash flows from operations Net profit/(loss) 1,633 (12,349) Non-Cash Items Depreciation and impairment of non-current assets 22,915 20,598 Fair value (gain)/loss on derivative 1,504 (2,907) Gain on bargain purchase (4,203) (1,249) Other non cash items 715 (1,231) Changes in assets and liabilities (Increase)/decrease in trade and other receivables (10, crease)/decrease in inventory (57) (94) (Increase)/decrease in non current receivables (14,426) - (Increase)/decrease in other current assets (2,362) 1,475 (Increase)/decrease in one current receivables (14,426) - (Increase)/decrease in trade and other payables (14,426) - (Increase)/increase in tax provision - (1,856) (Decrease)/increase in trade and other payables (4,505) (7,619) (Decrease)/increase in trade and other payables (4,505) (2,619) (Decrease)/increase in restructuring provision 809 - (1,856) (Decrease)/increase in provisions 3,522 3,187 Net cash flow from operating activities 13,1991 82,615 (b) Reconciliation of cash Cash ablance comprises: - cash			
Net profit/(loss)	CASH AND CASH EQUIVALENTS		
Non-Cash Items 22,915 20,598 Depreciation and impairment of non-current assets 22,915 20,598 Fair value (gainy)loss on derivative 1,504 (2,907) Gain on bargain purchase (4,203) (1,249) Other non cash items 715 (1,231) Changes in assets and liabilities (Increase)/decrease in trade and other receivables 642 (345) (Increase)/decrease in inventory (57) (94) (Increase)/decrease in inventory (57) (94) (Increase)/decrease in inventory (362) 1,475 (Increase)/decrease in in deterred taxes 2,362 1,475 (Increase)/decrease in deferred taxes 2,370 (48) (Decrease)/increase in trade and other payables 4,505 (7,619) (Decrease)/increase in accommodation bonds 64,424 85,052 (Decrease)/increase in restructuring provision 3,522 3,187 Net cash flow from operating activities 31,776 46,50 Cash balance comprises: - - - 46,50 Ces flancing facilities available:	(a) Reconciliation of the net profit/(loss) after tax to the net cash flows from operations		
Depreciation and impairment of non-current assets 22,915 20,598 Fair value (gainy)loss on derivative 1,504 (2,907) Gain on bargain purchase (4,203) (1,249) Other non cash items 715 (1,231) Changes in assets and liabilities (10,231) (10,231) (Increase)/decrease in trade and other receivables (2,362) 1,575 (Increase)/decrease in inventory (57) (94) (Increase)/decrease in other current assets (2,362) 1,475 (Increase)/decrease in other current assets (14,426) - (Increase)/decrease in no current receivables (14,426) - (Increase)/decrease in deferred taxes 2,370 (48) (Decrease)/increase in trade and other payables 4,505 7,619 (Decrease)/increase in restricturing provision 80 - (Decrease)/increase in provisions 3,522 3,187 Net cash flow from operating activities 31,376 46,516 (b) Reconciliation of cash 80 6 Cash at bank 13,776 46,516	Net profit/(loss)	1,633	(12,349)
Fair value (gain)/loss on derivative 1,504 (2,907) Gain on bargain purchase (4,203 (1,249) Other none cash items (1,231) Changes in assets and liabilities 62 (345) (Increase)/decrease in inventory (57) (94) (Increase)/decrease in other current assets (2,362) 1,475 (Increase)/decrease in incher current assets (2,362) 1,475 (Increase)/decrease in deferred taxes 2,370 (48) (Decrease)/increase in trade and other payables 4,505 (7,619) (Decrease)/increase in trade and other payables 4,505 (7,619) (Decrease)/increase in provisions 3,522 3,187 Net cash flow from operating activities 3,522 3,187 (b) Reconciliation of cash 13,696 46,450 cash at bank 13,696 46,516 cosh on hand<			
Gain on bargain purchase (4,203) (1,249) Other non cash items 715 (1,231) Changes in assets and liabilities (Increase)/decrease in trade and other receivables 642 (345) (Increase)/decrease in inventory (57) (94 (Increase)/decrease in inventory (57) (94 (Increase)/decrease in non current receivables (14,426) - (Increase)/decrease in in feerred taxes 2,370 (48 (Decrease)/increase in tax provision - (1,856) (Decrease)/increase in tax provision 4,505 (7,619) (Decrease)/increase in restructuring provision 809 - (Decrease)/increase in restructuring provision 809 - Net cash flow from operating activities 81,991 82,615 (b) Reconciliation of cash 81,991 82,615 (b) Reconciliation of cash 13,696 46,450 - cash at bank 13,696 46,516 - cash at bank 13,776 46,516 - cash on hand 80 6 At reporting facilities available 44,450 At reporting date, the following financing	- · · · · · · · · · · · · · · · · · · ·		20,598
Other non cash items 715 (1,231) Changes in assets and liabilities (Uncrease)/decrease in trade and other receivables (Increase)/decrease in inventory (57) (94) (162) (162) (145) (162) (145	Fair value (gain)/loss on derivative	1,504	(2,907)
Changes in assets and liabilities 4 345 (Increase)/decrease in trade and other receivables 642 345) (Increase)/decrease in inventory 577 949 (Increase)/decrease in other current assets 2,362 1,475 (Increase)/decrease in other current assets (2,362) 1,475 (Increase)/decrease in other current assets 2,370 (48) (Increase)/decrease in incertain assets 2,370 (48) (Decrease)/increase in tax provision - (1,856) (7,619) (Decrease)/increase in recommodation bonds 64,424 85,052 (Decrease)/increase in provisions 3,522 3,187 Net cash flow from operating activities 81,991 82,615 (b) Reconciliation of cash Cash at bank 13,696 46,450 cash on hand 80 66 Closing cash balance 13,776 46,516 (c) Financing facilities available At reporting date, the following financing facilities had been negotiated and were available: 1 cottal facilities			

(d) Disposal of Controlled Entity

There were no disposals in the 2012 and 2011 financial years

FOR THE YEAR ENDED 30 JUNE 2012

2012 20 Notes \$'000 \$'0	00
40 WELLE AND AMERICA STATELLAND TO COLUMN TO SEE THE SECOND TO SEC	
10 TRADE AND OTHER RECEIVABLES (CURRENT)	
	,522
Allowance for impairment loss (a) (229)	(54)
(b)(i) 1,581 1	,468
Sundry debtors (b)(ii) 418	834
Other receivables - government funding (b)(ii) 176	730
2,175 3	,032
(a) Allowance for impairment loss	
An allowance for impairment loss is recognised when there is objective	
evidence that an individual trade receivable is impaired.	
The movement in the allowance for impairment loss was as follows -	
At 1 July 54	54
Charge for the year 6 215	_
Amounts written off (40)	
At 30 June 229	54

At 30 June 2012, the ageing analysis of trade receivables is as follows:

	Total	30 days	31-60 days	61-90 days 61-90 days		91+ days	91+ days
				PDNI *	CI *	PDNI *	CI *
_	\$'000	\$'000	\$'000	\$'000	\$'000	\$'001	\$'000
2012	1,810	1,202	210	101	-	67	230
2011	1,522	1,006	92	49	-	321	54

^{*} Past due not impaired ("PDNI")

Receivables past due but not considered impaired are \$168,000 (2011: \$370,000). Based on the past experience and customer knowledge, management have concluded that the trade debtors are recoverable and therefore no further allowance is necessary over and above the allowance for impairment loss held.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Terms and conditions and allowance for impairment loss

- (i) Trade debtors are non-interest bearing and generally on 30 day terms.
- (ii) Sundry debtors and other receivables are non-interest bearing.

(c) Fair value and credit risk

Due to the short term nature of current trade and other receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to the credit risk is the fair value of receivables. There is no concentration of credit risk with respect to these debtors.

^{*} Considered impaired ("CI")

FOR THE YEAR ENDED 30 JUNE 2012

			Consolidated Gro		
			2012 \$'000	2011 \$'000	
11	INVENTORIES				
	Medical, food and other supplies (at cost)		429	372	
12	OTHER CURRENT ASSETS				
	Prepayments		3,353	990	
	Deposits		92	95	
	GST recoverable	_	688	686	
		<u></u>	4,133	1,771	
13	RECEIVABLES (NON CURRENT)				
	Employee share scheme loans - former employees	(a)	2,838	2,838	
	Other non current receivables	(b) _	14,426		
			17,264	2,838	

⁽a) Employee share scheme loans to former employees are interest free and secured by a charge over the underlying shares.

Refer note 25 Contingencies

⁽b) In September 2011 State Revenue Office Victoria issued an assessment for stamp duty payable in respect of the July 2007 merger. The company believes the State Revenue Office erred in issuing this assessment. The company elected to pay the assessed amount (paid in December 2011) and seek recovery through the lodgement of an objection. The State Revenue Office did not respond to the objection and the company lodged an appeal to the Supreme Court on the basis of a 'deemed' rejection of the objection. A directions hearing is anticipated to be held in late September and it is also anticipated that the matter will be heard by the court before the end of next financial year being 30 June 2013.

FOR THE YEAR ENDED 30 JUNE 2012

14 SUBSIDIARIES

The consolidated financial statements include the parent and the subsidiaries listed as follows

	Country of incorporation	Percentage interest he consolida 2012	eld by the
		%	%
Regis Aged Care Pty Ltd	Australia	100.00	100.00
Paragon Group Investments Proprietary Ltd	Australia	100.00	100.00
Regis Group Proprietary Ltd	Australia	100.00	100.00
Regis Allora Pty Ltd ATF Allora Lodge Unit Trust	Australia	100.00	100.00
Regis Amaroo Pty Ltd	Australia	100.00	100.00
Regis Blue Waters Pty Ltd	Australia	100.00	100.00
Bon Heights Pty Ltd	Australia	100.00	100.00
Regis Care Pty Ltd	Australia	100.00	100.00
Regis Caboolture Pty Ltd	Australia	100.00	100.00
Regis Corinya Pty Ltd	Australia	100.00	100.00
Regis Crana Pty Ltd	Australia	100.00	100.00
Regis Gatton Pty Ltd	Australia	100.00	100.00
Regis Grange Rosebud Pty Ltd	Australia	100.00	100.00
Regis Grange Wellington Point Pty Ltd	Australia	100.00	100.00
Regis Group Properties Pty Ltd	Australia	100.00	100.00
Regis Health Care Pty Ltd	Australia	100.00	100.00
Herstonville Pty Ltd	Australia	100.00	100.00
Regis Investments Pty Ltd ATF Regis Investments Trust	Australia	100.00	100.00
Regis Karingal Manor Pty Ltd ATF Karingal Manor Unit Trust	Australia	100.00	100.00
Regis Lake Park Pty Ltd	Australia	100.00	100.00
Regis Lakeside Pty Ltd	Australia	100.00	100.00
Regis Management Pty Ltd	Australia	100.00	100.00
Regis Salisbury Pty Ltd	Australia	100.00	100.00
Regis Shelf Pty Ltd	Australia	100.00	100.00
Regis Como House Pty Ltd (former Regis Shelf 2 Pty Ltd)	Australia	100.00	100.00
Regis Sheraton Pty Ltd	Australia	100.00	100.00
Regis Sherwood Park Pty Ltd	Australia	100.00	100.00
Regis Sunraysia Pty Ltd ATF Sunraysia Unit Trust	Australia	100.00	100.00
Regatta Green Pty Ltd ATF Moomba Street Unit Trust ^	Australia	100.00	100.00
Bayley Walk Pty Ltd ATF Bayley Walk Unit Trust ^	Australia	100.00	100.00
Retirement Properties of Australia Proprietary Limited ^	Australia	100.00	100.00
Allora Drive Pty Ltd Allora Drive Unit Trust^^	Australia	100.00	100.00
Ashleigh Avenue Pty Ltd ^^	Australia	100.00	100.00
Bakers Road Pty Ltd ATF Bakers Road Unit Trust^^	Australia	100.00	100.00
Braeside Pty Ltd ATF Braeside Unit Trust^^	Australia	100.00	100.00
Clover Brae Pty Ltd ATF Clover Brae Unit Trust ^^	Australia	100.00	100.00
Clover Side Pty Ltd ATF Clover Side Unit Trust ^^	Australia	100.00	100.00
Dawson Drive Pty Ltd ATF Dawson Drive Unit Trust^^	Australia	100.00	100.00
Fiocchi Pty Ltd ATF Fiocchi Unit Trust^^	Australia	100.00	100.00
Lakeside Way Pty Ltd ATF Lakeside Way Unit Trust^^	Australia	100.00	100.00
Lanita Road Pty Ltd ATF Lanita Unit Trust	Australia	100.00	100.00
Lillian Avenue Ltd ATF Lillian Avenue Trust^	Australia	100.00	100.00
MacGregor Drive Pty Ltd ATF MacGregor Unit Trust^^	Australia	100.00	100.00
Major Road Pty Ltd ATF Major Road Property Trust^^	Australia	100.00	100.00
Mewetts Road Pty Ltd ATF Mewetts Road Unit Trust^^	Australia	100.00	100.00

FOR THE YEAR ENDED 30 JUNE 2012

14 SUBSIDIARIES (continued)

	Country of incorporation	Percentage interest he consolida	eld by the
		2012 %	2011 %
Naree Pty Ltd ^^	Australia	100.00	100.00
Settlement Road Pty Ltd ATF Settlement Road Unit Trust^^	Australia	100.00	100.00
Sherwood Road Pty Ltd ATF Sherwood Road Unit Trust^^	Australia	100.00	100.00
Tenth Street Pty Ltd ATF Tenth Street Unit Trust^^	Australia	100.00	100.00
Wyuna Street Pty Ltd ATF Wyuna Street Unit Trust^^	Australia	100.00	100.00
Zarah Pty Ltd ^^	Australia	100.00	100.00
Retirement Care Australia Holdings Pty Ltd	Australia	100.00	100.00
Retirement Care Australia Operations Pty Ltd <	Australia	100.00	100.00
Retirement Care Australia (Bethany) Pty Ltd >	Australia	100.00	100.00
Retirement Care Australia (Hillcrest) Pty Ltd >	Australia	100.00	100.00
Retirement Care Australia (Hollywood) Pty Ltd >	Australia	100.00	100.00
Retirement Care Australia (Inala) Pty Ltd >	Australia	100.00	100.00
Retirement Care Australia (Parklyn) Pty Ltd >	Australia	100.00	100.00
Retirement Care Australia (Sunset) Pty Ltd >	Australia	100.00	100.00
Retirement Care Australia (Weeroona) Pty Ltd >	Australia	100.00	100.00
Retirement Care Australia (Darwin) Pty Ltd >	Australia	100.00	100.00
Retirement Care Australia (Hayville) Pty Ltd >	Australia	100.00	100.00
Retirement Care Australia Operations (2) Pty Ltd <	Australia	100.00	100.00
Retirement Care Australia (Belmore) Pty Ltd >>	Australia	100.00	100.00
Retirement Care Australia (Brighton Gardens) Pty Ltd >>	Australia	100.00	100.00
Retirement Care Australia (Forrest Gardens) Pty Ltd >>	Australia	100.00	100.00
Retirement Care Australia (Greenmount Gardens) Pty Ltd >>	Australia	100.00	100.00
Retirement Care Australia (Hurstville Gardens) Pty Ltd >>	Australia	100.00	100.00
Retirement Care Australia (Preston) Pty Ltd >>	Australia	100.00	100.00
Retirement Care Australia (Port Stephens Gardens) Pty Ltd >>	Australia	100.00	100.00
Retirement Care Australia (Port Macquarie Gardens) Pty Ltd >>	Australia	100.00	100.00
Retirement Care Australia (Ku-ring-gai Gardens) Pty Ltd >>	Australia	100.00	100.00
Retirement Care Australia (Logan) Pty Ltd >>	Australia	00.001	100.00
Retirement Care Australia (Rose Bay) Pty Ltd >>	Australia	100.00	100.00
Retirement Care Australia (Sandringham Gardens) Pty Ltd >>	Australia	100.00	100.00

[^] Investments are held by Regis Investments Pty Ltd ATF Regis Investment Trust

^{^^} Investments are held by Retirement Properties of Australia Proprietary Limited

> Investments are held by Retirement Care Australia Operations Pty Ltd

>> Investments are held by Retirement Care Australia Operations (2) Pty Ltd

< Investments are held by Retirement Care Australia Holdings Pty Ltd

FOR THE YEAR ENDED 30 JUNE 2012

15 PROPERTY, PLANT AND EQUIPMENT

Freehold land and buildings 2012 2011 At fair value 510,628 465,805 Accumulated depreciation and impairment (43,735) (35,085) Accumulated depreciation and impairment (43,735) (35,085) Plant and machinery 76,330 54,406 Accumulated depreciation and impairment (30,759) (22,088) Accumulated depreciation and impairment 435 434 Accumulated depreciation and impairment (353) (335) 82 99 Furniture, fixtures and fittings 41 42 20,526 Accumulated depreciation and impairment (10,235) (8,372) Accumulated depreciation and impairment (10,235) (8,372) Leasehold improvements 4 67 67 Accumulated depreciation and impairment (38) (36) Development cost 4 14,411 39,766 Accumulated depreciation and impairment 14,411 39,766 Total cost 626,623 581,004 Total accumulated depreciation and impairment <td< th=""><th></th><th>Consolidate</th><th>ed Group</th></td<>		Consolidate	ed Group
At fair value 510,628 (45,805) (35,085) (35,085) (35,085) (35,085) (35,085) (366,93) (466,893) (430,720) Plant and machinery 76,330 (54,406) (30,759) (22,088) (30,759) (22,088) (45,571) (32,318) Motor vehicles 45,571 (32,318) At cost (353) (335) (335) 435 At cost (353) (335) (335) (335) 42 Accumulated depreciation and impairment (353) (335) 32 Furniture, fixtures and fittings 24,752 (20,526) (32,722) (32,72			
Accumulated depreciation and impairment (43,735) (35,085) (466,893) (430,720) Plant and machinery At cost 76,330 (54,406) (Accumulated depreciation and impairment (30,759) (22,088) (45,571) (32,318) Motor vehicles At cost 435 (Accumulated depreciation and impairment (353) (335) (335) (325)	-	510 / 20	465.005
466,893 430,720 Plant and machinery 76,330 54,406 Accumulated depreciation and impairment (30,759) (22,088) Motor vehicles 45,571 32,318 Motor vehicles 435 434 Accumulated depreciation and impairment (353) (335) Furniture, fixtures and fittings 82 99 Furniture, fixtures and fittings 24,752 20,526 Accumulated depreciation and impairment (10,235) (8,372) Leasehold improvements 4 67 67 Accumulated depreciation and impairment 338 (36) Development cost 4 4411 39,766 Accumulated depreciation and impairment 14,411 39,766 Accumulated depreciation and impairment 626,623 581,004 Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)			
Plant and machinery At cost 76,330 54,406 Accumulated depreciation and impairment (30,759) (22,088) Motor vehicles 45,571 32,318 At cost 435 434 Accumulated depreciation and impairment (353) (335) Furniture, fixtures and fittings 24,752 20,526 Ac cost 24,752 20,526 Accumulated depreciation and impairment (10,235) (8,372) Leasehold improvements 4 67 67 Accumulated depreciation and impairment (38) (36) Development cost 4 14,411 39,766 Accumulated depreciation and impairment 14,411 39,766 Accumulated depreciation and impairment 626,623 581,004 Total cost 626,623 581,004 Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)	recumulated depreciation and impairment		
At cost Accumulated depreciation and impairment 76,330 (30,759) (22,088) Motor vehicles 45,571 (32,318) Motor vehicles 435 (353) (335) Accumulated depreciation and impairment (353) (335) Furniture, fixtures and fittings 24,752 (20,526) Accumulated depreciation and impairment (10,235) (8,372) Accumulated depreciation and impairment 67 (67) (67) Accumulated depreciation and impairment (38) (36) Development cost Accumulated depreciation and impairment 14,411 (39,766) Accumulated depreciation and impairment 14,411 (39,766) Total cost (56,623) (58,916) 581,004 Total cost (65,916) (65,916)			,
Accumulated depreciation and impairment (30,759) (22,088) Motor vehicles 45,571 32,318 At cost 435 434 Accumulated depreciation and impairment (353) (335) Furniture, fixtures and fittings 82 99 Furniture, fixtures and fittings 24,752 20,526 Accumulated depreciation and impairment (10,235) (8,372) Accumulated depreciation and impairment 67 67 Accumulated depreciation and impairment (38) (36) Development cost At cost 14,411 39,766 Accumulated depreciation and impairment - - - Total cost 626,623 581,004 Total cost (85,120) (65,916)	Plant and machinery		
Motor vehicles 45,571 32,318 At cost 435 434 Accumulated depreciation and impairment (353) (335) Furniture, fixtures and fittings 82 99 Furniture, fixtures and fittings 24,752 20,526 Accumulated depreciation and impairment (10,235) (8,372) Leasehold improvements 67 67 Accumulated depreciation and impairment (38) (36) Development cost 38 (36) At cost 14,411 39,766 Accumulated depreciation and impairment 14,411 39,766 Total cost 626,623 581,004 Total cost (85,120) (65,916)		-	
Motor vehicles 435 434 At cost (353) (335) Accumulated depreciation and impairment (353) (335) Furniture, fixtures and fittings 24,752 20,526 Ac cost 24,752 20,526 Accumulated depreciation and impairment (10,235) (8,372) Leasehold improvements 67 67 Accumulated depreciation and impairment (38) (36) Development cost 14,411 39,766 Accumulated depreciation and impairment 14,411 39,766 Total cost 626,623 581,004 Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)	Accumulated depreciation and impairment		
At cost Accumulated depreciation and impairment 435 (353) (335) Accumulated depreciation and impairment 82 99 Furniture, fixtures and fittings At cost Accumulated depreciation and impairment 24,752 (10,235) (8,372) Accumulated depreciation and impairment 467 (10,235) (8,372) Leasehold improvements At cost Accumulated depreciation and impairment 67 (67) (38) (36) (36) (36) Development cost At cost Accumulated depreciation and impairment 14,411 (39,766) (39,766) (39,766) Total cost Total cost Total accumulated depreciation and impairment 626,623 (581,004) (39,766) (39,916) (39,916) (39,916) (39,916)		45,571	32,318
Accumulated depreciation and impairment (353) (335) Furniture, fixtures and fittings 24,752 20,526 Accumulated depreciation and impairment (10,235) (8,372) Accumulated depreciation and impairment 67 67 Accumulated depreciation and impairment (38) (36) Development cost 34 cost 14,411 39,766 Accumulated depreciation and impairment 14,411 39,766 Total cost 14,411 39,766 Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)	Motor vehicles		
Furniture, fixtures and fittings At cost 24,752 20,526 Accumulated depreciation and impairment (10,235) (8,372) Leasehold improvements 4 14,517 12,154 Leasehold improvements 67 67 Accumulated depreciation and impairment (38) (36) Accumulated depreciation and impairment 14,411 39,766 Accumulated depreciation and impairment 14,411 39,766 Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)	At cost	435	434
Furniture, fixtures and fittings At cost 24,752 20,526 Accumulated depreciation and impairment (10,235) (8,372) 14,517 12,154 Leasehold improvements 67 67 At cost 67 67 Accumulated depreciation and impairment (38) (36) 29 31 Development cost 14,411 39,766 Accumulated depreciation and impairment - - Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)	Accumulated depreciation and impairment	(353)	(335)
At cost Accumulated depreciation and impairment 24,752 (10,235) (8,372) Leasehold improvements 14,517 12,154 Leasehold improvements 67 67 Accumulated depreciation and impairment (38) (36) Development cost 29 31 Accumulated depreciation and impairment 14,411 39,766 Accumulated depreciation and impairment		82	99
At cost Accumulated depreciation and impairment 24,752 (10,235) (8,372) Leasehold improvements 14,517 12,154 Leasehold improvements 67 67 Accumulated depreciation and impairment (38) (36) Development cost 29 31 Accumulated depreciation and impairment 14,411 39,766 Accumulated depreciation and impairment	73. 1. 67. 1.97.		
Accumulated depreciation and impairment (10,235) (8,372) Leasehold improvements 14,517 12,154 Leasehold improvements 67 67 At cost 67 67 Accumulated depreciation and impairment (38) (36) Development cost 14,411 39,766 Accumulated depreciation and impairment 14,411 39,766 Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)		24.752	20.526
14,517 12,154 Leasehold improvements 38 67 67 Accumulated depreciation and impairment (38) (36) 29 31 Development cost 39,766 41,411 39,766 Accumulated depreciation and impairment 14,411 39,766 Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)			
Leasehold improvements 67 67 At cost 67 67 Accumulated depreciation and impairment (38) (36) 29 31 Development cost 39,766 At cost 14,411 39,766 Accumulated depreciation and impairment - - Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)	recumulated depreciation and impairment		
At cost Accumulated depreciation and impairment 67 67 67 67 67 (38) (36) 29 31 Development cost At cost Accumulated depreciation and impairment 14,411 39,766 14,411 39,766 Total cost Total cost Total accumulated depreciation and impairment 626,623 581,004 (65,916)		11,017	12,101
Accumulated depreciation and impairment (38) (36) 29 31 Development cost 39,766 At cost 14,411 39,766 Accumulated depreciation and impairment - - Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)	Leasehold improvements		
Development cost	At cost	67	67
Development cost 14,411 39,766 Accumulated depreciation and impairment - - Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)	Accumulated depreciation and impairment		
At cost Accumulated depreciation and impairment 14,411 39,766 Total cost Total cost Total accumulated depreciation and impairment 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)		29	31
At cost Accumulated depreciation and impairment 14,411 39,766 Total cost Total cost Total accumulated depreciation and impairment 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)	Davidanment cost		
Accumulated depreciation and impairment - - 14,411 39,766 Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)		14 411	30.766
Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)		14,411	39,700
Total cost 626,623 581,004 Total accumulated depreciation and impairment (85,120) (65,916)	recommended depresention and impairment	14.411	39,766
Total accumulated depreciation and impairment (85,120) (65,916)			
Total accumulated depreciation and impairment (85,120) (65,916)			
		•	•
Total written down value 541,503 515,088			
	Total written down value	541,503	515,088

FOR THE YEAR ENDED 30 JUNE 2012

15 PROPERTY, PLANT AND EQUIPMENT (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)			
		Consolida	-
		2012	2011
	Notes	\$'000	\$'000
Reconciliations			
Reconciliations of the carrying amounts of property, plant and			
equipment at the beginning and end of the current financial year.			
Freshold land and buildings			
Freehold land and buildings			
Carrying amount at beginning		430,720	410,080
Additions		4,413	18
Transfers from development cost		32,354	24,829
Disposals		(144)	-
Acquisition of businesses		8,200	6,393
Depreciation expense		(8,650)	(10,600)
		466,893	430,720
Plant and machinery			
Carrying amount at beginning		32,318	15,802
Additions		14,762	5,944
Transfers from development cost		7,171	16,928
Disposals		(269)	(5)
Acquisition of businesses		260	700
Depreciation expense		(8,671)	(7,051)
•	•	45,571	32,318
Motor vehicles	•	•	
Carrying amount at beginning		99	72
Additions		1	42
Disposals			
Depreciation expense		(18)	(15)
	•	82	99
Furniture, fixtures and fittings			
Carrying amount at beginning		12,154	11,957
Additions		2,656	2,910
Transfers from/(to) development cost		1,638	(1,052)
Acquisition of businesses		40	(1,552)
Disposals		(108)	_
Depreciation expense		(1,863)	(1,661)
	•	14,517	12,154
Leasehold improvements	•	2 130 2 /	230,101
Carrying amount at beginning		31	33
Additions		-	4
Disposals		_	-
Depreciation expense		(2)	(6)
1	-	29	31
Development cost	-		
Carrying amount at beginning		39,766	45,137
Additions		15,808	35,334
Transfers to buildings on completion		(32,354)	(24,829)
Transfers to plant & machinery and furniture, fixtures and fittings		(4-)4-4	(= 1,0=2)
on completion		(8,809)	(15,876)
	_	14,411	39,766
Totals	-		7
Carrying amount at beginning		515,088	483,081
Additions		37,640	44,252
Disposals		(521)	(5)
Acquisition of businesses		8,500	7,093
Depreciation expense	6	(19,204)	(19,333)
,		541,503	515,088
	=	0.1,000	0.20,000

FOR THE YEAR ENDED 30 JUNE 2012

15 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Revaluation of freehold land and buildings

Independent valuations of land and buildings are undertaken at all sites at least once every three years. The independent valuations value each site on a stand alone basis and attribute appropriate valuations to the various asset components such as land, buildings, plant & equipment and business value. Land and buildings were valued by the Group's directors at 30 June 2012. In determining the fair value (the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction), the directors take into consideration valuation models prepared by the company, external market valuations and other market based evidence. No revaluation was made at 30 June 2012 (2011: nil).

(b) Property, Plant and equipment pledged as security

The bank loans (see Note 19(b)) are secured by a floating charge over non-current assets of the Company and the subsidiaries (the carrying value of the secured property at 30 June 2012 is \$541,503,000 (2011: \$515,088,000)). The bank loans are also secured by registered first mortgage debentures and first registered mortgage over certain freehold properties.

FOR THE YEAR ENDED 30 JUNE 2012

16 GOODWILL AND INTANGIBLE ASSETS

	Cor	nsolidated Group	
	Bed Licences	Goodwill	Total
	\$'000 Note (a)	\$'000 Note (b)	\$'000
Year ended 30 June 2012	rvote (a)	Note (b)	
Balance at beginning of year	149,498	80,961	230,459
Acquired from third parties	5	-	5
Acquisition from business combinations	6,825	-	6,825
Impairment of bed licences	(3,711)	-	(3,711)
Balance at end of year	152,617	80,961	233,578
Year ended 30 June 2011			
Balance at beginning of year	145,276	76,893	222,169
Acquired from third parties	262	*	262
Acquisition from business combinations	5,225	4,068	9,293
Impairment of bed licences	(1,265)	-	(1,265)
Balance at end of year	149,498	80,961	230,459

(a) Bed licences

Bed licences for aged care facilities are carried at historical cost. Bed licences acquired through a business combination are assessed at fair value at the date of acquisition in accordance with AASB 3 Business Combinations in the consolidated accounts. The bed licences continue to be carried at cost in the individual accounts of the acquired entities within the Group.

No amortisation has been provided as the Group believes the useful lives of these assets are indefinite.

Traditionally the recoverable amount of bed licences has been assessed by reference to recent sale transactions and other market evidence. In the absence of comparable sales of bed licences in recent years the decision was made this year to change the method of assessing the recoverable amount of bed licences to value in use (VIU) calculations.

The VIU calculations are based on five year board approved forecasts based on management estimates of income, expenses, capital expenditure and bond movements and growth and discount rates.

This assessment showed an impairment write down of \$3,711,073 was required (2011: \$1,265,000).

(b) Goodwill

In accordance with the requirements of AASB 136 *Impairment of Assets*, management has tested goodwill for impairment. Goodwill has been allocated to the relevant cash generating unit, the recoverable amount for which has been determined based on a value in use calculation using discounted cash flow projections from plans approved by management.

FOR THE YEAR ENDED 30 JUNE 2012

			Consolidated Group	
		Notes	2012 \$'000	2011 \$'000
17	TRADE AND OTHER PAYABLES			
	Current			
	Trade payables	(a)(i)	5,812	5,311
	Sundry creditors & accrued expenses	(a)(ii)	17,683	13,615
	Fees received in advance		1,937	2,001
	Loans from director related entities	26 (c)	-	5,283
			25,432	26,210

(a) Terms and conditions

- (i) Trade creditors are non interest bearing and are normally settled on 30 day terms.
- (ii) Other creditors are non interest bearing and have an average term of 30 days

(b) Fair values

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

18 PROVISIONS

Current		
Annual leave	14,865	12,423
Long service leave	6,492	5,709
Cash-settled employee share-based payment transactions	652	533
Restructuring	809	-
	22,818	18,665
Non-current Long service leave	3,120	2,599
	3,120	2,599
Number of employees at year end based on full time equivalents	3,160	2,763

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Consolidat 2012 \$'000	ed Group 2011 \$'000
INTEREST-BEARING LOANS AND BORROWINGS			
Current			
Borrowings secured by mortgage - bank loans	(b)	30,849 30,849	70,000 70,000
Non-current			
Borrowings secured by mortgage - bank loans	(b)	193,114	218,533
Liability payable on Special Shares	(c)	12,174 205,288	12,174 230,707

(a) Bank loans

19

A new five year banking facility was put in place in December 2011.

The bank loans are secured by a floating charge over non-current assets of the Company and the subsidiaries (the carrying value of the secured property at 30 June 2012 is \$541,500,000 (2011: \$515,088,000)). The bank loans are also secured by registered first mortgage debentures and first registered mortgage over certain freehold properties.

The Company has been compliant with banking covenants throughout the year.

FOR THE YEAR ENDED 30 JUNE 2012

19 INTEREST-BEARING LOANS AND BORROWINGS (continued)

(a) Bank loans (continued)

Fair value

The fair value has been calculated by reference to the amount repayable at the reporting date net of the value of the interest rate swap contract as determined at the reporting date.

	Consolida 20	•	Consolida 20	ted Group
	Carrying amount	Fair value	Carrying amount	Fair value
Bank loans	223,963	226,896	288,533	289,962

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 25. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors estimate of amounts that will be payable by the Group. No material losses are expected and as such, the fair values disclosed are the directors estimate of amounts that will be payable by the Group.

(b) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

(c) Loans from other related parties

100 special shares were issued on 2 July 2007 and no voting rights are attached to these special shares.

Dividends

- Fixed cumulative annual preferential dividend of \$1,400,000 payable in quarterly instalments
- Cumulative annual preferential dividend up to \$ 3,750,000 or such amount as the Board determines from time to time payable annually on or before 30th June each year.
- Unpaid preferential dividends accrue interest at the five year bond rate.

Any return on capital in respect of special shares (whether on winding-up of the company or otherwise) will not exceed (in aggregate) \$1 per special share.

The shareholder arrangements are currently the subject of negotiation. The liability in respect of these shares may be impacted by changes in the terms of these shares.

20 ACCOMMODATION BONDS AND ENTRY CONTRIBUTIONS

	Consolidat	Consolidated Group	
	2012	2011	
	\$'000	\$'000	
Accommodation bonds	491,916	422,695	
Entry contributions	11,394	12,558	
	503,310	435,253	

FOR THE YEAR ENDED 30 JUNE 2012

20 ACCOMMODATION BONDS AND ENTRY CONTRIBUTIONS (continued)

Terms and conditions relating to accommodation bonds and entry contributions

Accommodation bonds are non-interest bearing and are settled after a resident vacates the property in accordance with the *Aged Care Act*, *1997*. Accommodation bond balances are reduced by annual retention fees charged in accordance with the *Aged Care Act*, *1997*.

Accommodation bonds are non interest bearing deposits made by residents upon their admission to low care and extra service accommodation facilities. They are in effect an interest free loan. Providers must pay a base interest rate on all refunds on accommodation bonds within legislated time frames and must pay a penalty on refunds made outside legislated time frames.

Accommodation bond refunds are guaranteed by the government under the prudential standards legislation.

Providers are required to have sufficient liquidity to ensure they can refund bond balances as they fall due in the following twelve months. Providers are also required to implement and maintain a liquidity management strategy. This is updated on a quarterly basis.

While accommodation bonds are classified as a current liability given the possible timeframe for repayment of an individual accommodation bond, it is unlikely that the accommodation bond liability will be significantly reduced over the next twelve months. However, as the entity does not have an unconditional right to defer settlement for at least twelve months after reporting date, it is classified as a current liability in accordance with the accounting standard AASB 101 *Presentation of Financial Statements*.

The accommodation bond liability is spread across a large portion of the Regis resident population and therefore the repayment of individual balances that make up the current balance will be dependent upon the actual tenure of individual residents. Tenure can be more than ten years but averages approximately 2.5 years. Usually (but not always), when an existing accommodation bond is repaid it is replaced by a new accommodation bond paid by the new incoming resident. Since the introduction of accommodation bonds in 1997 the trend within Regis and the aged care industry has been that the cash received in relation to the new accommodation bond has been greater than the cash paid out in relation to the previous accommodation bond.

Entry contributions are also non-interest bearing and relate to Independent Living Unit residents. Entry contributions are settled after a resident vacates the property and the terms and conditions are governed by various state based Retirement Village Acts.

21 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated Group	
	2012	2011
	\$'000	\$'000
Current Assets/(Liabilities)		
Interest rate swap contracts	(2,933)	(1,429)

(a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates.

(i) Interest rate swaps

Interest bearing loans of the Group currently bear an interest rate calculated by reference to BBSY plus a margin between 1.0% and 2.0%. In order to protect against rising interest rates, the Group has entered into two separate interest rate swap contracts. One with ANZ and the other with Bank of Melbourne. The 2012 contracts have a fixed interest rate of 4.265%. Cover for both contracts extends through until 25 June 2015 for varying amounts originally determined to equate to a minimum of 50% of group's forecast borrowings.

(b) Interest rate risk

Information regarding interest rate risk is set out in note 4.

FOR THE YEAR ENDED 30 JUNE 2012

		Consolidate	Consolidated Group	
		2012	2011	
		\$'000	\$'000	
22	ISSUED CAPITAL			
	Issued and fully paid			
	Ordinary shares	161,440	159,454	
	Employee share plan shares	(20,297)	(18,311)	
		141,143	141,143	

(a) Movements in ordinary shares on issue

	2012	2	201	
CONSOLIDATED GROUP	Number of		Number of	
CONSOLIDATED GROUP	Shares	\$'000	Shares	\$'000
Beginning of the financial year	349,524,596	141,143	349,524,596	138,305
Share issue	1,910,000	1,986	-	-
Employee share plan loans	<u></u>	(1,986)		-
Loans to former employees transferred				
to receivables			-	2,838
End of the financial year	351,434,596	141,143	349,524,596	141,143

The amount of the issued and paid up equity in these consolidated financial statements is the issued equity of the legal subsidiary, Paragon Group Investments Proprietary Ltd, immediately before the merger plus subsequent issues of shares by the legal parent, Fairway Investment Holdings Pty Limited. However, the equity structure (i.e. the number and type of equity instruments issued) reflects the equity structure of the legal parent, including the shares issued by the legal parent to effect the merger.

	2012	2011
	\$'000	\$'000
Movement in employee share plan loans		
Balance at beginning of year	18,311	21,149
Loans made in respect of shares issued during the year	1,986	-
Loans to former employees transferred to receivables	-	(2,838)
Repayments	-	
Balance at end of year	20,297	18,311

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.

(b) Capital Management

When managing capital, management's objective is to ensure the Group continues as a going concern and provides an optimal return to shareholders and other stakeholders. Management also aims to maintain a capital structure that allows funds for capital expenditure and growth strategies.

FOR THE YEAR ENDED 30 JUNE 2012

			Consolidated Group	
			2012	2011
		Notes	\$'000	\$'000
23	RESERVES			
	Asset revaluation reserve	(a)	30,093	30,093
	Acquisition reserve	(b)	(99,424)	(99,424)
	•	` ' =	(69,331)	(69,331)
	(a) Asset revaluation reserve	•		
	(i) Nature and purpose of reserve			
	The asset revaluation reserve is used to record increments and decrements			
	in the value of non-current assets. The reserve can only be used to pay			
	dividends in limited circumstances.			
	(ii) Movements in reserve			
	Balance at beginning and end of year	=	30,093	30,093
	(b) Acquisition reserve			
	The reserve is used to accumulate the difference on cost of shares issued by			
	the company. In 2008, the difference arose because of the reverse			
	acquisition, valuing the net asset at the fair value on the day of transaction			
	versus the cost of the shares as agreed per shareholder agreement.			
	(ii) Movements in reserve			
	Balance at beginning and end of year		(99,424)	(99,424)

FOR THE YEAR ENDED 30 JUNE 2012

24

	Consolidated Group	
	2012 \$'000	2011 \$'000
COMMITMENTS		
Capital expenditure commitments		
(a) Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
In respect of Construction Contracts		
not later than one yearlater than one year and not later than five years	9,812	4,196
- later than five years	-	-
•	9,812	4,196
(b) Estimated capital expenditure authorised for at reporting date, but not contracted for:		
In respect of other Capital items		
- not later than one year	29,488	57,004
later than one year and not later than five yearslater than five years	40,479	62,730
1410. 4100. 11.0 years	69,967	119,734
Lease expenditure commitments		
(i) Operating leases (non-cancellable)		
Minimum lease payments		
- not later than one year	411	797
- later than one year and not later than five years	41	451
- later than five years Aggregate lease expenditure contracted for at reporting date	452	1,248
CC C		2,2010

Operating leases have an average lease term of 5 years. Assets that are the subject of operating leases are aged care residences and office premises.

FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group

2012

\$'000

2011 \$'000

25 CONTINGENCIES

Estimates of the maximum amounts of contingent liabilities, that may become payable:

(a) Bank guarantees

150 150

(b) Legal claims and disputes

The consolidated entity is defending a claim for damages brought by the landlord of the premises in which a retirement facility was formerly housed. A Supreme Court of Victoria court case has been adjourned until February 2013. At this stage it is too early to predict the outcome of this litigation.

In April 2012 the Supreme Court of Victoria held that an assessment of \$1.7m issued by State Revenue Office of Victoria for stamp duty on transactions in the period 2004 to 2007 should be set aside. The State Revenue Office has lodged an appeal of the decision to the Full Court of the Supreme Court.

In September 2011 State Revenue Office Victoria issued an assessment for stamp duty payable of \$12,325,500 in respect of the July 2007 merger. The State Revenue Office Victoria has taken the position that Paragon Group Investments Pty Ltd was a land rich entity at the time of the merger. A penalty of \$616,275 and interest of \$1,484,750 were also assessed. The company believes the State Revenue Office erred in issuing this assessment. The company elected to pay the assessed amount of \$14,426,525 (paid in December 2011) and seek recovery through the lodgement of an objection. The State Revenue Office did not respond to the objection and the company lodged an appeal to the Supreme Court on the basis of a 'deemed' rejection of the objection. The company is currently pursuing the appeal but as the appeal is opposed by the State Revenue Office, timing of the resolution remains unknown. The company will vigorously pursue the appeal. If in the unlikely event that the appeal is unsuccessful, the company is strongly of the opinion that the final amended assessment would be of an amount significantly less than the current amount assessed.

A directions hearing is anticipated to be held soon and it is also anticipated that the matter will be heard by the court before the end of next financial year being 30 June 2013.

26 RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statement includes the financial statements of Fairway Investment Holdings Pty Limited and the subsidiaries as listed in Note 14 to the financial statements.

(b) Ultimate parent

Fairway Investment Holdings Pty Limited is the ultimate Australian parent entity.

(c) Loans

Paragon Group Investments Proprietary Limited, a subsidiary of the company, provided loans to director related entities Ashburn Pty Ltd and Galabay Pty Ltd at the time of the July 2007 merger. These loans were repaid during the 2011 year from the proceeds of a dividend paid in December 2010. Interest of \$408,407 was charged during the 2011 year at the rate prescribed by Section 109N of the Income Tax Act.

The dividend paid in December 2010 of \$17,611,682 exceeded the balance of the loans principle payable of \$11,919,770 and interest payable of \$408,407. The surplus of \$5,283,505 was lent back to the company on an interest free basis repayable no earlier than 30 November 2011 and no later than 1 May 2012. These loans were repaid on 28 November 2011

FOR THE YEAR ENDED 30 JUNE 2012

27 EVENTS AFTER THE BALANCE SHEET DATE

On 29 March 2012, the Board approved the Legal Entity Rationalisation (LER) project plan and the new group structure. The purpose of the LER project is to simplify the corporate structure to provide greater efficiencies and reduce the administrative time and costs. As part of this process, effective 1 July 2012, bed licenses were aggregated and transferred to Regis Aged Care Pty Ltd.

No other matters or circumstances have arisen since the end of the financial year that have significantly or may significantly affect the operations of the Group.

28 AUDITORS' REMUNERATION

	Consolidated Group	
	2012 \$'000	2011 \$'000
Amounts received or due and receivable by Ernst & Young for:	¥ 000	Ψ 000
• audit or review of the financial report of the entity and any other entity in the consolidated entity	316	328
• other services in relation to the entity and any other entity in the consolidated entity		
- tax compliance	238	198
- other services	361	25
	915	551

29 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

Mr Bryan A Dorman (Chairman)

Mr Ian G Roberts

Mr Rees Wegenaar

Mr Leigh P Harrison

(b) Compensation by Category: Key Management Personnel

	Consonua	neu Group
	2012	2011
	\$'000	\$'000
Short-Term		
Salary and fees	1,627	1,589
Post-Employment		
Superannuation, retirement benefits	47	46
	1,674	1,635

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FOR THE YEAR ENDED 30 JUNE 2012

			Consolidated Group	
			2012	2011
30		SHARE -BASED PAYMENT PLANS	\$'000	\$'000
	(a)	Recognised share-based payment expenses		

Expense/(gain) arising from fair value revaluation of cash settled options:

(21) (1,096)

(b) Types of share-based payment plans

Senior Executive Employee Share Plan

Under senior executive share purchase plan (refer note 2(xix)), non-recourse loans are provided to selected senior executives to assist in the purchase of company shares. These loans are made based on the fair value at the grant date.

(c) Summary of shares issued under non-recourse loan arrangements

	Notes	Parent Entity	
		2012	2011
		\$	\$
Outstanding at beginning of the year		12,249,660	19,730,635
Issued during the year		1,986,400	-
Shares sold to an entity nominated under the employee share plan	(a)	-	(4,643,295)
Shares retained by former employees	(b)	-	(2,837,680)
Expired during the year	_	-	
Outstanding at the end of the year	_	14,236,060	12,249,660

⁽a) The shares disposed were shares held by former executives. They were sold to an entity nominated under the employee share plan and the proceeds were used to repay an equal portion of the non-recourse loan.

(d) Option pricing model

The fair value of the cash settled options is measured at the reporting date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the model used for the years ended 30 June 2012 and 30 June 2011:

	2012	2011
Dividend yield (%)	0	0
Expected volatility (%)	45	45
Risk free interest rate (%)	5.4	5.4
Expected life of non-recourse loans (years)	2-3 years	2-5 years
Weighted average share price at measurement date	1.36	1.05

(e) Recognised cash settled share based payment liability

The carrying amount of the liability relating to cash settled share based payment at 30 June 2012 is \$652,084 (2011: \$533,000). This takes into account the value of shares held by former employees and their associated loans payable to the company.

⁽b) These shares have been retained by former employees. The loans are secured by a charge over the shares.

FOR THE YEAR ENDED 30 JUNE 2012

31 BUSINESS COMBINATIONS

Acquisition of Regis Bulimba Aged Care Facility

On 31 October 2011, Regis Group Pty Ltd, a subsidiary of the Company, acquired the Aged Care business, land, buildings and other assets from Aged and Disabled Persons Hostel and Welfare Association, a company limited by guarantee.

The cash consideration transferred was \$6,734,381. Acquisition related costs of \$696,466 incurred as part of this transaction included professional fees and stamp duty. These have been expensed and recognised within other expenses in the Statement of Comprehensive Income.

The fair value of the identifiable assets and liabilities as at the dates of the acquisitions were:

	Consolidated Fair value at acquisition date
	2012 \$'000
Property, plant & equipment Bed licences Deferred tax assets	8,500 6,825 109 15,434
Accommodation bonds and entry contribution Provisions	(3,633) (364) (3,997)
Fair value of identifiable net assets Cost Gain on bargain purchase (note 5)	11,437 (7,234) 4,203
Cost of the combination: Cash paid Retention payable subject to development approval Total cost of the combination	6,734 500 7,234
Direct costs relating to the acquisition (included in other expenses)	696

The consolidated statement of comprehensive income includes revenue and net profit for the year ended 30 June 2012 of \$5,709,081 and \$303,565 respectively, as a result of the acquisition. Had the acquisition occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of \$8,563,622 and \$455,000 respectively.

The gain on bargain purchase of \$4,203,000 has been recognised as other income in the statement of comprehensive income. The key factors contributing to the bargain purchase was the fact the the vendor had, following a review of its strategic plan, made a decision to sell its only aged care facility and wished to expedite a prompt divestment which facilitated a successful commercial negotiation.

FOR THE YEAR ENDED 30 JUNE 2012

32 PARENT ENTITY INFORMATION

	2012 \$'000	2011 \$'000
The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.		
Information relating to Fairway Investment Holdings Pty Limited		
ASSETS		
Current Assets	122	122
Non current assets	378,760	383,546
TOTAL ASSETS	378,882	383,668
LIABILITIES		
Current Liabilities	11.071	15 (07
Non current liabilities	11,071	15,697
TOTAL LIABILITIES	12,174 23,245	12,174 27,871
	20,2010	27,071
EQUITY		
Issued Capital	342,492	342,492
Retained earnings	13,145	13,305
TOTAL EQUITY	355,637	355,797
		-
Profit/(loss) of the parent entity	(160)	8,426
Total comprehensive income of the parent entity	(160)	8,426

Guarantees

Details of bank guarantees are set out in note 25

Contingent Liabilities

Details of contingent liabilities are set out in note 25

Contractual Commitments

Details of contractual commitments are set out in note 24

Directors' Declaration

In accordance with a resolution of the directors of Fairway Investment Holdings Pty Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

Mr Bryan A Dorman Director

Dated this 27th day of September 2012



Frank & Young

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Auditor's Independence Declaration to the Directors of Fairway Investment Holdings Pty Ltd

In relation to our audit of the financial report of Fairway Investment Holdings Pty Ltd for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Don Brumley Partner

27 September 2012



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Independent auditor's report to the members of Fairway Investment Holdings Pty Ltd

We have audited the accompanying financial report of Fairway Investment Holdings Pty Ltd, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



Opinion

In our opinion, the financial report of Fairway Investment Holdings Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- ii complying with Australian Accounting Standards and the Corporations Regulations 2001.

Ernst & Young

Don Brumley Partner Melbourne

27 September 2012