



doutta **galla**

*we're with you*

## Annual report 2010

Doutta Galla Aged Services Ltd  
ABN 96 088 097 929

## Trustees

Ms Lorna Hannan  
Ms Fiona McLeod **Chair**  
Mr John So

## Directors

Mr Peter Cannan  
Mr Bruce Mildenhall **Chair**  
Ms Marion Lau OAM  
Ms Rennis Witham  
Ms Diana Taylor

## Chief executive officer

Mr Mark Anderson

## Company secretary

Mr George Koulis

## Company details

Doutta Galla Aged Services Limited  
ABN 96 088 097 929  
Registered Office  
75 Moreland Street, Footscray Victoria 3011  
Phone (03) 9689 0644 Fax (03) 9689 0744  
Internet site: [www.dgas.org.au](http://www.dgas.org.au)

At the time of this report, Doutta Galla Aged Services delivered the following services.

Avondale Heights ACF 120 North Road AVONDALE HEIGHTS VIC 3034 Telephone: (03) 9325 0000 Fax: (03) 9325 0035	H, L, R	Grantham Green ACF 28-32 Magnolia Street ST ALBANS VIC 3021 Telephone (03) 9364 5235 Fax (03) 9364 5237	L, R
Queens Park ACF 13 The Strand MOONEE PONDS VIC 3039 Telephone (03) 9372 8888 Fax (03) 9372 8844	L, R, U	Lynch's Bridge ACF 44 Market Street KENSINGTON VIC 3031 Telephone (03) 9376 2111 Fax (03) 9673 7629	H, L, R
Yarraville Village Cnr Fairlie & Somerville Road YARRAVILLE VIC 3013 Telephone (03) 9687 0111 Fax (03) 9687 8266	H, L, R	Wornack ACF 6-8 Killara Street SUNSHINE VIC 3010 Telephone (03) 9312 0111 Fax (03) 9310 1208	H, L, R
Footscray ACF 48 Geelong Road FOOTSCRAY VIC 3011 Telephone (03) 9687 6744 Fax (03) 9687 6844	H, L, R		
	H – High Care L – Low Care	R – Respite Care U – Independent Living Units	

## Directors' report

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Your Directors present their report on the entity for the financial year ended 30 June 2010.

### Directors

The names of each person who has been a director during the year and to the date of this report are:

Peter Cannan  
Marion Lau  
Bruce Mildenhall  
Rennis Witham  
Diana Taylor (Appointed 28/9/09)

Directors have been in office since the start of the financial year to date of this report unless otherwise stated.

### Information on company secretary

The following person held the position of the entity secretary at the end of the financial year:

George Koulis - B. Business (Accounting), Graduate Diploma in Business Administration, Master of Business Administration.

Mr. Koulis has broad senior management experience in finance, information technology, human resources, marketing & sales, legal, risk management, business re-engineering and as a company secretary.

Mr. Koulis was appointed company secretary on 27 September 2004.

### Operating results

The Loss of the entity for the year ended 30 June 2010 amounted to \$6,296,878 (2009: Loss \$2,293,319).

### Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

### Review of operations

Three facilities successfully completed the full accreditation assessment during the year.

To improve occupancy, both Lynch's Bridge and Woornack were converted from low to dual (low and high) care during the year. The conversion at Lynch's Bridge commenced in September and encountered a number of problems in adjusting to the higher care needs of the incoming residents. The Aged Care Accreditation Standards Agency visited the facility in mid October and their concerns resulted in a sanctions notice from the Department of Health and Ageing on 22<sup>nd</sup> October 2009.

Management co-operated with the Department and the sanctions were lifted six months later. Many lessons were learnt during this time and many operational and governance improvements have been made across the organisation.

The impact of the capital expenditure program and the scheduled maintenance program to improve and enhance the buildings and assets of the organisation is now delivering improved quality accommodation for our residents.

Communication with residents and families continued especially via newsletters, website and opportunities to comment. New brochures and handbooks were completed targeting the direct referral sources, e.g. social workers, families. Significant effort was made to improve the relationships with the various ethnic groups in the western region.

An increase in the number and level of bonds, and the reduction of bank debt continued.

The trading loss was in the main due to the extensive costs involved in the opening of the Footscray facility, the losses due to the sanctions at Lynch's Bridge and average occupancy across the rest of the facilities of only 91.9%.

Significant operational improvements were also made throughout the year including the upgrading of information technology hardware and software, further implementation of an electronic (i-Care) care management system, the implementation of the maintenance request information system, improvements in occupational health and safety and extensive training across the organisation in a number of areas.

## Directors' report (continued)

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### Significant changes in state of affairs

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

### Principal activities

The principal continuing activity of the organisation is the provision of aged care services. No significant changes in the nature of the entity's activity occurred during the financial year.

### After balance date events

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

### Future developments

The Company will continue to pursue its policy of improving financial performance and in particular improving each facility's operations and reducing the existing debt relating to the existing facilities. The capital expenditure and maintenance programs will continue, with a view to further enhancing each facility aesthetically, as well as improving the quality of infrastructure for residents and staff.

The Board will focus on improvements in the areas of risk management and management reporting. The year will see the completion of the implementation of the i-Care system and the implementation of an enhanced payroll/HR information system.

The planning of a 19 unit retirement village at Footscray will continue to town planning stage. The relocation of the maintenance team to Avondale Heights has been deferred to 2011/12.

### Information on directors

#### *Peter Cannan*

Chief Operating Officer – Russell Kennedy Solicitors

B. Business – Accounting.

Chartered Accountant.

Broad base of experience in information technology, business process re-engineering, project management, management consulting, total quality management, accounting and management.

Board member of DGAS since 2000.

#### *Marion Lau OAM, JP*

Registered Nurse – Division 1.

Diploma in Nursing Administration.

Bachelor of Health Services Administration.

Management Consultant specialising in aged care with particular interest in the ethnic aged and Human Resource Management.

Administrator Panel & Advisor Panel under 66A-1, 66A-2 & 66A-3 *Aged Care Amendment Act 2000*.

Small Business Mentor and Counsellor.

Board member of DGAS since 2001 (including previous appointments, a total of fifteen years).

#### *Diana Taylor*

Bachelor Arts, Bachelor Law (Honours)

Corporate Lawyer with a broad range of experience in the areas of workplace relations, financial services, general commercial activity, risk management and governance. Director Geelong Football Club and the AFL Victoria Development Advisory Board.

Appointed to the Board on 28 September 2009.

## Directors' report (continued)

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### *Bruce Mildenhall*

Chairman of the Board of Directors of Dousta Galla Aged Services Ltd.  
Bachelor of Arts.  
Graduate Diploma Recreation  
Currently a business consultant and member of a number of government and non profit organisations  
Board member of DGAS since 2007.

### *Rennis Witham*

Bachelor Social Science  
Broad experience as a Director in Public Health  
Currently a Director of Seaworks Foundation and a business consultant  
Board Member of DGAS since 2007

### Meetings of directors

During the year 14 meetings of the directors were held. Attendances by each director were as follows:

Name	Attended	Eligible
P Cannan	13	14
M Lau	11	14
B Mildenhall	14	14
R Witham	11	14
D Taylor	10	12

### Environmental issues

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

### Options

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

### Indemnifying officers or auditors

During the financial year the entity paid a premium in respect of a contract insuring the directors and officers of the company, against a liability incurred as such a director or officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

### Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the director's report. Amounts in the director's report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the entity or intervene in any proceedings to which the entity is a party for the purpose of taking responsibility on behalf of the entity for all or any part of those proceedings.

The entity was not a party to any such proceedings during the year.

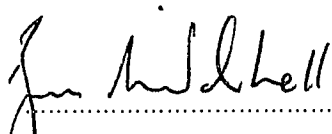
### Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 7.

## Directors' report (continued)

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



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Bruce Mildenhall – Chairman of the Board of Directors



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Peter Cannan – Director

Dated this 25<sup>th</sup> day of October 2010  
Melbourne

**Auditor's Independence Declaration**

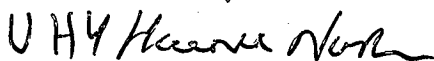
To the Board of Directors of Douтта Galla Aged Services Ltd:

As engagement partner for the audit of Douтта Galla Aged Services Ltd for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

- i. No contraventions of the independence requirements of the Corporations Act in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.



R H Hutton  
Partner



UHY Haines Norton  
Chartered Accountants

Melbourne

26 October 2010

**COMPREHENSIVE OPERATING STATEMENT**  
**For the year ended 30 June 2010**

	Notes	2010 \$'000	2009 \$'000
Revenue from operating activities	2	23,966	20,199
Revenue from non-operating activities	2	183	228
<b>Total revenue from transactions</b>		<u>24,149</u>	<u>20,427</u>
Employee benefits expense	3	(20,529)	(16,680)
Depreciation and amortisation	3	(2,828)	(2,444)
Finance costs	3	(906)	(862)
Direct care expense		(2,178)	(1,725)
Property & maintenance expense		(1,711)	(1,313)
Other expenses		(2,366)	(1,737)
<b>Total expenses from transactions</b>		<u>(30,518)</u>	<u>(24,761)</u>
<b>Net result from transactions (net operating balance)</b>		<u>(6,369)</u>	<u>(4,334)</u>
Initial recognition of intangible assets	10	72	2,040
<b>Comprehensive result</b>		<u>(6,297)</u>	<u>(2,294)</u>

The accompanying notes form part of these financial statements.

**BALANCE SHEET**  
**As at 30 June 2010**

	Notes	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b><u>Current assets</u></b>			
Cash and cash equivalents	5	1,191	1,410
Trade and other receivables	6	8,089	8,846
Other current assets	7	181	297
<b>Total current assets</b>		<b>9,461</b>	<b>10,553</b>
<b><u>Non-current assets</u></b>			
Investment property	8	5,200	4,049
Property, plant & equipment	9	51,000	52,627
Intangible assets	10	11,568	11,496
<b>Total non-current assets</b>		<b>67,768</b>	<b>68,172</b>
<b>Total assets</b>		<b>77,229</b>	<b>78,725</b>
<b>LIABILITIES</b>			
<b><u>Current liabilities</u></b>			
Trade and other payables	11	1,369	1,488
Interest bearing liabilities	12	14,745	17,286
Provisions	14	1,847	1,588
Other liabilities	13	49,046	41,983
<b>Total current liabilities</b>		<b>67,007</b>	<b>62,345</b>
<b><u>Non-current liabilities</u></b>			
Provisions	14	476	459
Interest bearing liabilities	12	122	-
<b>Total non-current liabilities</b>		<b>598</b>	<b>459</b>
<b>Total liabilities</b>		<b>67,605</b>	<b>62,804</b>
<b>Net assets</b>		<b>9,624</b>	<b>15,921</b>
<b>EQUITY</b>			
Asset revaluation reserves	15	4,925	4,925
Retained earnings		4,699	10,996
<b>Total equity</b>		<b>9,624</b>	<b>15,921</b>
Contingent liabilities and contingent assets	24		
Commitments for expenditure	16		

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2010**

2010	Equity at 1 July 2009	Comprehensive result	Transactions with owner in its capacity as owner	Equity at 30 June 2010
	\$'000	\$'000	\$'000	\$'000
Accumulated Surplus/(Deficit)	15,921	(6,297)	-	9,624
Total equity at end of financial year	<u>15,921</u>	<u>(6,297)</u>	<u>-</u>	<u>9,624</u>

2009	Equity at 1 July 2008	Comprehensive result	Transactions with owner in its capacity as owner	Equity at 30 June 2009
	\$'000	\$'000	\$'000	\$'000
Accumulated Surplus/(Deficit)	18,215	(2,294)	-	15,921
Total equity at end of financial year	<u>18,215</u>	<u>(2,294)</u>	<u>-</u>	<u>15,921</u>

The accompanying notes form part of these financial statements.

**CASH FLOW STATEMENT**  
**For the year ended 30 June 2010**

	Notes	2010 \$'000	2009 \$'000
<b>Cash flow from operating activities</b>			
Receipts from government operating grants		15,970	13,037
Receipts from residents		7,022	5,458
Payments to suppliers and employees		(27,423)	(24,465)
Interest received		477	668
Finance costs		(906)	(862)
Donations and other receipts		1,857	2,736
<b>Net cash generated from operating activities</b>	<b>19</b>	<b>(3,003)</b>	<b>(3,428)</b>
<b>Cash flow from investing activities</b>			
Payments for property, plant and equipment		(1,223)	(5,202)
Proceeds from sale of property, plant and equipment		18	26
Proceeds from sale of investment property		-	-
<b>Net cash used in investing activities</b>		<b>(1,205)</b>	<b>(5,176)</b>
<b>Cash flow from financing activities</b>			
Proceeds/(repayments) from/(of) borrowings		(2,419)	1,619
Net receipts of accommodation bonds		6,408	6,180
Repayments of lease liabilities		-	-
<b>Net cash provided by financing activities</b>		<b>3,989</b>	<b>7,799</b>
<b>Net increase/(decrease) in cash held</b>		<b>(219)</b>	<b>(805)</b>
Cash and cash equivalents at the beginning of the financial year		1,410	2,215
<b>Cash and cash equivalents at the end of the financial year</b>	<b>5</b>	<b>1,191</b>	<b>1,410</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For the year ended 30 June 2010

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### Note 1 Statement of significant accounting policies

#### Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AAS's) (including Australian Accounting Interpretations), and the requirements of the *Corporations Act 2001*.

The entity is a not-for-profit entity and therefore applies the additional paragraphs applicable to "not-for-profit" entities under the AAS's.

The financial report covers Douтта Galla Aged Services Limited as an individual entity. Douтта Galla Aged Services Limited is a public company limited by guarantee, incorporated and domiciled in Australia.

The financial report of Douтта Galla Aged Services Limited as an individual entity complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### Basis of preparation

The financial report has been prepared on an accruals basis in accordance with the historical cost convention, except for the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

In the application of AAS's management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2010, and the comparative information presented in these financial statements for the year ended 30 June 2009.

#### Accounting policies

##### (a) *Income tax*

No provision for income tax has been raised as the entity is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

##### (b) *Property, plant and equipment*

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

##### Property

Freehold land and buildings are measured on a cost basis.

##### Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

## Notes to the financial statements (continued)

### For the year ended 30 June 2010

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The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost are valued at the fair value of the asset at the date it is acquired.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the comprehensive operating statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the comprehensive operating statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

#### Recognition of intangible assets (aged care bed licenses)

Aged care bed licenses are initially recognised in the accounts based on fair value and the recognition of new bed licences received in the comprehensive operating statement. The licenses are deemed to have an indefinite useful life and are not subject to amortisation.

An annual review for impairment of the carrying value of the assets is undertaken and where the recoverable amount exceeds the carrying value, the asset will be written down to the recoverable amount.

#### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<u>Class of fixed asset</u>	<u>Depreciation rate</u>	<u>Depreciation basis</u>
Buildings	2.5% to 5%	Straight Line
Plant, fixture & fittings & motor vehicles	5% to 33%	Straight Line

The asset's residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Asset classes carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the comprehensive operating statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### **(c) Financial instruments**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### Financial assets at fair value through the comprehensive operating statement

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: *Recognition and measurement of financial instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the comprehensive operating statement in the period in which they arise.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

## Notes to the financial statements (continued)

### For the year ended 30 June 2010

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#### Held-to-maturity investments

These investments have fixed maturities, and it is the entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the entity are stated at amortised cost using the effective interest rate method.

#### Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

#### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

#### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### Impairment

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

#### **(d) Impairment of assets**

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Income statement.

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

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

#### **(e) Employee benefits**

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to balance sheet date. Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the net present value.

Contributions are made by the entity to various employee superannuation funds and are charged as expenses when they are incurred.

#### **(f) Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that the outflow of economic benefits will result and that outflow can be reliably measured

## Notes to the financial statements (continued)

### For the year ended 30 June 2010

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#### **(g) Unearned accommodation bonds**

In accordance with the Commonwealth Department of Health and Ageing guidelines, aged care providers are entitled to retain a portion of a resident's accommodation bond. The amount which may be retained depends on the amount of the contribution and the length of time the resident has stayed with the provider. Accommodation bond liability at balance date represents the gross value of the accommodation bonds, received by the Company.

Amounts due to the Company in respect to outstanding accommodation bonds, deferred management fees, interest and other fees are recorded in the receivable balance. Amounts receivable will be deducted from amounts payable to residents should they leave the facility.

#### **(h) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### **(i) Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### **(j) Construction costs**

Buildings included in non-current assets comprise all construction costs incurred by external contractors and consultants together with borrowing costs incurred on projects that exceed 12 months construction time.

#### **(k) Revenue**

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

Grant income is recognised in the comprehensive operating statement when it is controlled. When there are conditions attached to grant revenue relating to the use of those grants for specific purposes it is recognised in the balance sheet as a liability until such conditions are met or services provided.

Donations and bequests are recognised as revenue when received unless they are designated for a specific purpose, where they are carried forward as prepaid income on the balance sheet.

Interest revenue and distribution income from investments is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Resident deferred management fees are recognised as revenue as they accrue to the Company.

All revenue is stated net of the amount of goods and services tax (GST).

## Notes to the financial statements (continued)

### For the year ended 30 June 2010

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#### ***(l) Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in the income in the period in which they are incurred.

#### ***(m) Goods and services tax (GST)***

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST receivable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### ***(n) Comparative figures***

Where required by accounting standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

#### ***(o) Company status***

The Australian Securities & Investments Commission pursuant to Section 150 of the *Corporations Act 2001* has authorised Douтта Galla Aged Services to be registered as a Company with limited liability without the addition of the word "Limited" to its name.

#### ***(p) Unexpended grants***

The entity received grant monies to fund projects either for contracted periods of time or for specific projects irrespective of the period of time required to complete those projects. It is the policy of the entity to treat grants monies as unexpended grants in the balance sheet where the entity is contractually obliged to provide the services in the subsequent financial period to when the grant is received or in the case of specific project grants where the project has been completed.

#### ***(q) Contributions***

Doutta Galla Aged Services receives non-reciprocal contributions from the government and other parties for no or a nominal value. These contributions are recognised at the fair value on the date of acquisition upon which time an asset is taken up in the balance sheet and revenue is in the comprehensive operating statement.

#### ***(r) Economic dependence***

Doutta Galla Aged Services is dependent on the Department of Health & Ageing for the majority of its revenue used to operate the business. At the date of this report the Board of Directors have no reason to believe the Department will not continue to support Douтта Galla Aged Services.

#### ***(s) Critical accounting estimates and judgements***

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

## Notes to the financial statements (continued)

### For the year ended 30 June 2010

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#### *Key estimates – impairment*

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. When the impairment trigger exists, the recoverable amount of the asset is determined. Fair value less costs to sell or current replacement costs calculations performed in assessing recoverable amounts incorporate a number of key estimates.

#### *(t) Rounding of amounts*

The Company is of a kind referred to in *Class Order 98/0100*, issued by the Australia Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

#### *(u) Investment properties*

Investment properties include Independent living units held to earn rentals or for capital appreciation or both. These properties are recognised in accordance with AASB 140 "*Investment Property*"

Investment properties are initially recognised at cost. Costs incurred subject to initial acquisition are capitalised when it is possible that future economic benefits in excess of the originally assessed performance of the asset will flow to the entity.

Subsequent to the initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as income or expenses in the period in which they arise. The properties are not depreciated.

Rental revenue from the leasing of investment properties is recognised in the comprehensive operating statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

#### *(v) Interest bearing liabilities*

Interest bearing liabilities in the balance sheet are recognised at fair value upon initial recognition. Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the comprehensive operating statement over the period of the interest bearing liability using the effective interest rate method.

#### *(w) Non current assets classified as held for sale*

Non current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation.

Non current assets are classified as held for sale if their carrying amount will be received through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable and the assets sale is expected to be completed within 1 year from the date of classification.

#### *(x) Going concern basis of accounting*

The financial report has been prepared in accordance with generally accepted accounting principles which are based on the company continuing as a going concern. The going concern basis has been reviewed by the directors due to the company's negative cash flows from operations, operating losses and working capital position. During the year the company received a sanctions notice from the Department of Health and Ageing in respect to the Lynch's Bridge Aged Care Facility dated 22<sup>nd</sup> October 2009. The decision by the Department to sanction this facility, as a result of non-compliance, constitutes an event of default under the financiers' loan facilities. The financier issued a formal notice of default, but reserved its rights in relation to any further action. The sanctions have subsequently been lifted and accreditation granted to the facility. The financier's loan facilities have continued to be provided throughout the year ended 30 June 2010. Subsequent to year end, the

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

company's new finance requirements were approved by the financier and a new Business Finance Agreement was signed.

The operating position of the organisation has also improved subsequent to year end, resulting in an improved cash position and positive cash flows generated from operations. The improved results also mean that the new covenants of the financier are being met.

The proportion of liabilities that are classified as current liabilities in accordance with accounting standards are not expected to be settled within the next 12 months as discussed in Note 13 and 14.

The directors believe that the company will continue as a going concern and consequently will realise assets and settle liabilities and commitments in the ordinary course of business and at the amounts stated in the financial report.

**(y) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting period. As at 30 June 2010, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2010. Douтта Galla has not and does not intend to adopt these standards early.

Standard / interpretation	Summary	Applicable for reporting periods beginning on or ending on	Impact on entities annual statements
AASB 2009-5 Further amendments to Australian Accounting Standards arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 2009-9 Amendments to Australian Accounting Standards – additional exemptions for first-time adopters [AASB 1]	Applies to Health Services adopting Australian Accounting Standards for the first time, to ensure Health Services will not face undue cost or effort in the transition process in particular situations.	Beginning 1 Jan 2010	No impact. Relates only to first time adopters of Australian Accounting Standards.
AASB 124 Related party disclosures (Dec 2009)	Government related Health Services have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	No impact. Relates only to Health Services.
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and Health Services known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures.  This standard also makes numerous editorial amendments to other AASs.	Beginning 1 Jan 2011	No impact. Relates only to Health Services.

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

Standard / interpretation	Summary	Applicable for reporting periods beginning on or ending on	Impact on entities annual statements
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a minimum funding requirement [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of Prepayments of a minimum funding requirement	Beginning 1 Jan 2011	Expected to have no significant impact
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial instruments: recognition and measurement (AASB 139 financial Instruments: recognition and measurement).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 2 Revenue**

	2010 \$'000	2009 \$'000
<b>Revenue from operating activities</b>		
Revenue from government and other grants	15,970	13,037
Residents' accommodation fees and sundry charges	6,220	5,121
Accommodation bond retention and charges	647	556
Bond Interest income	452	609
Management fees	572	850
Donations and other income	105	26
	<u>23,966</u>	<u>20,199</u>
<b>Revenue from non-operating activities</b>		
Bank interest	25	59
Other income	158	169
	<u>183</u>	<u>228</u>

**Note 3 Operating profit/(loss)**

Operating profit/(loss) has been determined after allowing for the following;

**(a) Expenses**

Total employee benefit expense	<u>20,529</u>	16,680
<i>Depreciation</i>		
Buildings	2,200	1,864
Plant & equipment	628	580
Total depreciation	<u>2,828</u>	<u>2,444</u>
<i>Finance costs – external</i>		
Interest and finance charges paid/payable	906	1,271
Less amount capitalised	-	(409)
Finance costs expensed	<u>906</u>	<u>862</u>
Auditors remuneration		
Auditing or reviewing the financial report	16	34
Other services	-	-
Total audit remuneration	<u>16</u>	<u>34</u>

**(b) Significant revenue and expenses**

Management fees	<u>572</u>	850
Gain / (loss) on sale of non-current assets	(4)	(81)
Proceeds on disposal	18	34
Disposal at cost	(22)	(115)
Net gain/(loss) on disposal as at 30 June 2010	<u>(4)</u>	<u>(81)</u>

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

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**Note 4 Key management personnel compensation**

	2010 \$'000	2009 \$'000
Short term benefits	520	637
Post employment benefits	41	43
<b>Total compensation</b>	<u>561</u>	<u>680</u>

Total compensation includes Directors and Key Management amounts in aggregate.

**Note 5 Cash and cash equivalents**

Cash on hand and at bank	<u>1,191</u>	<u>1,410</u>
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**Note 6 Trade and other receivables**

Accommodation bonds receivable	6,433	6,929
Other receivables	1,624	1,775
GST refund due	50	156
Provision for doubtful debts	(18)	(14)
	<u>8,089</u>	<u>8,846</u>

**Note 7 Other current assets**

Other	6	124
Prepayments	175	173
	<u>181</u>	<u>297</u>

**Note 8 Investment property**

Independent living units	<u>5,200</u>	<u>4,049</u>
	<u>5,200</u>	<u>4,049</u>

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 9 Property, plant and equipment**

	2010 \$'000	2009 \$'000
<i>Land and buildings</i>		
Land at valuation	11,805	11,805
Total land	<u>11,805</u>	<u>11,805</u>
Buildings at deemed cost	44,439	44,120
Accumulated depreciation	(7,987)	(5,787)
Total buildings	<u>36,452</u>	<u>38,333</u>
Work in progress	50	95
<i>Total land and buildings</i>	<u>48,307</u>	<u>50,233</u>
<i>Plant and equipment</i>		
Fixtures and fittings at cost	4,699	5,403
Accumulated depreciation	(2,168)	(3,018)
Total fixtures and fittings	<u>2,531</u>	<u>2,385</u>
Motor vehicles-owned at cost	83	75
Accumulated depreciation	(69)	(66)
Total owned vehicles	<u>14</u>	<u>9</u>
Motor vehicles- leased	168	-
Accumulated amortisation	(20)	-
Total leased vehicles	<u>148</u>	<u>-</u>
<i>Total plant and equipment</i>	<u>2,693</u>	<u>2,394</u>
<i>Total property, plant and equipment</i>	<u>51,000</u>	<u>52,627</u>

An independent valuation of land was performed by Ernst & Young to determine the fair value of the land & buildings. The valuation, which conforms to Australian valuation standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable, willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation was September 2008.

**(a) Movements in carrying amounts**

Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Freehold land \$'000	Buildings \$'000	Work in progress \$'000	Fixtures & fittings \$'000	Motor vehicles at cost \$'000	Motor vehicles leased \$'000	Total \$'000
Balance at 1 July 2009	11,805	38,333	95	2,385	9	-	52,627
Additions	-	319	84	631	8	181	1,223
Disposals	-	-	-	-	-	(22)	(22)
Revaluations	-	-	-	-	-	-	-
Transfer from WIP	-	-	(129)	129	-	-	-
Depreciation & amortisation exp	-	(2,200)	-	(614)	(3)	(11)	(2,828)
<b>Balance at 30 June 2010</b>	<u>11,805</u>	<u>36,452</u>	<u>50</u>	<u>2,531</u>	<u>14</u>	<u>148</u>	<u>51,000</u>

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 9 Property, plant and equipment (continued)**

**(b) Movements in carrying amounts**

Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the previous financial year.

	Freehold land \$'000	Buildings \$'000	Work in progress \$'000	Fixtures & fittings \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2008	11,805	26,289	9,709	2,161	12	49,976
Additions	-	812	3,482	916	-	5,210
Disposals	-	-	-	(115)	-	(115)
Revaluations	-	-	-	-	-	-
Transfer from WIP to buildings	-	13,096	(13,096)	-	-	-
Depreciation expense	-	(1,864)	-	(577)	(3)	(2,444)
<b>Balance at 30 June 2009</b>	<b>11,805</b>	<b>38,333</b>	<b>95</b>	<b>2,385</b>	<b>9</b>	<b>52,627</b>

**Note 10 Intangible assets**

	2010 \$'000	2009 \$'000
<i>Bed licences</i>		
Bed licences	11,568	11,496
Total bed licences	<b>11,568</b>	<b>11,496</b>

**(a) Movements in carrying amounts**

Movement in carrying amounts for intangible assets between the beginning and the end of the current financial year.

	Bed licences \$'000	Total \$'000
Balance at 1 July 2009	11,496	11,496
Additions	72	72
Revaluations	-	-
Amortisation expense	-	-
<b>Balance at 30 June 2010</b>	<b>11,568</b>	<b>11,568</b>

**(b) Movements in carrying amounts**

Movement in carrying amounts for intangible assets between the beginning and the end of the previous financial year.

	Bed licences \$'000	Total \$'000
Balance at 1 July 2008	9,456	9,456
Additions	2,040	2,040
Revaluations	-	-
Amortisation expense	-	-
<b>Balance at 30 June 2009</b>	<b>11,496</b>	<b>11,496</b>

The valuation of bed licences has been determined by the Company based on a discounted assessment of average market values.

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 11 Trade and other payables**

	2010 \$'000	2009 \$'000
Trade payables	190	409
Accruals	1,117	1,032
Residents' funds in trust	62	47
	<u>1,369</u>	<u>1,488</u>

**Note 12 Interest bearing liabilities**

**Current**

Bank loans – secured	14,719	17,286
Finance Leasing – Motor Vehicles	26	-
	<u>14,745</u>	<u>17,286</u>

**Non-Current**

Finance Leasing – Motor Vehicles	122	-
	<u>122</u>	<u>-</u>

**Security for borrowings**

Bank loans totalling \$14.719 million at 30 June 2010 (2009 \$17.286 million) were secured by mortgage over all land and buildings owned by the Company. The charge over some of these properties under the *Retirement Villages Act* takes precedence over that loan.

**Financing arrangements**

At balance date, the following facilities had been approved by Westpac Banking Corporation.

	Available \$'000	Unused \$'000
(a) Construction facilities	14,719	-
(b) Bond liquidity	3,500	3,500
(c) Overdraft facility	500	500
(d) Workcover funding	-	-
	<u>18,719</u>	<u>4,000</u>

At balance date, the following facilities had been approved by Westpac Banking Corporation for the previous financial year.

	Available \$'000	Unused \$'000
(a) Construction facilities	18,846	1,630
(b) Bond liquidity	3,183	3,183
(c) Overdraft facility	500	500
(d) Workcover funding	70	-
	<u>22,599</u>	<u>5,313</u>

Subject to certain loan conditions, bills can be drawn at any time for periods up to 180 days.

The current interest rate on the bank loans was between 4.73% and 7.75%. The interest rate on the overdrafts was 12.46%. Both facilities are reviewed annually.

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 13 Other liabilities**

	2010 \$'000	2009 \$'000
<b><u>Current</u></b>		
Accommodation bonds held	43,846	37,934
Unconditional & expected to be settled within 12 months	9,283	7,587
Unconditional & expected to be settled after 12 months	34,563	30,347
	<u>43,846</u>	<u>37,934</u>
Independent living units lease premiums	5,200	4,049
Unconditional & expected to be settled within 12 months	650	729
Unconditional & expected to be settled after 12 months	4,550	3,320
	<u>5,200</u>	<u>4,049</u>
<i>Total other liabilities</i>	<u>49,046</u>	<u>41,983</u>

In accordance with the *Retirement Villages Act 1986* the above amounts are required to be repaid within a specified period to the respective residents under relevant conditions of the Act. Therefore these amounts are recorded as a current liability in accordance with AASB 101 which requires unconditional liabilities to be recorded as a current liability.

**Security for borrowings**

In accordance with the *Retirement Villages Act 1986*, the retirement village residents paying an ingoing contribution to the Company have a charge over the relevant retirement village land to secure the repayable portion of their in-going contribution.

**Note 14 Provisions**

**Current**

Employee benefits – accrued leave	1,377	1,200
Employee benefits – long service leave	470	388
	<u>1,847</u>	<u>1,588</u>

**Non - current**

Employee benefits – long service leave	476	459
	<u>476</u>	<u>459</u>

The number of employees at 30 June 2010 was 471 (2009 – 425)

**Provision for long-term employee benefits**

A provision has been recognised for employee entitlements relating to long service leave. In calculating the value of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 15 Asset revaluation reserves**

	2010 \$'000	2009 \$'000
<i>Asset revaluation reserves</i>		
Land revaluation reserve	2,300	2,300
Bed licence revaluation reserve	2,625	2,625
<b>Total asset revaluation reserves</b>	<b>4,925</b>	<b>4,925</b>

**(a) Movements in carrying amounts**

Movement in carrying amounts for asset revaluation reserves between the beginning and the end of the current financial year.

	Bed licences \$'000	Land \$'000	Total \$'000
Balance at 1 July 2009	2,625	2,300	4,925
Revaluations	-	-	-
<b>Balance at 30 June 2010</b>	<b>2,625</b>	<b>2,300</b>	<b>4,925</b>

**(b) Movements In carrying amounts**

Movement in carrying amounts for asset revaluation reserves between the beginning and the end of the previous financial year.

	Bed licences \$'000	Land \$'000	Total \$'000
Balance at 1 July 2008	2,625	2,300	4,925
Revaluations	-	-	-
<b>Balance at 30 June 2009</b>	<b>2,625</b>	<b>2,300</b>	<b>4,925</b>

**Note 16 Capital and leasing commitments**

	2010 \$'000	2009 \$'000
<b>Capital commitments</b>		

(i) Commitments in relation to capital projects:

Not later than one year	107	104
Later than one year but not later than two years	-	-
Later than two years but no later than five years	-	-
Later than 5 years	-	-
	<b>107</b>	<b>104</b>

**Operating lease commitments**

(ii) Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not capitalised in the financial statements:

Not later than 12 months	25	76
Later than 12 months but not later than two years	7	36
Later than two years but no later than five years	-	5
Later than 5 years	-	-
	<b>32</b>	<b>117</b>

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 16 Capital and leasing commitments (continued)**

	2010 \$'000	2009 \$'000
Finance lease commitments		
(iii) Commitments in relation to non-cancellable finance leases contracted for at the reporting date and capitalised in the financial statements:		
Payable – minimum lease payments		
Not later than one year	37	-
Later than one year but not later than two years	69	-
Later than two years but no later than five years	66	-
Later than 5 years	-	-
Minimum lease payments	<u>172</u>	-
Less future finance charges	<u>(24)</u>	-
	<u>148</u>	-
Representing lease liabilities		
Current	26	
Non-current	<u>122</u>	
	<u>148</u>	-

**Note 17 Related parties**

*Board of directors*

The names of persons who were directors during the year were:

P Cannan	D Taylor
B Mildenhall	R Witham
M Lau	

**Transactions with directors and director related entities**

Doutta Galla Aged Services provides management and project management services for a fee to Shepparton Multicultural Aged Care Facility Inc. (SMACF). P Cannan, M Lau, B Mildenhall, D Taylor and R Witham were also on the Committee of Management of SMACF. 2010 \$571,500 (2009 \$850,500).

M Lau provides consulting services to Doutta Galla Aged Services for a fee. 2010 \$10,875 (2009 \$11,025).

Doutta Galla Aged Services engaged the services of Russell Kennedy Solicitors during the year (total fees of \$68,063.45), for which P Cannan is employed as Chief Operating Officer.

All agreements are based on normal commercial terms and conditions.

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 18 Segment information**

Primary reporting – business segments

The Company has the following two business segments:

2010	Residential aged care \$'000	Independent living units \$'000	Total \$'000
<i>Revenue</i>			
Government subsidies	15,970	-	15,970
Resident charges	6,189	31	6,220
Other	1,837	194	2,031
Total segment revenue	<u>23,996</u>	<u>225</u>	<u>24,221</u>
Unallocated revenue			<u>24,221</u>
<i>Total revenue</i>			<u>24,221</u>
<i>Expenses</i>			
Employee expenses	(20,482)	(47)	(20,529)
Depreciation	(2,823)	(5)	(2,828)
Finance costs (Interest expense)	(906)	-	(906)
Other	(6,221)	(34)	(6,255)
Total segment expense	<u>(30,432)</u>	<u>(86)</u>	<u>(30,518)</u>
Unallocated expense			<u>(30,518)</u>
<i>Total expense</i>			<u>(30,518)</u>
Profit/(loss) from ordinary activities before income tax expense	<u>(6,464)</u>	<u>167</u>	<u>(6,297)</u>
<i>Income tax expense</i>	-	-	-
Profit/(loss) from ordinary activities after income tax expense	<u>(6,464)</u>	<u>167</u>	<u>(6,297)</u>
<i>Assets</i>			
Current assets	8,832	629	9,461
Non-current assets	62,533	5,235	67,768
Total segment assets	<u>71,365</u>	<u>5,864</u>	<u>77,229</u>
Unallocated assets			<u>77,229</u>
<i>Total assets</i>			<u>77,229</u>
<i>Liabilities</i>			
Current liabilities	61,807	5,200	67,007
Non-current liabilities	598	-	598
Total segment liabilities	<u>62,405</u>	<u>5,200</u>	<u>67,605</u>
Unallocated liabilities			<u>67,605</u>
<i>Total liabilities</i>			<u>67,605</u>
<i>Net Assets</i>	<u>8,960</u>	<u>664</u>	<u>9,624</u>

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 18 Segment information (continued)**

2009	Residential aged care \$'000	Independent living units \$'000	Total \$'000
<i>Revenue</i>			
Government subsidies	13,037	-	13,037
Resident charges	5,121	-	5,121
Other	4,122	187	4,309
Total segment revenue	<u>22,280</u>	<u>187</u>	<u>22,467</u>
Unallocated revenue			<u>22,467</u>
<i>Total revenue</i>			
<i>Expenses</i>			
Employee expenses	(16,635)	(45)	(16,680)
Depreciation	(2,440)	(4)	(2,444)
Finance costs (Interest expense)	(862)	-	(862)
Other	(4,695)	(80)	(4,775)
Total segment expense	<u>(24,632)</u>	<u>(129)</u>	<u>(24,761)</u>
Unallocated expense			<u>(24,761)</u>
<i>Total expense</i>			
Profit/(loss) from ordinary activities before income tax expense	<u>(2,352)</u>	<u>58</u>	<u>(2,294)</u>
<i>Income tax expense</i>	-	-	-
Profit/(loss) from ordinary activities after income tax expense	<u>(2,352)</u>	<u>58</u>	<u>(2,294)</u>
<i>Assets</i>			
Current assets	10,026	527	10,553
Non-current assets	64,090	4,082	68,172
Total segment assets	<u>74,116</u>	<u>4,609</u>	<u>78,725</u>
Unallocated assets			<u>78,725</u>
<i>Total assets</i>			
<i>Liabilities</i>			
Current liabilities	58,296	4,049	62,345
Non-current liabilities	459	-	459
Total segment liabilities	<u>58,755</u>	<u>4,049</u>	<u>62,804</u>
Unallocated liabilities			<u>62,804</u>
<i>Total liabilities</i>			
<i>Net Assets</i>	<u>15,361</u>	<u>560</u>	<u>15,921</u>

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 19 Cash flow information**

	2010 \$'000	2009 \$'000
<i>(a) Reconciliation of cash</i>		
Cash on hand and at bank	<u>1,191</u>	<u>1,410</u>
<i>(b) Reconciliation of cash flow from operations with comprehensive result</i>		
Comprehensive result	(6,297)	(2,294)
Depreciation and amortisation	2,828	2,444
Write off of accumulated depreciation		
Revenue from aged care bed licences	(72)	(2,040)
Net (profit)/loss on sale of assets	4	81
<i>Change in assets and liabilities</i>		
Decrease/(increase) in receivables	261	186
Decrease/(increase) in prepayments	116	(8)
Increase in provisions	276	284
Increase/(decrease) in payables	(119)	(2,081)
<i>Net cash inflow/(outflow) from operating activities</i>	<u>(3,003)</u>	<u>(3,428)</u>
<i>(c) Credit stand-by arrangement and loan facilities</i>		
Loan facilities	18,719	22,599
Amount utilised	(14,719)	(17,286)
Unused loan facilities	<u>4,000</u>	<u>5,313</u>

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

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**Note 20 Financial instruments**

**(a) Financial risk management**

The entity's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

The entity does not have any derivative instruments at 30 June 2010.

**i. Treasury risk management**

Senior committee members meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

**ii. Financial risks**

The main risks the entity is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

**Interest rate risk**

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2010 approximately 18% of debt is fixed.

**Foreign currency risk**

The entity is not exposed to fluctuations in foreign currencies.

**Liquidity risk**

The entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

**Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity.

**Price risk**

The entity is not exposed to any material commodity price risk.

**Interest rate risk**

The entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 20: Financial instruments (continued)**

**(b) Credit risk**

Doutta Galla Aged Care Services exposure to credit risk and effective weighted average interest rate by ageing periods set out in the following table.

**Interest rate exposure and ageing analysis of financial assets as at 30/06/2010.**

	Weighted average effective interest	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired				Impaired financial assets	
			Fixed interest rate	Variable interest rate	Non interest bearing		Less than 1 month	1-3 months	3 months - 1 year	1-5 years		Over 5 years
2010	Rates (%)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial assets												
Cash & cash equivalents	4.55%	1,191	-	1,191	-	1,191						
Receivables	7.64%	8,057	-	6,433	1,624	808	39	5,644	1,566	-	-	
Total financial assets		9,248	-	7,624	1,624	1,999	39	5,644	1,566	-	-	
2009	Rates (%)	\$'000	Fixed interest rate	Variable interest rate	Non interest bearing	Not past due and not impaired	Past due but not impaired				Impaired financial assets	
Financial assets							Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	
Cash & cash equivalents	4.10%	1,410	-	1,410	-	1,410	-	-	-	-	-	-
Receivables	9.75%	8,704	-	6,929	1,775	656	147	5,240	2,661	-	-	-
Total financial assets		10,114	-	8,339	1,775	2,066	147	5,240	2,661	-	-	-

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 20: Financial instruments (continued)**

(c) Liquidity risk

The following table discloses the contractual maturity analysis for Douttia Galla Aged Care Services financial liabilities.

Interest rate exposure and maturity analysis of financial liabilities as at 30/6/2010.

	Weighted average effective interest Rates (%)	Carrying amount \$'000	Interest rate exposure		Contractual cash flows \$'000	Maturity date						
			Fixed interest rate	Variable interest rate		Non interest bearing	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Over 5 years	
2010	Rates (%)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade creditors & accruals		1,369	-	-	1,369	1,179	190	-	-	-	-	-
Interest bearing liabilities	6.74%	14,867	-	14,867	14,867	11,967	2,758	20	122	-	-	-
Other financial liabilities		5,200	-	-	5,200	-	-	650	4,550	-	-	-
Accommodation bonds	5.00%	43,846	-	43,846	43,846	-	3,094	6,189	34,563	-	-	-
<b>Total financial liabilities</b>		<b>65,282</b>	<b>-</b>	<b>58,713</b>	<b>65,569</b>	<b>13,146</b>	<b>6,042</b>	<b>6,859</b>	<b>39,235</b>	<b>-</b>	<b>-</b>	<b>-</b>

Notes to the financial statements (continued)  
For the year ended 30 June 2010

		Weighted Average Effective Interest Rates (%)	Carrying Amount	Interest Rate Exposure			Maturity Date					
				Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing	Contractual Cash Flows	Less than 1 Month	1-3 Months	3 months - 1 year	1-5 Years	Over 5 Years
2009		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade Creditors & Accruals		1,488	1,488	-	-	1,488	-	-	1,488	402	7	-
Interest bearing liabilities	5.78%	17,286	17,286	-	17,286	-	-	-	17,286	3,106	-	-
Other financial Liabilities		4,049	4,049	-	-	4,049	-	-	4,049	-	729	3,320
Accommodation Bonds	5.00%	37,934	37,934	-	37,934	-	-	-	37,934	1,896	5,691	30,347
<b>Total Financial Liabilities</b>		<b>60,757</b>	<b>60,757</b>	<b>-</b>	<b>55,220</b>	<b>5,537</b>	<b>-</b>	<b>-</b>	<b>60,757</b>	<b>15,259</b>	<b>6,427</b>	<b>33,667</b>

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 20: Financial instruments (continued)**

(d) Market risk

**Interest risk**

Exposure to interest rate risk might arise primarily through the Company's interest bearing assets & liabilities.

**Sensitivity disclosure analysis**

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Company believes the following movements are 'reasonably possible' over the next 12 months. - A parallel shift of +1% in market interest rates (AUD) from year-end rates.

The following tables disclose the impact on net operating results and equity for each category of financial instrument held by the Company as presented to key management personnel, if changes in the relevant risk occur.

	Carrying amount	Interest rate risk			
		-1%		+ 1%	
		Profit	Equity	Profit	Equity
2010	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Cash & cash equivalents	1,191	(12)	(12)	12	12
Receivables	8,057	(64)	(64)	64	64
<b>Financial liabilities</b>					
Trade creditors & accruals	1,369	-	-	-	-
Interest bearing liabilities	14,867	149	149	(149)	(149)
Other financial liabilities	5,200	-	-	-	-
Accommodation bonds	43,846	438	438	(438)	(438)
		511	511	(511)	(511)

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

**Note 20: Financial instruments (continued)**

	Carrying amount	Interest rate risk			
		-1%		+ 1%	
		Profit	Equity	Profit	Equity
2009	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>					
Cash & cash equivalents	1,410	(14)	(14)	14	14
Receivables	8,704	(69)	(69)	69	69
<i>Financial liabilities</i>					
Trade creditors & accruals	1,488	-	-	-	-
Interest bearing liabilities	17,286	173	173	(173)	(173)
Other financial liabilities	4,049	-	-	-	-
Accommodation bonds	37,934	379	379	(379)	(379)
		469	469	(469)	(469)

**Note 21 Events after the balance 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 entity, the results of those operations, or the state of affairs of the entity in future financial years.

**Note 22 Members guarantee**

The Company is limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$20 each towards meeting any outstanding obligations of the Company. At 30 June 2010 there were 3 members (2009 – 3 members).

**Note 23 Company details**

The registered office and principal place of business of the Company is 75 Moreland Street, Footscray, Victoria.

**Notes to the financial statements (continued)**  
**For the year ended 30 June 2010**

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**Note 24 Contingent liabilities and contingent assets**

As required under Section 29 of the *Retirement Villages Act 1986*, a charge has been created over land held by Dousta Galla Aged Services Limited. The charge has priority over all encumbrances created or arising in relation to the land. The amount of the charge is the amount of refundable contributions less any amount refunded to residents.

As part of the acquisition of Western Aged Care Services in 2001 the company provided an indemnity to the committee members of that organisation for up to \$2 million.

At the date of publication, no claims have been made in respect of that indemnity and none are expected to arise in the future.

At the date of publication, Western Aged Care Services had been de-registered and cancelled.

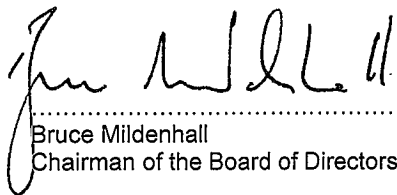
## Directors' Declaration 30 June 2010

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The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 37, are in accordance with the *Corporations Act 2001* and:
  - a. comply with *Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001*; and
  - b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



.....  
Bruce Mildenhall  
Chairman of the Board of Directors



.....  
Peter Cannan  
Director

Dated this 25<sup>th</sup> day of October 2010  
Melbourne

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF DOUTTA GALLA AGED SERVICES LTD

**Report on the financial report**

We have audited the accompanying financial report of Douтта Galla Aged Services Ltd (the company), which comprises the balance sheet as at 30 June 2010, and the comprehensive operating statement, statement of changes in equity and cash flow statement, for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

*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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 control relevant to the company'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 company's internal control. 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.

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Liability limited by a scheme approved under Professional Standards Legislation.

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**Chartered Accountants:**  
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Richard J Lindner  
Rodney H Hutton

ABN 48 259 373 375  
Adam G Roberts  
Joella F Gould

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF DOUTTA GALLA AGED SERVICES LTD**

***Independence***

In conducting our audit, we followed applicable independence requirements of the Corporations Act 2001.

***Auditor's opinion***

In our opinion:

- a. the financial report of Doutta Galla Aged Services Ltd is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial reporting Standards as disclosed in Note 1.

***Material Uncertainties Regarding Continuation as a Going Concern***

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters discussed in Note 1 (x) "Going Concern" there is uncertainty whether Doutta Galla Aged Services Ltd will be able to continue as a going concern as it continues to generate operating losses and negative cash flows from operations for the year ended 30 June 2010 and a negative working capital position as at 30 June 2010.

These issues may impact the company's ability to continue as a going concern and therefore whether the company will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts to the amount or classification of liabilities that might be necessary should Doutta Galla Aged Services Ltd not continue as a going concern.



UHY Haines Norton  
Chartered Accountants



R H Hutton  
Partner  
Melbourne

Dated this 26<sup>th</sup> day of October 2010