

Valuation Report

**Kalkarni Residency and Saddleback
Medical Centre,
Lot 511 Whittington Street, Brookton, WA**

11 April 2019

Under instruction from
Shire of Brookton



Reference: V114/2018 CM

Knight Frank Australia Pty Ltd
ABN 17 004 973 684

Level 10, Exchange Tower
2 The Esplanade, Perth WA 6000
Tel: +61 (0)8 9325 2533
Fax: +61 (0)8 9325 6918

www.knightfrank.com.au

Executive Summary



Kalkarni Residency and Saddleback Medical Centre, Lot 511 Whittington Street, Brookton, WA	
Instructing Party	Mr I D'Arcy Chief Executive Officer Shire of Brookton
Registered Owners	Shire of Brookton
Relying Party/Parties & Purpose of Valuation	<p>The valuation may be relied upon for internal asset determination purposes only by the Shire of Brookton.</p> <p>We advise that we have carried out an inspection of the subject property and have undertaken market research with respect to the available sales and rental evidence, prepared our calculations and report formally herein. The valuation has been prepared in conformity with the Code of Professional Ethics and Conduct laid down by the Australian Property Institute.</p>
Interest Valued	<ol style="list-style-type: none"> 1. Current Market Freehold Going Concern Value, subject to the lease agreements detailed herein, assuming the management agreement for the aged care facility had expired as at the date of valuation. 2. Market Value of the 43 allocated places (i.e. bed licences) attached to the Residential Aged Care Facility (RACF). <p>Included in the amount of this valuation are the normal fixtures, fittings and furniture. This valuation is determined on the basis that the property, the title thereto and its use are not affected by any matter other than that mentioned within this report.</p>
Certificate of Title	Volume 2942 Folio 258 (Lot 511 on Deposited Plan 406799)
Encumbrances	Nil
Last sale	Not applicable within the previous 3 years.
Land Area	14,290 sqm (332 sqm per allocated place).
Building Area	<p><u>Kalkarni Residency</u> 2,773 sqm (64.48 sqm per allocated place).</p> <p><u>Saddleback Medical Centre</u> 243 sqm</p>
Zoning	<p>"Public Purposes - Hostel Accommodation" Shire of Brookton (Town Planning Scheme No.3)</p> <p><u>Draft Town Planning Scheme No.4</u> "Special Use"</p>
RACS ID	7423
Approved Provider	Shire of Brookton
Aged Care Planning Region	Wheatbelt (Western Australia)
Description	<p>A purpose-built, single level medical centre and adjoining aged care facility located in the townsite of Brookton situated some 138 kilometres south-east of the Perth CBD with a permanent estimated population within the local authority of 975 persons.</p> <p>The Saddleback Medical Centre was constructed in 1994, incorporating a central reception and waiting area, 7 consulting rooms, a kitchen/lunch room, informal meeting area, office, disabled ablution amenities, store rooms and a utility room.</p> <p>The aged care facility incorporates 43 bed places within 41 accommodation rooms, with the bed licences attached to the site.</p>

Tenancy Status	A portion of the medical centre is leased to Silver Chain for a peppercorn rent, with the lease commencing on 1 July 2017 for a 2 year term, with a further 1 year option.
Management status	<p>The aged care facility has been operating under management by Baptistcare since July 2007, with the current management term commencing in 1 July 2017, expiring 30 June 2019 (with a further 1 year option).</p> <p>Management fees are currently \$156,648 per annum (with annual CPI review provisions), in addition to 50% of any operational surplus after payment of the annual fee.</p> <p>In keeping with your specific instructions, we have assumed the management agreement had been terminated as at the date of valuation.</p>
Medical Services Contract	<p>A portion of the medical centre is reserved as part of contractual agreement for medical services with a general practitioner (2 days per week), with the Shire of Brookton paying a fee of \$24,177.45 per annum (paid quarterly in advance).</p> <p>The contract incorporates annual CPI review provisions.</p> <p>There are no rental payments incorporated within the contractual agreement for the portion of the medical centre utilised by the general practitioner.</p> <p>The contract commenced on 1 December 2016, expiring 30 June 2019, incorporating an extension term of up to 1 year.</p>
Valuation Details	
Valuation Methodology	Capitalisation and Direct Comparison approaches.
Date of Inspection	11 April 2019
Valuation Date	11 April 2019
Current Market Freehold Going Concern Value	\$8,200,000 (exclusive of GST)
Valuation Analysis	<p>The above assessment reflects:</p> <ul style="list-style-type: none"> ▪ Maintainable EBITDAR (Ex DAP's.): \$754,292 (\$49.04/bed day) ▪ Going Concern Capitalisation Rate: 17.0% ▪ Going Concern Bed Rate: \$103,186/allocated place
Current Bond/RAD Liability	\$3,740,000
Net Realisable Value (Assumes Settles Net at Date of Valuation)	<ul style="list-style-type: none"> ▪ Gross Freehold Going Concern Value: \$8,200,000 ▪ RAD/Bond Redeemable Value: <u>(\$3,740,000)</u> ▪ Net Realisable Value: \$4,460,000 (Rounded)
Saddleback Medical Centre	<p>The medical centre component of the property is not considered to represent a viable income generating asset for a traditional investor/landlord seeking a rental return.</p> <p>However, we consider that the medical centre provides opportunities for a residential aged care provider operating from the adjoining Kalkarni facility to use the centre to expand their service offerings to the broader community within the region as evidenced by other providers located in regional areas (i.e. home care services & treatment rooms for allied health professionals).</p>
Market Value of the 43 Allocated Places (i.e. Bed Licences)	\$1,850,000 (exclusive of any GST applicable)
Valuation Analysis	\$43,023/licence

Key Points

- A well maintained, purpose built, co-located medical centre and aged care facility, which commenced operations during the 1994 calendar year, subject to extensions and renovations during the early 2000's.
- The Saddleback Medical Centre incorporates a central reception and waiting area, 7 consulting rooms, a kitchen/lunch room, informal meeting area, office, disabled ablution amenities, store rooms and a utility room.
- The Kalkarni Residency aged care facility provides a total of 43 licensed bed places, within 3 accommodation wings, which are attached to the site.
- Kalkarni Residency features 41 accommodation rooms incorporating single bedrooms with ensuites (7 rooms), single bedrooms with shared bathroom amenities (32 rooms), with the remaining 2 accommodation rooms providing "family accommodation" incorporating 2 beds and private ensuites.

Management Agreement (Kalkarni Residency)

- The aged care facility has operated under management with the approved aged care providers, Baptistcare, since July 2007, with the current management agreement commencing on 1 July 2017 for a 2 year term (expiring 30 June 2019), incorporating a 1 year option.
- Management fees are currently \$156,648 per annum (exclusive of GST), paid monthly in advance, together with a 50% share of any Operational Surplus or Deficit of the aged care facility calculated after payment of the Annual Fee. Management fees incorporate annual CPI fixed increases without market rent review provisions.
- In keeping with your specific instructions, we have assumed the management agreement had been terminated as at the date of valuation.

Silver Chain Lease Agreement (Saddleback Medical Centre)

- Relating to a portion of the medical centre, which commenced on 1 July 2017 for a 2 year term, incorporating a 1 year option.
- Peppercorn rent (without any rent review provisions)
- For the provision and administration of health and community services for local residents.

Contract for Provision of Medical Services

- Relating to a portion of the medical centre for the provision of medical services for local residents.
- Extension of contract commenced 1 December 2016, expiring 30 June 2019, incorporating a 1 year option.
- Initial Contract Price \$24,000 (inclusive of GST), payable 3 months in advance by 4 equal instalments.
- Agreed hours: 2 days (each of 7 hours).
- Contract Price incorporates annual CPI reviews.

Trading Performance & Profitability (Kalkarni Residency aged care facility)

- the trading performance of the facility has varied over the historic financial years analysed.

FYE	2016	2017	2018	2019 YTD	Budgeted
Revenue	\$4,035,930	\$4,332,424	\$4,399,274	\$3,408,076	\$4,652,231
Average Occupancy	98.97%	97.3%	99.25%	97.70%	
Adjusted Expenses	\$3,523,138	\$3,464,140	\$3,649,421	\$2,727,198	\$3,772,016
EBITDA	\$512,792	\$868,284	\$749,853	\$680,878	\$880,215
% Revenue	12.71%	20.04%	17.04%	19.98%	18.92%

- The average residential care supplements within the facility (ACFI) during February & March 2019 equated to approximately \$187 per day.
- We consider this funding is reflective of a well performing aged care facility with a competent, experienced management team.

Critical Assumptions

- Knight Frank has made primary reliance on the trading accounts and documentation provided by the instructing party of this report. Any error or amendment may have a consequential impact on our assessment of Market Value and we reserve the right to amend our assessment of value accordingly.

Important

This valuation has been prepared in accordance with the Australia and New Zealand Banking Group Limited's reporting standards. The information in this summary is derived from and should be read in conjunction with the full context of our valuation report contained herein. Liability limited by a scheme approved under Professional Standards Legislation.

Assumptions, Conditions and Limitations

1. This report is prepared for the private and confidential use of the reliance party/parties named in Section 1.1 of this report, and only for the purpose outlined in Section 1.1. It should not be relied on by the nominated party/parties for any other purpose and should not be reproduced in whole or part for any other purpose without the express written consent of Knight Frank Australia Pty Ltd. Any party that is not named as a reliance party/parties may not rely on this report for any purpose and should obtain their own valuation before acting in any way in respect of the subject property.
2. This valuation may not be relied upon for mortgage security purposes by any other party without the express written approval/assignment by Knight Frank Australia Pty Ltd.
3. The valuation specifically may not be relied upon by any party in connection with any Managed Investment Scheme (within the meaning of the Corporation Law) which:
 - a) has as its prime or as a substantial purpose, the provision of tax benefits to investors; or
 - b) is involved in any form of direct or indirect investment in primary production including "property used for primary production".
4. This valuation is prepared on the assumption that the lender who relies on this valuation report (and no other) may rely on the valuation for first mortgage finance purposes, and the lender has complied with its own, as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risks for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio. This clause (Prudent Lenders Clause) only applies if the lender is not a lender regulated by the Banking Act of 1959.
5. Unless otherwise stated, all valuation figures stated herein are net of GST, are on a before tax basis, are before acquisition or selling expenses, and do not reflect any withholding amounts or impact upon sale proceeds that may apply under foreign investor transaction legislation (including under mortgagee sale conditions).
6. Reliance on this report should only be taken upon sighting an original document that has been signed by the valuer and countersigned by a senior executive of Knight Frank Australia Pty Ltd. The counter-signatory verifies that this report is genuine and issued and endorsed by Knight Frank Australia Pty Ltd. The opinion of value expressed in this report, however, has been arrived at by the prime signatory acting as the valuer. Please note that the counter signatory has not inspected the subject property, and counter-signs this report only in his capacity as Director of Valuation/Consultancy for Knight Frank Australia Pty Ltd.
7. This valuation is current at the date of valuation only. The timing and extent of market movements is impossible to accurately predict and we do not attempt to do so. The value assessed herein may change significantly and unexpectedly over a relatively short period as a result of general market movements, or factors specific to the particular property as identified in this report. Losses resulting from such movement in value subsequent to the date of valuation are not foreseeable and we do not accept any duty to protect your financial interests against such movements in value.
8. In accordance with industry guidelines and requirements, Knight Frank Australia Pty Ltd cannot assign or confirm the original or initial valuation after the expiration of 3 months from the date of valuation. Any written assignment of the valuation by Knight Frank Australia Pty Ltd within this 3-month period is required to contain a statement that the valuer has not re-inspected the property nor undertaken further investigations or analysis since the original/initial valuation and accepts no responsibility for reliance upon the original/initial valuation other than as a valuation of the property at the original/initial date of valuation.
9. This valuation is conditional on there being no material change (including as a result of general market movements, or factors specific to the particular property) between the date of inspection, date of issue, and the date of valuation that would impact on the value of the subject property. Should such an event occur, the valuer should be contacted for comment prior to reliance upon the valuation.
10. This valuation is not intended to be used to provide financial advice, express or implied, and we confirm that the valuer and Knight Frank Australia Pty Ltd are not licensed to provide financial product advice under the Corporations Act 2001.

Assumptions, Conditions and Limitations (cont'd)

11. This valuation report is to be read in its entirety and in particular we draw your attention to the Important Notices, Disclaimers and Qualifications set out in the body of the report and the Assumptions, Conditions and Limitations section of the Executive Summary.
12. Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.
13. Any objective information, data or calculations set out in the valuation will be accurate in so far as is reasonably expected from a qualified valuer, reflecting due skill, care and diligence.
14. The law of the Australian state in which a property is located will apply in every respect in relation to the valuation and the agreement with the client which shall be deemed to have been made in that state of Australia. In the event of a dispute arising in connection with a valuation, unless expressly agreed otherwise in writing by Knight Frank, the client, and any third party using the valuation, all will submit to the jurisdiction of the Australian Courts only. This will apply wherever the property or the client is located or the advice is provided.
15. This valuation includes real estate, plant and equipment.
16. We have been provided with financial information relating to the aged care facility by the instructing party and on preparing this report we have relied upon this information as being accurate. Should any of the information be found to be otherwise, then this report and valuation should be referred back for review and possible amendment.
17. The assessments of value herein are subject to, where appropriate, the following qualification:
That the facilities Accreditation will not be revoked or suspended and that it will continue to meet and/or improve accreditation standards as monitored by the Australian Aged Care Quality Agency.

Valuer's Details



CHRIS MURPHY FAPI
Certified Practising Valuer
Licensed Valuer No. 44039
Partner, Joint Head of Valuation & Advisory, WA

Important

All data provided in this summary is wholly reliant on and must be read in conjunction with the information provided in the attached report. It is a synopsis only designed to provide a brief overview and must not be acted on in isolation.

This Executive Summary forms a part of and should not be used or read independently from the complete report. Particular attention is drawn to the Qualifications, Important Notices and Disclaimers included in this report.

Strengths

- Limited trading competition within the immediate region for aged care facilities.
- A modern aged care facility which commenced trade during the early 2000's which appear well maintained as at the date of inspection.
- Consistent high occupancy levels within the aged care facility during recent trading periods.
- The aged care facility operates under a management agreement with Baptistcare, being experienced aged care providers operating 13 facilities throughout Western Australia.
- Projected increase in the local population aged 70 and over.

Weaknesses

- Nominal identified opportunities to generate rental income from the medical centre.
- The aged care facility reflects a relatively small facility (43 licensed beds) with the majority of modern facilities incorporating 80-150 beds.
- Remaining term of GP medical services contract agreement within the medical centre reflecting \$24,177.45 per annum.

Opportunities

- Potential increase in daily fees and government subsidies.
- Potential operating expenses savings and increasing proportionate levels of profitability.
- Attract tenants to the medical centre to generate rental income.

Threats

- The continued global and domestic economic volatility makes the current outlook unpredictable.
- Discontinuation of the aged care use which forms the basis of this valuation may result in a significant diminution in value.
- Any negative event relating to the approved provider which, if publicly aired, may impact on public confidence in the operator or the facility.
- Potential escalation in staffing costs as a consequence of a shortfall in supply of nurses in the employment market.
- Changes in Commonwealth funding arrangements for aged care facilities.

Buyer Profile

- Nationally, an increasing number of single facility and portfolio transactions have occurred since the start of 2012, evidenced in an increasing appetite for the returns available in the residential aged care sector. Increased sources of capital into the sector have added to liquidity and the conservative approach of the majority of mainstream debt providers has shown a sharp increase in appetite. Offshore investment has also improved significantly.
- Given the specialist nature of the asset, we consider the most likely purchaser to be an existing owner operator with specialist knowledge in this market sector with the medical centre providing opportunities to expand on services offered within the broader community (i.e. in home care & provision of allied health services).

Executive Summary

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1. Instructions
2. Title Documents

1 Introduction

1.1 Instructions

Instructing Party	Mr I D'Arcy Chief Executive Officer Shire of Brookton
Relying Party/Parties & Purpose of Valuation	The valuation may be relied upon by the Shire of Brookton for internal asset determination purposes only.
Basis of Valuation as instructed and Interest Valued	<p>Current Market Freehold Going Concern Value, subject to the lease agreements and management agreement detailed herein.</p> <ol style="list-style-type: none"> Current Market Freehold Going Concern Value, subject to the lease agreements detailed herein, assuming the management agreement for the aged care facility had expired as at the date of valuation. Market Value of the 43 allocated places (i.e. bed licences) attached to the residential aged care facility (RACF). <p>Included in the amount of this valuation are normal fixtures and fittings. Excluded from the amount of this valuation are items of furniture and furnishings, and occupant's fixtures and fittings. This valuation is determined on the basis that the property, the title thereto and its use are not affected by any matter other than that mentioned in this report.</p> <p>We advise that we have carried out an inspection of the subject property and have undertaken market research with respect to the available sales and rental evidence, prepared our calculations and report formally herein. The valuation has been prepared in conformity with the Code of Professional Conduct laid down by the Australian Property Institute.</p>
Qualifications	<p>In formulating our valuation, we have relied upon various property, administrative and financial information regarding the subject facility provided by the Shire of Brookton and Baptistcare, which includes, but is not limited to the following:</p> <ul style="list-style-type: none"> Site plan and building plans; Trading accounts for the financial years ending 30 June 2015-2018 & current financial year to date (up to and including 31 March 2019); RAD & DAP register for the aged care facility (April 2019); Baptistcare management agreement (aged care facility); Silver Chain lease agreement; Medical provider contract agreement; Capital expenditure budget dated March 2019; Medicare payment summaries (aged care facility), for January, February & March 2019; Monthly occupancy statistics (aged care facility), between July 2014 & April 2019.

Qualifications (cont.)	<p>This valuation has been prepared on the following basis:</p> <ul style="list-style-type: none"> Included in the amount of this valuation are the normal fixtures and fittings and FF&E, plant and equipment. Excluded from the amount of this valuation are items of resident furniture and furnishings. This valuation is determined on the basis that the property, the title thereto and its use are not affected by any matter other than that mentioned in this report. <p>Our valuation relies upon the accuracy of the data which has been provided by the Shire of Brookton and Baptistcare which we have assumed to be correct.</p>
Date of Inspection	11 April 2019
Date of Valuation	11 April 2019

A copy of the Letter of Instruction is attached to the rear of this report within Appendix 1.

1.2 Pecuniary Interest Declaration

The valuer has no pecuniary interest in the said property, past, present or prospective, and the opinion expressed is free of any bias in this regard.

1.3 Market Value Definitions

Market Value is defined by the IVSC as adopted by the API and RICS as:

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

'Highest and Best Use'

"The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued."

For the purposes of this assessment, **Freehold Going Concern Value** is defined as:

"The value of the aged care facility and medical centre as a whole within its current or proposed activities at the date of valuation, on a walk in walk out basis, inclusive of all its tangible assets such as land and buildings, plant and equipment, furniture and effects, and other chattels, and all intangible assets including goodwill. Such assessment of value is based on the assumption that the assets are currently utilised, or are capable of being utilised, as part of a profitable enterprise.

Such value encompasses the added assumptions that the property will continue as owner occupied in its existing use, and thus ignores any possible alternative use of the subject property and any possible increase in value due to special investment or financial transactions, such as sale and leaseback, which would leave the Owner with a different interest from the one which is to be valued."

2 Land Particulars

2.1 Location

Position

The subject property is located within the townsite of Brookton, located approximately 138 kilometres south-east of the Perth CBD.

More specifically, the subject property is situated at the western termination of Whittington Street.

General demographics published by the Australian Bureau of Statistics as part of the 2016 Census data for the Brookton local authority area are provided as follows:

- The permanent resident population of the local government area was 975 persons (50.5% male and 49.5% female).
- The median age was 48 years.
- 10.8% of the resident population were indigenous Australians (compared with 3.1% within the broader Western Australian population).
- 506 private dwellings.
- The average household size was 2.3 persons.
- The median weekly household income was \$1,107.

Surrounding and Adjoining Development

Surrounding development includes residential dwellings in addition to a sports oval incorporating a stadium, tennis courts and adjoining caravan park, a 3 unit aged persons accommodation development and the Shire of Brookton offices.

Road Systems & Access

The subject property is accessible via Whittington Street incorporating a read recently resurfaced, single lane, bitumen sealed road with concrete kerbing, a concrete pedestrian footpath & overhead power and telecommunication services.

At a date of inspection/valuation Whittington Street was in the process of being resurfaced.

Whittington Street terminates at an intersection with Great Southern Highway to the east, itself connecting with Brookton Highway, providing access to the Perth metropolitan area to the west.



Whittington Street - easterly view



Whittington Street - westerly view

Services	Available
Scheme Water	✓
Deep Sewerage	X
Drainage	✓
Electricity	✓
Telephone	✓
National Broadband Network (NBN)	✓
Reticulated natural gas	X

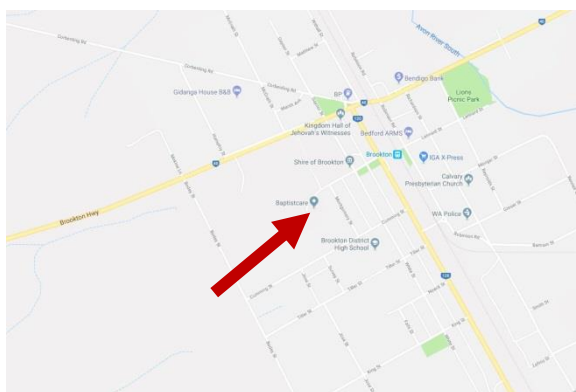
Amenities

The Brookton townsite features an IGA supermarket, Brookton Primary School & District High School, 2 hotels, a caravan park, 2 service stations, various retail outlets, public swimming pool and sports facilities.

A full range of retail and community amenities is available within the Perth metropolitan area to the west.

In addition to the adjoining Saddleback Medical Centre, hospitals within nearby town sites include:

- Beverly Health Service (30 kilometres)
- Quairading Health Service (53 kilometres)
- York Health Service (58 kilometres)
- Narrogin Health Service (65 kilometres)



Street Map – Source: Google Maps



Aerial View – Source: Landgate

2.2 Proximity to Competing Aged Care Facilities

The following residential aged care facilities are located within relative proximity of the Brookton townsite:

Facility	Suburb	# Licensed Places	Maximum Refundable Deposit
Dryandra Residential and Community Care Inc	Kellerberrin	47	\$450,000
Karinya Residential Care	Narrogin	35	\$350,000
Residency by Dillons	Narrogin	50	\$300,000
Juniper Bethavon	Northam	33	\$303,000
Juniper The Residency	Northam	50	\$308,000
Balladong Lodge	York	26	\$406,000
Total	# Facilities 6	241	

We have sourced the above information from the Department of Health & Ageing and Aged Care Online websites. We do not purport to verify the accuracy of the sourced information and have included these details for information purposes only.

2.3 Title Details & Site Description

Current Registered Owner

Shire of Brookton

Title Description

An estate in fee simple being Lot 511 on Deposited Plan 406799 comprising the whole of the land contained within Certificate of Title Volume 2942 Folio 258.

Site Area & Physical Description

A predominantly flat, irregular shaped landholding.

Surface soils appear to comprise a mix of sandy loamy soils, being typical of the immediate surrounding locality.

Frontages	Measurements
Whittington Street	15.21 metres
Northern boundary	56.07 metres
Western boundary	153.22 metres
Southern Boundary	138.18 metres
Eastern rear Boundary	120.67 metres
Total Site Area	14,290 square metres (1.49 hectares)

An extract from the Deposited Plan 406799 showing the sketch of the land is provided as follows.



Copies of the Certificate of Title and Deposited Plan 406799 are attached to the rear of this report within Appendix 2.

Important Notice

From our inspection and a comparison with the Title Plan, the improvements appear to be constructed within the title boundaries, however we are not qualified surveyors, and have not been provided with a site survey and therefore we cannot state conclusively that all buildings are within the title boundaries. Our valuation is conditional on there being no encroachments by the subject's improvements, or onto the subject land by adjoining properties. In the event there is an encroachment which proves material, our valuation would change as would our recommendation as to its suitability for mortgage purposes (if made).

2.4 Easements and Encumbrances

A search of the Certificate of Title undertaken on 12 May 2019 revealed no encumbrances were registered.

Important Notice

Although our Certificate of Title search (attached) does not show any unregistered dealings, it is noted that not all encumbrances may be recorded on the title documents provided to us. Our valuation is made on the basis that the property is free from mortgages, charges and other financial liens and is conditional on there being no encumbrances or interests other than those reported on our title search which materially affect the value, marketability and continued utility of the property. Should any encumbrances, encroachments, restrictions, leases or covenants which are not noted in this report be discovered which are material, our valuation would change, as would our recommendation as to its suitability for mortgage security purposes (if made).

2.5 Town Planning Details

Local Authority
Shire of Brookton

Principal Zoning
"Public Purposes - Hostel Accommodation" (Town Planning Scheme No.3)

LOCAL SCHEME RESERVES
(see scheme text for additional information)

- Conservation
- Public purposes
- C Public purposes : Cemetery
- CC Public purposes : Community centre
- MD Public purposes : Depot - Main Roads
- SD Public purposes : Depot - shire
- ED Public purposes : Effluent disposal
- HA Public purposes : Hostel accommodation
- M Public purposes : Museum
- P Public purposes : Police station
- SC Public purposes : School site
- SH Public purposes : Shire hall
- SO Public purposes : Shire office
- Railway
- Recreation

LOCAL SCHEME ZONES
(see scheme text for additional information)

- Commercial
- Farming
- Industrial
- Residential
- Rural residential
- Rural townsite

Comments

We are aware draft Town Planning Scheme No.4 has been publicly advertised, with the subject property currently designated a proposed zoning of "Special Use", with the table within clause 21 of the draft scheme detailing the special use and conditions replicated as follows:

Special use zones in Scheme area

No.	Description of land	Special use	Conditions
SU1	Lot 511 Whittington Street and its successors in title.	Aged Persons Accommodation; Community purpose; Medical Centre;	All uses other than existing uses shall be subject to application for the local government's planning consent.

2.6 Environmental Considerations

Site Contamination

Current Uses	The subject property has operated as a hostel, medical centre & purpose-built aged care facility over the previous 25 years.
Search of Department of Environment Regulation (DER) Contaminated Sites Database	<p>The subject property is currently not listed on the Database.</p> <p><i>By the Commencement of the Contaminated Sites Act 2003, a Public Register is now kept in Western Australia of land that has been classified as being either contaminated – remediation required; contaminated – restricted use or remediated for restricted use. The Contaminated Sites Act 2003 defines a ‘contaminated site’ as:</i></p> <p><i>‘in relation to land, water or a site, having a substance present in or on that site at above background concentrations that presents, or has the potential risk of harm to human health, the environment or any environment value’:</i></p> <p><i>In arriving at any assessment of the value of the land, a basic search of that register has been undertaken which discloses that the land is not classified. We do not accept any responsibility or liability whatsoever for the accuracy of the information contained in the search of the Contaminated Sites Register.</i></p> <p><i>Our inspection of the site did not reveal any obvious signs of contamination, however, we are not experts in identifying environmental hazards and should you wish to confirm that the site is not contaminated we would recommend that you retain the services of an environmental consultant. Should subsequent investigations show the site to be contaminated, the matter should be referred immediately to the valuer for consideration and review of the valuation if appropriate.</i></p>

Important Notice

No soil tests or environmental studies have been made available for our perusal and we do not have any expertise as environmental consultants nor are we qualified to provide an assessment of the contamination of land. We have undertaken the following steps to assess whether there are any obvious signs of contamination:

- Site inspection.
- Review existing site use and historical site use (so far as it is identifiable from the current site owners).
- Review of DER list (see above).
- Planning controls over the subject property.

As a result of the above investigation we have been unable to identify any obvious signs of contamination. However we are unable to assess whether there are any latent signs of contamination or other indicators beyond the investigations referred to above. The assessed value could well decrease if material contaminants are present and our assessment of the suitability of this property for mortgage security purposes would be adversely impacted. This valuation is conditional on the site being free of contamination and any party relying on this valuation does so on the basis that Knight Frank Australia Pty Ltd accepts no liability for any loss relating to contamination.

Asbestos Materials

Hazardous Materials Audit Provided	No.
Identified Asbestos at Inspection	No.
Potential for Unsighted Asbestos	<i>We have not been advised as to the presence of asbestos and have assumed the property to be unaffected. Verification that the property is free from asbestos contamination can be obtained from a suitably qualified consultant. Should subsequent advice indicate the property is so contaminated, the matter should be referred to the valuer for consideration and a revision of the valuation if appropriate.</i>

Important Notice

No asbestos reports have been made available for our perusal and we do not have any expertise in asbestos identification or assessment. We have undertaken the following steps to assess whether there are any obvious signs of asbestos:

- Internal and external visual inspection.
- We have not inspected the building beyond the surface of the internal and external building fabric.

As a result of the above investigation we have been unable to identify any obvious signs of asbestos however as discussed above, this does not mean the building is free of asbestos. We are unable to assess whether there are any latent signs of asbestos or other indicators beyond the investigations referred to above. The assessed value could well decrease if asbestos which is material to the valuation is present and our assessment of the suitability of this property for mortgage security purposes would be adversely impacted. This valuation is conditional on the site being free of asbestos and any party relying on this valuation does so on the basis that Knight Frank Australia Pty Ltd accepts no liability for any loss relating to asbestos.

2.7 Native Title Claims

We have searched the Aboriginal Heritage Enquiry System administered by the Western Australian Department of Indigenous Affairs under the auspices of the Aboriginal Heritage Act 1972.

Our search of the database as at 11 April 2019 revealed that there are no sites of Aboriginal heritage significance within the subject lot boundaries.

Important Notice

In undertaking this valuation assessment, we have not commissioned a search of the Register of Native Title Claims which is administered by the National Native Title Tribunal. The assessed value could well decrease if a native title claim exists, or eventuates, over the subject land. It would also adversely impact on our assessment of the suitability of this property for mortgage security purposes. Knight Frank Australia Pty Ltd is not a specialist in native title law and this valuation is conditional on the site being free of any native title claim. Any party relying on this valuation does so on the basis that Knight Frank Australia Pty Ltd accepts no liability for any loss relating to native title claims. Should a native title claim be identified upon the subject site, the valuation should be referred back to the valuer for reassessment.

3 Improvements

3.1 General Description

The subject property comprises a purpose-built, single level, medical centre and adjoining aged care facility. Ancillary improvements include 3 transportable accommodation units, a workshop, fire pump station and water tanks, 100 kVA power backup generator, bitumen paved driveways and car parking areas & established lawns and gardens.

It is our understanding the medical centre was initially constructed in 1994, with the adjoining aged care facility commencing operations during 2003, subject to additions and alterations during the late- 2000s.

The aged care facility provides a total of 43 licensed bed places which are attached to the site.

As at the date of valuation/inspection, all of the 43 beds were “on stream”.

The Saddleback Medical Centre incorporates a central reception and waiting area, 7 consulting rooms, a kitchen/lunch room, informal meeting area, office, disabled ablution amenities, store rooms and a utility room.

Within the Kalkarni Residency aged care facility, accommodation provides a total of 41 accommodation rooms providing a mix of single ensuite rooms, single rooms & shared rooms (2 beds) with shared bathroom facilities, two resident’s lounges, 2 resident’s dining areas, a hair salon, reception, office, staff training room with adjoining kitchenette, nursing station/treatment room, kitchen with dry storage & cool room, staff ablutions, a single pan room, laundry, linen store rooms & 2 ancillary store rooms.

Internal hallways range between 1.98 metres and 2.08 metres in width, with handrails averaging 0.88 metres above floor level.

Externally, the complex incorporates a workshop with 4 manual roller doors, 3 transportable accommodation units (2 single beds/bath units and a 2 bedroom, 2 bathroom unit with shared kitchen/living).

Saddleback Medical Centre



Street Front



Reception/Waiting Room



Treatment Room



Informal Meeting Area



Kitchen/Lunch Room



Treatment Room



Treatment Room Bathroom



Internal Hallway



Store Room

Kalkarni Residency Aged Care Facility



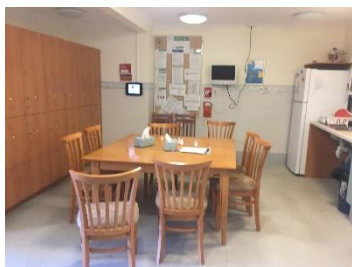
External elevation



Reception



Staff Training/Breakout Room



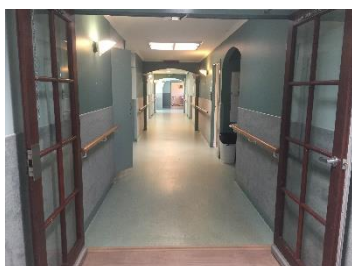
Staff Lunch Room



Kitchen



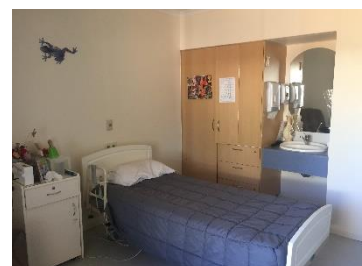
Dining Area



Hallway



Hallway



Accommodation Room



Accommodation Room



Bathroom



Bathroom



Central Courtyard



Transportable Accommodation Units



Workshop/Storage Shed

3.2 Building Construction and Finishes

External	Double brick
Floors & Floor Coverings	Concrete floors and footings
Internal Walls	Plastered brick
Windows	Aluminium frames
Ceilings	Painted plasterboard
Roof	Colorbond

3.3 Building Services

Saddleback Medical Centre	
Building Services	<ul style="list-style-type: none"> ▪ A mix of vinyl & carpet floor coverings. ▪ Built-in bench and cupboard units to kitchen/lunch room, consulting rooms and utility areas.
Lighting	<ul style="list-style-type: none"> ▪ Ceiling mounted/recessed fluorescent lighting throughout.
Air Conditioning	<ul style="list-style-type: none"> ▪ Split, reverse cycle air-conditioning within each consulting room, office and communal area.
Lifts	<ul style="list-style-type: none"> ▪ Not applicable.
Security	<ul style="list-style-type: none"> ▪ Internal security alarm fixtures and fittings. ▪ Does not include any external security monitoring or external monitoring of site perimeter.
Fire Services	<ul style="list-style-type: none"> ▪ Fire services include ceiling mounted smoke detectors and hand held extinguishers.
Bathrooms	<ul style="list-style-type: none"> ▪ Laminate vanity unit, toilet suite, shower recess, tiled floors & 1/2 wall tiling, all mirror, wall mounted towel dispenser & extractor unit.
Kalkarni Residency Aged Care Facility	
Building Services	<ul style="list-style-type: none"> ▪ Nurse call bell system. ▪ A mix of vinyl & carpet floor coverings. ▪ Built-in bench and cupboard units to service and utility areas and nurses' station.
Lighting	<ul style="list-style-type: none"> ▪ Ceiling mounted fluorescent lighting throughout.
Air Conditioning	<ul style="list-style-type: none"> ▪ Split, reverse cycle air-conditioning within each accommodation room, office and communal area.
Lifts	<ul style="list-style-type: none"> ▪ Not applicable.
Security	<ul style="list-style-type: none"> ▪ Individual lockable cupboards for all residents. ▪ Does not include any external security monitoring or external monitoring of site perimeter.
Fire Services	<ul style="list-style-type: none"> ▪ Fire services throughout include smoke doors, smoke and heat sensors, public address system and hand held extinguishers.

3.4 Accommodation

Saddleback Medical Centre

Internal

- Entry/waiting area;
- Reception;
- 7 treatment rooms (6 with ensuites);
- A kitchen/lunch room;
- Office;
- Additional waiting room;
- Visitor ablutions;
- Store rooms and utility room.

External

- Sweeping brick paved verandas;
- Bitumen paved parking & driving areas;
- Established lawns and gardens.

Kalkarni Residency Aged Care Facility

A purpose-built aged care facility which commenced operations during 2001, providing a total of 43 aged care places (in 41 accommodation rooms) within 3 wings, being:

Beds per Wing	Beds	Rooms
Seabrook	10	10
Sandlewood	14	14
Horley	19	17
Total	43	41

The facility provides a mix of single rooms, single ensuite rooms and twin share (ensuite) rooms, summarised as follows:

Room Types	# Rooms	Proportion
Single	32	78%
Single ensuite	7	17%
Twin ensuite	2	5%
Total	41	100%

10 of the beds within the facility can service dementia patients (i.e. secure rooms).

The single rooms (with shared bathrooms) average approximately 16 sqm, with the single ensuite rooms averaging 23 sqm, and the twin ensuite rooms averaging 36 sqm.

Accommodation within the facility is summarised as follows:

Administration/General	Offices (3), reception area, hairdressing salon, meeting/conference room (with adjacent kitchenette), central commercial kitchen with an additional 2 kitchens within the wards.
Daily Living Areas (5)	2 lounge rooms, 3 dining rooms.
Bedrooms/Bathrooms	41 rooms featuring: zoned reverse cycle air-conditioning unit; built in fitted robes with a chest of drawers and desk space; a vanity basin, laminate bench space & wall hung mirror, vinyl flooring; emergency distress call buttons; ceiling mounted light fittings; curtain window treatments. Ensuites/bathrooms feature: vinyl floors; universal access shower recesses (with shower curtains); toilet suite; vanity unit with under bench cupboard space; wall mounted mirror; steel hand rails to toilet suite & shower recess; ceiling mounted & wall mounted fluorescent lighting fittings with an additional heater/extraction unit.
Ablution Facilities	Resident's ensuite/bathrooms (25), Visitors Toilet (1), Staff Toilet (2).
Service Areas	1 nurses station, clinical room, staff amenities (lunch room with kitchenette, ablution facilities), 9 store rooms, 2 cleaners rooms, 3 dirty utility rooms.
Other Improvements	Roof mounted photovoltaic solar panels with converter units. Central enclosed courtyard, rear landscaped alfresco with cabana, landscaped, reticulated lawns and gardens. Bitumen paved car parking area. 3 transportable accommodation units (2 single beds, single bath units and a 2 bed, 2 bath and shared dining/living unit). Metal deck workshop.

3.5 Gross Building Areas

In accordance with architectural plans provided and our measurements taken on site during our inspection, the main improvements have the following areas:

Saddleback Medical Centre	
Description	Area (sqm)
Ground Floor	243
Total Residential Property Area	243

Kalkarni Residency RACF	
Description	Area (sqm)
Ground Floor	2,773
Total Residential Property Area	2,773
Residential Property Area Per Bed – 43 Beds	64.49

In calculating the residential property area per bed, we have included the kitchen with dry store, cool room, laundry, store rooms and offices.

3.6 Capital Expenditure

We are advised by the instructing party that the following works have been completed in recent years:

- Aged care facility backup power supply (\$30,000)
- Aged care facility furniture & equipment (\$99,500)
- Installation of roof mounted photovoltaic electricity panels and converters (on both the medical Centre & aged care facility), reducing the ongoing electricity costs within the facility.

3.7 Building Age and Condition

It is our understanding the medical centre was initially constructed in 1994, with the adjoining aged care facility commencing operations during 2003, subject to additions and alterations during the late- 2000s.

From our inspection, the improvements appear to be reasonably presented and well maintained for their current use and age.

Important Notice

We have not been provided with a structural survey, nor an expert report on the plant and equipment. Our valuation is conditional on the structure and service installations of the improvements being free from any defects requiring material capital expenditure, other than that stated herein. If this is incorrect, or should there be a material revision to the capital expenditure budget noted within, our valuation would change, as would our recommendation as to its suitability for mortgage security purposes (if made).

3.8 Heritage

We confirm having made reference to the municipal heritage inventory compiled by the Shire of Brookton, the Heritage Council of WA's Heritage Register and the federal National Trust Heritage Register.

We note the subject property was adopted within the municipal inventory on 31 July 1996, with the statement of significance replicated as follows:

Social value: As a hostel the building is an important community facility providing accommodation for many of the district's older residents. The site is also significant for its association with sporting activities.

Aesthetic value: The building is a notable addition to the architectural styles of the town.

4 Aged Care Facilities Overview

4.1 Aged Care Reforms – Living Longer Living Better

On 20 April, 2012, the former Labor Government released the “Living Longer Living Better” package of reform initiatives designed to reshape the aged care system, to be rolled out over 5 years from 1 July 2012.

Many of the key residential aged care changes took effect from 1 July 2014. The original stated intention was that more aged people will get to keep their home and stay at home as they receive care and that the system will be fairer, based on capacity to pay.

Industry bodies have interpreted that some of the main components are as summarised below:

- Establish a single gateway to all aged care services, to make them easier to access and navigate.
- Increasing Home Care Packages (formerly CACP/EACHP) from 60,000 to 100,000 and streamlining the range of services available to assist and enhance prevention and enablement to remain at home for longer including meals on wheels, transport services, home modifications and home maintenance (e.g. care brought to ILUs).
- Revised assets and income means testing to have people contribute to their cost of care, however care recipients already in the system will not be affected and won't have to pay more than they already do.
- Annual cap of \$25,000 with a lifetime cap of \$60,000 care fee (as at 1 July 2012), in addition to the accommodation fee.
- For funding purposes the cost of residential care is judged at \$136 per day (as at 1 July 2012).
- The recent introduction of the Dementia & Severe Behaviour Supplement to Home Care and Residential Care recipients.
- Removal of the distinction between Low and High Care which allows the payment of Accommodation Bonds across all levels of residential aged care.
- Choice to pay Refundable Accommodation Deposit or RAD (Bond) in a lump sum, or Daily Accommodation Payment or DAP (periodic payment) or a combination, with a 28 day 'choice of method period'. Operators cannot refuse a place based on how a potential resident wants to pay for their accommodation.
- Residents can choose to draw down daily payments and other costs from their RAD if they choose a combination of both payments. The DAP can be increased to compensate for the decreasing RAD balance; /
- RAD and DAP levels continue to be limited by assets thresholds.
- Removing the retention amounts deducted from Accommodation Bonds (new terminology of Refundable Accommodation Deposit or RADs from 1 July 2014).
- Require approval from the Aged Care Financing Authority for some levels of an accommodation payment (currently above \$550,000).

- Full pensioners are to be at 85% of the pension with part pensioners or self-funded retirees means tested up to \$52.80 per day (up from \$33.29 as the then accommodation supplement), with effect from 1 July 2014. We understand however that this maximum will only apply to aged care homes that are built or 'significantly' refurbished after 20 April 2012. It is interpreted that the refurbishment is required to reflect a cost of around \$1,000,000 and benefitting at least 40% of beds, or provide at least a 25% increase in beds.
- Reinforcing prudential responsibilities of approved providers relating to repayment and annual reporting requirements of Loans (Bonds/RADs) from residents in accordance with the Accommodation Bond Guarantee Scheme (2006).
- Allowing greater scope for the provision of "extra services" to residents.
- Closer scrutiny of subsidies paid through greater evidence and auditing to overcome unusual ACFI claims.
- The income test will only include income above the full pension (\$26,985) and assets above \$49,000 counted (as at September 2018). The family home is not included if occupied by a spouse and can be rented out if the income is included in the means test.
- The effect of the reforms is also stated to increase the allocation of care from the existing target of 113 per 1,000 to around 130 per 1,000 aged people over 70. This will include increasing aged care places from 191,522 (as at April 2012) to 221,103.
- Under the "Living Longer Living Better" reforms, the Government will invest: \$1.9 billion to deliver better access to aged care services; \$54.8 million to support carers; \$268.4 million to tackle the nations dementia epidemic; and \$192 million to support the diverse care of Australia's ageing population.
- **The ACAR allocation process is currently remaining in place for new residential care places although this may cease in the short term in accordance with the reforms proposed.** ACAR for home care places ceased in 2017 but a new category for Short Term Restorative Care was introduced.

In December 2013 the Minister announced that the previously proposed '3 tier pricing regime' would be scrapped with a capped level set at \$550,000, above which a provider would need to seek approval with appropriate evidence. Therefore proposed amounts at \$550,000 or below do not need approval. Guidelines were published for amounts 'above the maximum amount' and approved prices were to be published from 19th May, 2014, to enable charging these new lump sums with effect from 1st July, 2014.

On 30th April, 2014, the Federal Government's Commission of Audit has backed claims from aged care providers that the sector is overburdened with regulation and requires cuts to red tape. Specifically on aged care, the Commission of Audit also recommended:

- Including the full value of the principal residence in the aged care means test.
- Allow seniors to access equity in their residence, to pay for part of the cost of their aged care.
- Introducing a fee for aged care providers to cover the costs of the government's accommodation bond guarantee or requiring providers to take out private insurance to cover the risk of default.
- Terminating the Payroll Tax Supplement for "for-profit" providers, effective 1 January, 2015.
- Commonwealth building certification removal, effective 1 July 2014.

In most recent news we also note the following:

- The Dementia and Severe Behaviours Supplement, which only started on 1 August 2013 (\$16.15 per day) and was intended for around 2,000 care recipients, is now discontinued from 31 July 2014 due to not operating as intended and significantly exceeding the original budget, with claimants totalling more than 12 times the anticipated number. An alternative supplement may be under consideration.
- From 1 July 2014 the 8.75% Conditional Adjustment Payment (CAP) is “rolled into” the ACFI subsidy amounts paid.
- From 1 July 2014 the Supported Resident Supplement for RACF’s built new or significantly refurbished since 20th April, 2012 have a higher funding level compared against existing facilities.

The May 2016 Federal budget saw the following proposed changes to Aged Care funding identified:

The Complex Health Care (CHC) domain and reduced indexation from 1st July, 2016 and a new matrix in the CHC domain from 1st July, 2017. In effect, the combined reductions in both indexation and scoring will seek to achieve the Government’s objective of \$1.2 billion in savings. This represents the start of the increased reliance on resident funding as Government tries to lessen their share of the cost burden of aged care. Anecdotally, internal modelling from several larger operators has suggested a reduction in profit of around 1.5% - 3.0%. That said it seems likely that these funds will be replaced by an increased reliance on resident funds either through a modestly increased DAP or combination RAD/DAP.

The Increasing Choice in Home Care reforms commenced on 27th February, 2017, with the aim to improve the way home care services are delivered. The key change will see funding for a home care package follow the consumer. This will allow a consumer to choose a provider and to direct the funding to that provider. Whilst the impact to aged care facilities is not known at present, it continues the Federal Government drive towards an aged care system that is more consumer driven and less-regulated.

In April 2017, the government announced consideration for a report by the University of Wollongong with recommendations for an overhaul of the ACFI funding system including potential alternative approaches, such as a blended activity-based funding approach. There are 5 viable alternatives/ blended approaches being considered.

In October 2018, the terms of reference were published for the Royal commission into Aged Care Quality and Safety, with a deadline for an interim report by October 2019 and the final report by 30 April 2020.

4.2 Residential Aged Care Market

The current residential aged care market remains in a varied and to some extent volatile state, with well-placed existing facilities sought after in the marketplace, although secondary assets remain available with an extremely limited pool of purchasers prepared to acquire and revive ailing fortunes, albeit at a discount.

The corporate transaction market has seen renewed activity that has sparked an improvement to market sentiment since the reforms identified in the "Living Longer, Living Better" package. This has resulted increased appetite for aged care with the reforms being seen as an opening up of the revenue capping previously in place.

Three recent IPO's included Regis, Japara and Estia with suggestions that Allity will also list in the near future. These operators have acquired facilities and portfolios for the necessary scale and now join UK based BUPA as large operators in Australia. Over the last three years there have been a number of portfolio sales including:

- 30 facility portfolio Lend Lease selling to Archer Capital for around \$270m with 2,338 beds and a development pipeline of a further 563 beds;
- Bupa acquisition of Innovative Care Portfolio in late 2012;
- the investment by Singaporean Goh Geok Khim into the Domain Principal Group in August, 2013 for a 47.62% share for \$137m;
- private equity firm Quadrant acquired Estia Health for circa \$175m. Estia undertook a stock market listing in 2014 and continue to be on the acquisition trail and at present have 52 facilities;
- an acquisition of 5 Anglicare facilities in Canberra and the South Coast of NSW transacted for circa \$50m to RSL Lifecare in March 2014.
- Royal Freemasons acquired the Monash Council Aged Care assets for circa \$22m;
- Opal acquired the Aquarius portfolio for \$50m, whilst Japara bought Whelan Care for \$39.4m and Opal took out Stockland aged care assets in Victoria and NSW for \$25.6m.
- new player Aurrum acquired two facilities on the NSW Central Coast for around \$53m;
- McKenzie Group bought most of the Queensland and Victorian assets of Embracia, Generation Healthcare partnered with RSL Care in an Opco/Propco structure of a number of facilities at \$45.8m and Vital Healthcare has partnered with Hall & Prior and acquired the freehold interest in four facilities across New South Wales and Western Australia.

This brief overview demonstrates that the institutional appetite for facilities offering scale to the larger corporates and listed groups have substantially increased and as a part of that the values of allocated places, particularly those in the sought after regions have improved. It is interesting to see the occupancy on both a state and national basis. If the concerns about continued funding are not addressed it may be that the existing stock will see a recovery in occupancy:

Occupancy Rate	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Jun-08	93.7%	92.0%	93.2%	94.8%	96.7%	95.8%	91.1%	91.0%	93.6%
Jun-09	92.7%	91.6%	92.6%	94.2%	96.2%	94.2%	92.4%	89.0%	92.9%
Jun-10	92.4%	91.3%	91.3%	94.0%	96.1%	94.0%	91.6%	89.0%	92.4%
Jun-11	92.9%	92.3%	92.5%	93.7%	96.1%	94.1%	91.8%	90.9%	93.1%
Jun-12	92.6%	92.4%	92.0%	93.7%	95.2%	92.6%	93.7%	91.6%	92.8%
Jun-13	92.6%	92.1%	92.6%	93.556	94.7%	92.4%	93.5%	91.1%	92.7%
Jun-14	93.1%	92.5%	92.8%	94.5%	93.1%	92.1%	95.5%	86.0%	93.0%
Jun-15	92.5%	91.9%	92.7%	94.4%	93.2%	90.6%	94.5%	92.8%	92.5%

Occupancy Rate	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Jun-16	92.3%	91.7%	92.2%	94.5%	93.7%	91.0%	88.6%	95.0%	92.4%
Jun-17	91.1%	91.1%	92.3%	93.8%	93.5%	92.1%	90.1%	95.4%	98.1%

Source: ROGS 2018

The "Living Longer, Living Better" package has promoted the home and community care option as being an option to decrease the focus of government funding into residential aged care, however this largely ignores the two main problems, one that more intensive packages such as EACHD rely on the unpaid carers, often family and spouse.

The second and perhaps most important concern is that not all clients will be able to remain in aged care and with the trend for participation in aged care increasing, as the population lives longer there will remain an increased demand for residential aged care places. Adding an extra 40,000 packages will fail to meet the current unmet demand, let alone allow for an increase of servicing clients in this way.

The Government's stated objective is to facilitate Ageing in Place for residents, as this minimises disruption to them and their families and retains them in familiar environments. There has also been an expanded programme for at home care, which allows for residents to remain in their family home for a longer period of time, at a more affordable level of Commonwealth funding, although it fails to recognise that the care for residents in the home until the end of life is highly unlikely and finding a place for palliative care will remain even more elusive as demand for such care increases with the population swell.

4.3 Aged Care Statutory Instruments

- From 1 October 1997, the Federal Government introduced new Aged Care Legislation (Aged Care Act 1997) which is administrated by the Department of Health and Aged Care, which amalgamated the nursing home and hostel industries into a single Residential Aged Care Programme.
- From 1 March, 1998, people entering care facilities are income tested, to ensure they make a fair and reasonable contribution towards the costs of their care.
- A transition period of seven years from the 1 March 1998 was allowed to move to uniform national rates from State specific high care subsidiary rates. As from 1 July 2006 national rates on a single daily fee structure for each of the four levels of high care subsidies have applied.
- The Aged Care Act 1997 and Residential Aged Care Programme requires aged care facilities to meet various building, management and care standards in order to continue to receive Commonwealth funding and retention of funded bed licences.
- Aged care providers/facilities are required to obtain and maintain Accreditation (initially by January, 2001) from the Australian Aged Care Quality Agency to confirm recognition that the service is operating in accordance of the Aged Care Act 1997 and providing high quality care within a framework of continuous improvement.

- Aged Care Amendment Act 2011 (Cth) received Royal Assent on 26 July 2011, introducing changes to the use of accommodation bonds by approved providers, which under the amendment is only permitted if the bond is used for either capital expenditure, investment in a financial product, to make a loan, to refund accommodation bond balances or entry contribution balances, to repay debt accrued for the purposes of capital expenditure or refunding accommodation bond balances, to repay debt accrued before
- 1 October 2011, if that debt was accrued for the purpose of providing aged care to aged recipients, or as permitted by the User Rights Principles.
- Where an approved provider commits an offence as per this amendment, a fine of up to \$33,000 may be imposed.
- Where an individual commits an offence per this amendment, they may be penalised with imprisonment for up to two years.

On 28 June 2013, the five Bills forming the Living Longer Living Better package of bills received Royal Assent and passed into law. These are the:

- Aged Care (Living Longer Living Better) Act 2013;
- Aged Care (Bond Security) Amendment Act 2013;
- Aged Care (Bond Security) Levy Amendment Act 2013;
- Australian Aged Care Quality Agency Act 2013; and
- Australian Aged Care Quality Agency (Transitional Provisions) Act 2013.

From 1 August 2013:

- a new type of care, home care, replaced Community Aged Care Packages and some forms of flexible care delivered in a person's home (Extended Aged Care at Home and Extended Aged Care at Home - Dementia). These are now known as Home Care packages with four different levels of care. Home Care Level 2 has replaced the former CACP's;
- an additional dementia supplement and a new veterans' mental health supplement has been introduced payable to providers who care for eligible care recipients. A workforce supplement is also payable to eligible providers. These supplements have been payable from 1st July, 2013;
- a workforce supplement is also payable to eligible providers.

From 1 July 2014:

- the removal of the distinction between low level and high level residential care. This means that there will only be one type of approval for permanent residential care;
- a new means test combining income and assets tests, and new annual and total lifetime caps on means tested care fees for residents who enter care on or after 1 July 2014.

Care recipients who contribute to their accommodation costs will have the choice of paying for their accommodation through a fully refundable lump sum (such as a bond), a rental style periodic payment, or a combination of both.

In October 2018, the 'Terms of Reference' were published for the 'Royal Commission into Aged Care Quality and Safety' with a deadline for an interim report by October 2019 and final report by 30 April 2020. The impact in terms of any potential changes to aged care statutory instruments is unknown.

4.4 Population Demographics

Demand for aged care services is predicted to rise given declining fertility rates and growing life expectancy. An ageing population will be the most significant factor driving demand. Forecasts suggest the number of older people will triple over the next four decades, growing twice as fast as the total population during the same period.

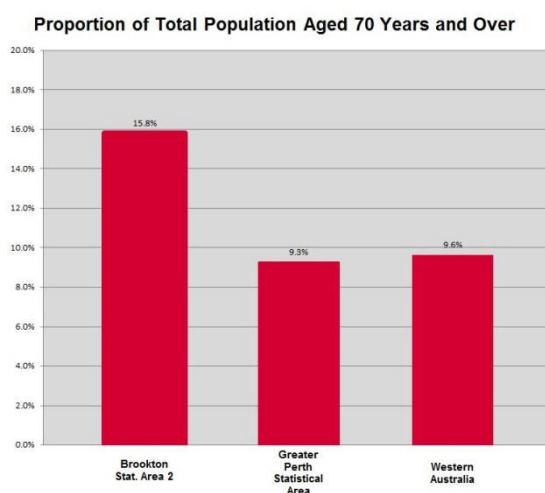
Other demographic factors contributing to the increase in demand for aged care include:

- decline in the care of elderly within the family due to change in traditional household compositions;
- increased acceptance of aged care housing as a viable alternative.

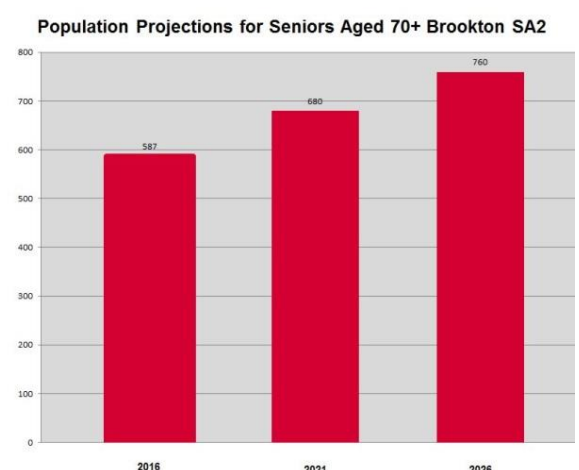
In addition to the National demographic trends outlined, growth within the perceived catchment area is provided below.

The figures shown for 2011 & 2016 has been taken from the Australian Bureau of Statistics Census Data, whilst forecasts for 2021 & 2026 were prepared by the Western Australian Department of Planning titled "Western Australia Tomorrow" published in August 2015 for the Brookton Statistical Area Level 2, the Greater Perth Statistical Area and Western Australia.

The published forecasts provide five growth options ranging from modest to strong and in this instance we have utilised the midrange forecast.



Source: 2016 Census (ABS)



Source: Department of Planning WA Tomorrow Population Projections

A review of the current (2016) population data reflects a substantially higher proportion of residents aged 70 years and over within the Brookton Statistical Area Level 2 (15.8%), in comparison with the Greater Perth Statistical Area (9.3%) and Western Australian population (9.6%).

Population projections within the Brookton Statistical Area Level 2 suggests a progressive increase in the proportion of the population aged 70 and over from 15.8% in 2016, up to 18.8% during 2021, increasing into 21.5% in 2026.

In absolute value terms, the 2016 Census data revealed 587 permanent residents were aged 70 years or over, which is projected to increase to 680 persons in 2021, increasing again up to 760 persons in 2026.

4.5 Adequacy of Current Aged Care Beds

Within the current Wheatbelt (Western Australia) Aged Care Planning Region, there has been a mostly progressive reduction in the number of operational residential places when measured per thousand of population aged 70 and over (and indigenous Australians aged 50 – 69) in the Planning region:

However the reduction in operational residential places has been offset to a degree by way of an increase in home care packages are summarised in the table as follows:

Wheatbelt	2011	2012	2013	2014	2015	2016
Residential Places per 1,000 over 70	64.1	63.3	63.3	63.0	62.3	61.0
Community Care Places per 1,000 over 70	35.9	36.7	36.7	37.0	38.4	39.0

Source: AIHW 2016

The importance of appropriate accommodation within the residential aged care sector is becoming more evident, particularly with the increasing Government focus on home care funding.

These estimates are based on historical data and may have varied to the valuation date.

5 Regulatory Compliance (Kalkarni Residency)

5.1 Operator Profile

The Kalkarni Residency is the only aged care facility operated by the Shire of Brookton.

Baptistcare as managers of the facility are approved providers for 13 aged care facilities throughout Western Australia.

5.2 Certification

Under the provisions of the Aged Care Act 1997, all aged care facilities (nursing homes and hostels) have to meet minimum building certification requirements under the Certification Assessment Instrument, (which came into effect on 30 July 1999, updated in November 2002), achieving a minimum total score of 60 out of a possible 100, including a score of not less than 19 out of a possible 25 for fire safety (* See update below).

From September 2014, aged care providers are no longer required to apply to the Department for certification in respect of new services, nor is there a provision for a certification review of existing services.

Instead, the aged care regulatory framework continues to require approved providers to ensure that the residential aged care services fully comply with all relevant Commonwealth, State or Territory regulations, including building, fire and work, health and safety regulations.

The accreditation standards (detailed within Section 5.4 of this report) require approved providers to be able to demonstrate compliance with these regulations.

The removal of the certification requirements does not remove the privacy and space requirements set out in Schedule 1 of the Aged Care (Transitional Provisions) Principles 2014. These requirements are separate and distinct from certification, although the previous certification instrument upon them as one of the criteria for achieving certification.

** NB. From September 2014, for new RACFs under construction, a Certification Assessment is no longer required, with reliance on compliance being confirmed by a private certifier in accordance with the development approval together with a desktop Certification. A Voluntary Certification can however still be undertaken.*

5.3 Privacy and Space – 2008 Compliance

Although not forming part of the actual Certification Instrument, standards have been set in relation to bedroom and ablution facilities that must be met for building compliance by the 31st December, 2008. Those standards vary depending on whether the facility has existing buildings, whether the facility was completed after the 1st October 1997 or whether the facility has been granted “extra service status”.

Those standards may be summarised as follows:

Existing Buildings

- Mandatory standard maximum of four residents per room by 2008.
- Full points will be obtained towards the weighted score for up to two residents per room.
- Ablution ratios of maximum of six residents per toilet, and seven residents per shower (Staff or visitor toilets and showers will not be counted).

New Aged Care Facility Buildings

- Average number of residents for the whole residential aged care service must be no more than an average of 1.5 per room and no individual room must accommodate more than two residents.
- Mandatory standard of no more than three residents per toilet and no more than four residents per shower or bath. (Staff or visitor toilets and showers will not be counted).

Extra Service Facility Buildings/Wings

- Average number of residents for an extra residential aged care service as a whole or as a wing must be no more than average of 1.5 per room and no individual room must accommodate more than two residents.
- More than 50% of rooms must be private single rooms, with average floor areas for all rooms being greater than 16 sqm (per resident) being more desirable.
- Mandatory standard of less than 3 residents per toilet and less than 4 residents per shower or bath (visitor toilets and showers will not be counted).

Disclaimer

This valuation is predicated on the basis that the improvements erected over the subject property, as described herein, will fully comply with these requirements and will allow operation as a fully funded residential aged care facility beyond the implementation of the 2008 Privacy and Space requirements.

The Kalkarni Residency aged care facility compliance with the 2008 requirements are as follows:

As an Existing Service Facility

PRIVACY AND SPACE REQUIREMENTS - EXISTING FACILITY				
Kalkarni Residency				
Accommodation Wing	Status	Bedrooms	Toilets	Ablutions
Points	Fail if	4+ Beds in any room	1:>6.00	1:>7.00
	No Points	1:>3.00	1:5.00 to 6.00	1:6.00 to 7.00
	Some Points	1:2.00 to 3.00	1:3.00 to 5.00	1:4.00 to 6.00
	Full Points	1:<3.00	1:<3.00	1:<4.00
Overall (43 Beds)	Number	41	27	25
	Ratios	1:1.05	1:1.59	1:1.72
	2008 Status	Full Points	Full Points	Full Points
	Required	Nil.	Nil.	Nil.

5.4 Accreditation

Accreditation is the formal recognition provided to a residential care service by the Australian Aged Care Quality Agency where that service is considered to be operating in accordance with the legislative requirements of the Aged Care Act 1997, and providing high quality care within a framework of continuous improvement. There are four accreditation standards, they being:

1. Management Systems, Staffing and Organisational Development;
2. Health and Personal Care;
3. Resident Lifestyle;
4. Physical Environment & Safe Systems.

To achieve and retain accreditation, a facility must be certified, and must maintain certification, in order to continue to receive residential care subsidies.

There is a range of expected outcomes under each Standard (44 outcomes in total), which stipulate the desired results for the standards. As a minimum, the criteria developed to assist in evaluating how a service is performing in achieving an expected outcome, needs to be satisfied in order to meet an outcome. Once an assessment had been carried out, each expected outcome assessed receives a rating and this is documented in a statement which also details the evidence that determined the rating. In order to receive three years accreditation, a service must be rated satisfactory or commendable on the four standards.

Once a facility has been accredited, it is subject to support contact visits during the period of accreditation. The frequency of support contacts, which range from a telephone call to site visits, in order to monitor a service's provision of quality care within the framework of continuous improvements, will vary according to the number of standards rated satisfactory or below. If the Agency identifies a failure by an aged care home to comply with Accreditation Standards, sanctions may be imposed which include revoking or suspending approval as a provider of aged care services; revoking or suspending certification; and prohibiting the charging of accommodation charges/bonds.

Facility Status

We confirm having sourced a copy of an accreditation report prepared by the Australian Aged Care Quality Agency dated 3 June 2015, confirming accreditation for 3 years, until 31 July 2018.

The audit conducted on 29 & 30 April 2015, confirmed the facility had met 44 of the 44 expected outcomes of the Accreditation Standards. We noted during our inspection that the Australian Aged Care Quality Agency were scheduled to assess the facility between 17 & 19 April 2018.

Any non-compliance or sanctions imposed upon the Approved Provider may affect the ongoing viability of the facility. The aged care industry has a high degree of contagion and any negative event regarding the approved provider, even on another facility may flow onto the subject property and potentially impact value.

6 Financial Summary

6.1 Lease Synopsis (Saddleback Medical Centre)

We confirm having been provided with a copy of the signed and dated Lease Agreement for a portion of the Saddleback Medical Centre, summarised as follows:

Lessee	Silver Chain Group Ltd
Lessor	Shire of Brookton
The Land	Portion of Certificate of Crown Land Title Volume 3120 Folio 894, on the south-eastern side of Reserve 43158, "for Recreation, Tourism, Health, Civic and Community Purposes", which is vested in the Shire of Brookton.
Demised Premises	The building known as Saddleback Medical Centre situated at Lot 456 Whittington Street, Brookton, on part of the Land as is more particularly delineated for the purpose of identification only on the plan annexed to this lease and marked "Annexure 1" and includes all carpets and floor coverings, curtains and blinds and other fixtures and features belonging to the Lessor therein and all additional or modifications and replacements for the time being. The Lessee is to have the shared use of the recreation room and other communal facilities such as the kitchen and toilets.
Commencement Date	1 July 2017
Term	Two (2) years
Options	1 year (at the Lessor's discretion)
Rent	Peppercorn rent.
Rent Review Provisions	Not provided.
Permitted Use	The provision and administration of Health and Community services is assigned in Annexure 1 to the lease agreement, marked "Homecare Services Area".
Security	No provision.
Outgoings	Lessee responsible for all outgoings attributable to the premises.
Assignment	Neither party may assign its rights and obligations under the agreement without prior written consent of the other party.
Lessee's Obligations	Use the premises only for the permitted use. Keep the premises in a reasonable condition and repair. Maintain public liability insurance for the premises in the joint names of the Lessor and Lessee.

6.2 Management Agreement (Kalkarni Residency)

We confirm having been provided with a copy of the signed and dated Management Agreement (Extension) for the Kalkarni Residential Aged Care Facility, summarised as follows.

In keeping with your specific instructions, we have determined our assessment of Market Value assuming the management agreement had been terminated as at the date of valuation.

Proprietor	Shire of Brookton
Manager	Baptistcare Incorporated
Extension Commencement Date	1 July 2017
Expiry Date	30 June 2019
Extension Management Term	2 years (with a further 1 year option)
Management Fees	\$156,648 (exclusive of GST) for year 1, paid monthly in advance 50% of any Operational Surplus or Deficit after payment of Annual Fee.
Management Fee Review Provision	Annual CPI increases on the anniversary of the starting date.
Profit and Loss Sharing	Where in any financial year during the term, the Operating Income exceeds or falls short of the Operating Expenditure, the Shire must pay to or recover from the manager within 28 days of the completion of the audited financial statements for that year, 50% of the amount for which the Operating Income exceeds or falls short of the Operating Expenditure.
Manager's Responsibilities	Control all aspects of the day to day operation and management of the facility as detailed within clause 4 of the management agreement.
Approved provider under the Aged Care Act 1997	Shire of Brookton
Accommodation Bonds	Remain in the ownership of Shire of Brookton.
Bed Licences	Remain in the ownership of Shire of Brookton.
GST	All payments detailed within the management agreement are expressed exclusive of GST payments increased to incorporate GST liability.
Termination Provisions	Clause 19 of the management agreement (paraphrased): The Shire may terminate the agreement at any time giving written notice of a Default Event to the Manager and the Default Event is not remedied.
Assignment	Neither party may assign its rights and obligations under the agreement without prior written consent of the other party.
Background Comments	The manager commenced operations of the facility in July 2007, within a 5 year management agreement. Subsequently, a further 5 year extension was agreed between July 2012 and June 2017.

6.3 Contract for the Provision of Medical Services (Saddleback Medical Centre)

We confirm having been provided with a copy of the Contract (Extension) for the provision of medical services, relating to a portion of the Saddleback Medical Centre, summarised as follows:

Medical Services Provider	Triple A (WA) Pty Ltd ACN: 616 533 218
Extension Commencement Date	1 December 2016
Expiry Date	30 June 2019
Extension Term	Up to 1 year
Initial Contract Price	\$24,000 (inclusive of GST), payable 3 months in advance by 4 equal instalments on or before 31 July, 31 October, 31 January and 30 April each year during the term.
Current Contract Price	\$24,462.74 inclusive of GST
Contract Price Review Provision	Annual CPI increases on the anniversary of the starting date.
Agreed Hours	2 days (each of 7 hours) each week - or as otherwise agreed between the Shire and the Medical Services Provider.
Permitted Use	Provision of Medical Services.
Shire of Brookton's Responsibilities	Provide access to and use of the shared reception & exclusive use of a consulting room. Provide the use of the fixtures, fittings, furniture and equipment located at the commencement date, in the shared reception area and in the consulting room. Maintain, repair and clean the medical centre, but not including any furniture or equipment or any damage resulting from a negligent action by the Medical Services Provider or his employees, agents or contractors. Take out and maintain a valid and enforceable public liability insurance policy.
Medical Services Provider Responsibilities	Provide medical services in accordance with the contract and to the reasonable satisfaction of the Shire.
Termination Provisions	Clause 5.10 of the contract (paraphrased): The Shire may terminate the agreement at any time giving written notice of a Default Event to the Medical Services Provider and the Default Event is not remedied.
Assignment	The Shire is entitled to assign the benefit of the Contract on giving notice to the Medical Services Provider. The Medical Services Provider must not assign the provision of any of the Medical Services or any of his rights under the Contract without the prior written consent of the Shire.

7 Sales Evidence – Aged Care Facilities

The primary sales evidence use in our valuation process may be summarised as follows (analysed from sales transactions which have occurred within Western Australia, New South Wales, Tasmania and Victoria, subject to confidentiality agreements, restricting further disclosure of each facility analysed):

Facility	Sale Date	Sale Price Gross of Bond Liability (\$)	Price Per Place (\$)	Yield (%)	Comments
Gippsland (Victoria)	Feb – 19	\$105,300,000	\$358,537	14.50%-15.00%	Three residential aged care facilities sold "In One Line" which included off stream places and balance of land indicated a net overall price of between \$121,138 and \$135,164 per place.
Southern Metro (Victoria)	Mar-18	\$27,000,000	\$300,000	13.00%	Comprises a two level, residential aged care facility originally constructed in 1996. In 2003 it had an extension and now accommodates 90 residential places, within a total of 80 resident rooms for 90 places. Resident building rate of 1:45.61 sq. m. and a net value of \$170,000 per place.
Eastern & Northern Metro (Victoria)	Mar-18	\$73,980,000	\$364,433	13.00%-13.25%	Three residential aged care facilities sold "In One Line" which included off stream places and balance of land indicated a net overall price of \$134,261 per place.
Regional (Victoria)	Dec-17	\$30,075,000	\$256,944	12.75%	New 120 bed residential aged care facility sold on a turnkey after off market campaign targeting established operators. All resident rooms are in single rooms with private ensuite bathroom. Includes provisional allocations, but not FF & E. Purchased by a new enterprise with experienced operator returning to the sector. Selling agent reported strong support at the eventual sale price.
Regional (Victoria)	May-17	\$24,025,000	\$266,944	12.75%	Circa 2006 and 2009 constructed single level facility providing 90 beds, all in single room with private ensuite. Net price reflects \$166,000 per bed. Purchased by an experienced operator returning to the sector. Selling agent reported strong support at the eventual sale price.
Central Coast (NSW)	Jul-16	\$45,970,000	\$359,141	14.00%	Single level facility providing all single bed rooms with private ensuite. RAD/bond pool at sale of circa \$22.1m, reflect net price of \$184,309. Has resident to building area ratio of circa 51.3 sq.m.
Tasmania	Mid-16	\$5,600,000	\$78,125	17.50%	Acquired by a Melbourne based operator and sale includes four adjoining sites for potential expansion, which have been adopted at \$1,225,000 for analysis purposes, reflecting aged care component at \$4,375,000. Minimal RAD pool of circa \$400,000 reflects net price of \$70,763 per bed. Equal proportion of single and two bed rooms, with no ensuites.

Facility	Sale Date	Sale Price Gross of Bond Liability (\$)	Price Per Place (\$)	Yield (%)	Comments
Regional (Victoria)	Feb-16	\$11,500,000	\$126,667	18.91%	A single level facility constructed in the early 1990s and extended & renovated in the mid 2000's, incorporating a total of 60 beds within a mix of single ensuite rooms (14 sqm), single rooms with shared bathrooms (11-12 sqm), and twin share rooms (24 sqm). RAD pool circa \$3,900,000 (averaging \$174,000).
Mid North Coast (NSW)	Dec-15	\$28,750,000	\$271,226	12.75%	Single level facility with recently completed wing in trade – up. All single bed rooms with private ensuite. Net price reflects \$236,000 per bed, with yield analysed to reflect 3 month EBITDAR establishment and PV new RAD's equating to \$9,650,000.
Barwon South Western	Jul-15	\$30,000,000	\$250,000	13.6%	Single level facility with all accommodation in private rooms with ensuite. Sprawling design in four residential wings and central communal wing. Bond/Rad pool at sale of circa \$4,000,000 which equates to net price of circa \$216,000. Trading well at sale and net price reflects ability to convert high proportion of former high care fee payers to RAD payers over time.
Eastern Metro (Victoria)	Feb-15	\$26,000,000	\$288,889	11.3%	Two level premises with 80 resident rooms comprising 70 single bed rooms (of which 56 have ensuite bathrooms) and 10 twin rooms, all with private ensuites. Bond pool of circa \$9.81m which reflects a net price of \$159k per bed. Reasonable ACFI at \$172 at sale, with partial extra service to the facility and a DSU.
Barwon South Western (Victoria)	Feb-15	\$36,000,000	\$300,000	13.5%	Single level premises with 108 single bed rooms and 6 twin rooms, all with private ensuites. Bond pool of circa \$16.95m and a balance of land with two residential properties, which reflects net price (ex balance of land) of \$155k per bed. Low ACFI of \$132 at sale, with adjustment reflected in analysed yield and trade up.
Northern Metro (New South Wales)	Oct-14	\$23,150,000	\$229,208	14.0%	Single level premises with 79 single bed rooms, and 11 twin rooms, with private and shared ensuites. Bond pool of circa \$9.6m, which reflects net price of \$134k per bed. Low ACFI at sale, with adjustment reflected in analysed yield.
Barwon South Western (Victoria)	Nov-14	\$12,750,000	\$212,500	14.0%	Single level facility with all accommodation in private rooms with ensuite. Sprawling design in four residential wings and central communal wing. Bond/Rad pool at sale of circa \$7,600,000 which equates to net price of circa \$85,000. Trading poorly at sale and analysis reflects 9 months EBITDAR reestablishment adjustment.
Western Australia (regional)	Aug-14	\$1,500,000	\$30,000	N/A	A single level facility constructed during the mid-1950s providing 50 allocated places, incorporating 6 single rooms, 13 two bed frames, 6 three bedrooms with a mix of private, shared and communal ablutions.

Facility	Sale Date	Sale Price Gross of Bond Liability (\$)	Price Per Place (\$)	Yield (%)	Comments
Southern Metro (Victoria)	Sep-14	\$19,400,000	\$281,159	13.5%	Single level facility with single bed and private ensuite accommodation. Bond/RAD pool of approx \$11,500,000 which reflects net price of \$115,000 per bed. Underperforming at time of sale. Analysis reflects reestablishment adjustment of nine months EBITDAR.
Northern Metro (Victoria)	Jun-14	\$26,000,000	\$203,125	14.5%	Strong performing facility with high EBITDAR, but below average bond/rad pool of just under \$4m. Reflects net price of circa \$171,000 per bed. Accommodation comprised over two levels. In our analysis we have reflected upside to RAD pool that is likely to reflect in lower EBITDAR.
Eastern Metro (Victoria)	Jun-14	\$21,500,000	\$179,167	13.25%	Single level facility with all private room and ensuite accommodation. In establishment phase with circa \$2,700,000 bonds/rad's which equates to net price of approx \$156,000 per place.

From a national perspective, the market for residential aged care facilities has escalated with strong inflow of equity funds. From an existing fragmented base of over 500 operators, consolidation is now being driven strongly. Our investigations reveal that there is an increased focus in acquisitions on the net position which now typically ranges between \$130,000 per bed to in excess of \$150,000 per bed for good quality modern facilities.

Nevertheless, the marketplace within Western Australia remains extremely tightly held, with very few transactions. The focus does also appear to be more on the East Coast rather than the West Coast where the majority of equity funds are based.

The sale in mid 2016 of the aged care facility in Tasmania is considered to provide a strong guide reflecting a core market yield of 17.5% for a 56 bed, modern facility incorporating an equal proportion of single and twin bed accommodation rooms, with a mix of shared and ensuite bathrooms. A comparable yield is applicable to the subject, together with a higher rate per bed.

The August 2014 sale of the aged care facility within regional Western Australia reflecting \$30,000/bed is considered to provide a lower benchmark for the 60-year-old facility with 50 bed licences which was reportedly operating at a loss at the date of sale.

The February 2016 sale in regional Victoria reflects a core market yield of 18.91% and \$126,667/bed for a renovated 60 bed facility. Our analysis of sales of aged care facilities has revealed a contraction in yields since the date of sale, providing an upper benchmark to the subject. Further, we consider a lower rate per bed is applicable to the subject due to the greater proportion of accommodation rooms without private ensuites.

The sale in December, 2015 in the Mid North Coast aged care region of New South Wales showed a core market yield of 12.75%. Comprises a high quality single level building with all accommodation provided in a single bed room with private ensuite. The subject offers arguably inferior accommodation, situated within a smaller regional townsite, commanding lower RAD/DAP revenue, warranting a higher yield.

We consider the subject property comprises a well maintained, purpose built quality facility and we have adopted a capitalisation rate of 17.00% to the EBITDAR.

In addition to the sales referred to above, we are also aware of the recent sale of 3 aged care facilities within Western Australia (2 located within the Great Southern Region and a facility located in the eastern metropolitan area).

We are aware the portfolio included a total of 120 beds within the 3 facilities, together with an excess land component within the eastern metropolitan facility to provide for future expansion/redevelopment. Our enquiries have revealed that due to confidentiality agreements between the participants, no further details are publicly available as at the date of compiling this report.

8 Valuation Rationale

In determining our assessment of Market Value the subject property, we have adopted the piecemeal approach, determining an assessment of value for the Saddleback Medical Centre and a separate assessment for the Kalkarni Residency aged care facility.

9 Saddleback Medical Centre

Traditional valuation methodologies for medical centres comprises the Income Capitalisation Approach and Direct Comparison Approach.

Under Income Capitalisation Approach the assessed market rental income is capitalised at an appropriate market yield to establish the property's Market Value fully leased. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.

However, as at the date of valuation, the Saddleback Medical Centre was not generating any income with Silver Chain occupying a portion of the centre subject to an annual peppercorn rental payment, as well as the Shire paying an annual allowance of \$24,177.45 (inclusive of GST) to a general practitioner to occupy a separate portion of the medical centre.

We confirm having made enquiries with the instructing party as to any previous occupancy agreements where significant revenue was generated from leasing the medical centre. We are advised there are no examples in this regard.

Our investigations within other similar sized regional town sites for similarly purpose-built medical centres has not yielded instances of any rental evidence from which to draw meaningful comparison.

Typical feedback from local authorities centres on the provision of a part-time general practitioner or nursing station representing an essential service for local residents, with councils generally subsidising the service for rates payers (as is the case for the subject property).

Considering the estimated permanent population of the Shire of Brookton at 975 persons, we consider a hypothetical purchaser of the subject property would reasonably adopt a conservative outlook on the income generating potential for the medical centre when determining their opinion of value.

To clarify further, as opposed to medical centres situated within larger regional towns/cities and the broader Perth metropolitan area, we did not consider the population to be sufficient to attract allied health professionals to the medical centre, who would enter into 2-5 year leasehold terms incorporating commercially viable annual rental payments.

However, we do consider that the medical centre provides opportunities for a residential aged care provider operating from the adjoining Kalkarni facility to use the centre to expand their service offerings to the broader community within the region as evidenced by other providers located in regional areas (i.e. home care services & treatment rooms for allied health professionals).

To clarify further, we consider the medical centre represents a business revenue generating opportunity for an owner occupier as opposed to an income generating asset to a traditional investor/purchaser.

Within a valuation context, we are unable to quantify the value of the medical centre to an owner occupier without the benefit of a specific business case.

However, we do consider the potential as to the marketability of the subject property to hypothetical residential aged care purchases in particular.

In addition, the contract for provision of medical services expiring on 30 June 2019 is considered to reflect a detrimental agreement to a hypothetical purchaser, which does not generate any rental income for the medical centre itself and also incorporates annual payments to the general practitioner of \$24,177.45 per annum.

We consider the medical centre does provide opportunities for adjunct services/accommodation for the adjoining aged care facility over the medium to longer term, potentially providing additional on-site accommodation for professional staff with the majority of consulting rooms featuring bathrooms/ensuites, together with the lunch room and breakout communal area.

However, these opportunities for the adjoining aged care facility to occupy the medical centre is not considered in and of itself to represent income generating activities, rather additional amenities to complement the aged care facility and/or potentially reduce professional staff accommodation costs.

As a consequence, in keeping with our commentary detailed above, we have calculated the outstanding payments for the provision of medical services within the Saddleback Medical Centre as follows:

- Current annual contract price: \$24,462.74
- Expiry date: 30 June 2019
- Remaining term of contract: 76 days (0.21 years)
- **Remaining contract payments: \$5,093.61**

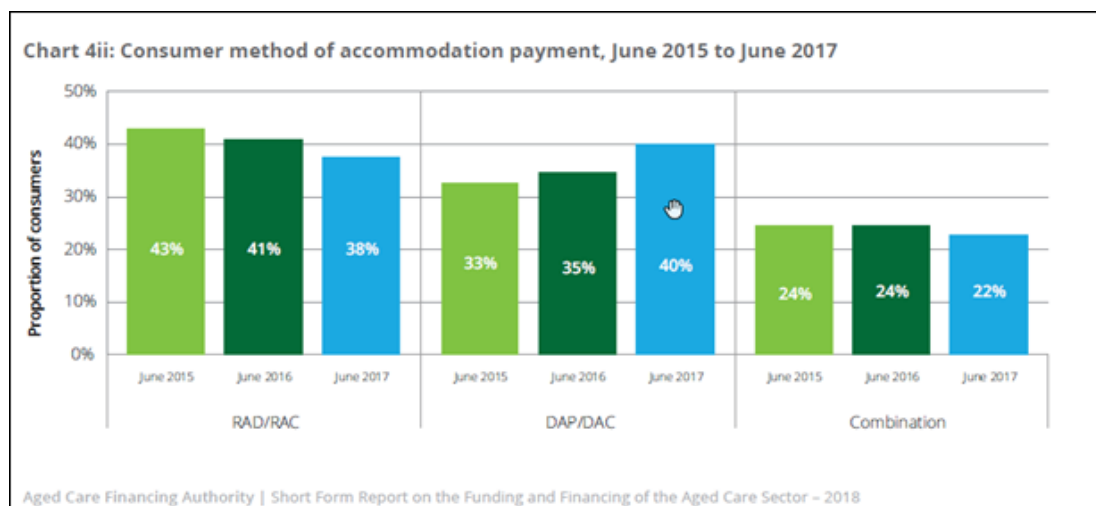
Within the context of the assessed Market Value of the subject property detailed herein, the remaining contract payments at \$5,034.21 is considered nominal and is not considered to reflect a quantum impacting the assessment of value for a hypothetical purchaser.

10 Kalkarni Residency Aged Care Facility

In determining our valuation assessment for the residential aged care facility "As Is" on a stand-alone operational basis, we have adopted the Capitalisation Approach as the primary method, supplemented by the Direct Comparison Approach as a check method.

In keeping with your specific valuation instructions, we have assessed the market value of the residential aged care facility assuming the management agreement had expired as at the date of valuation.

The Aged Care Funding Authority has identified a change in the trend for a mix of payments, although at this stage market feedback is interpreted to suggest that lump sum amounts were initially expected to be more prevalent, however Aged Care Funding Authority has more recently identified the following break up of preferred residents' payments, demonstrating a trend towards DAP's and a combination of RAD's and DAP's. Concern has started to emerge about the capacity to replace RAD paying residents with new RAD payers and pricing down the value of RAD pools has started to develop. The trend of accommodation payments (sourced from the AFCA 2018 report), is shown as follows:



Initially, post Living Longer Living Better reforms, the most active acquirers were the listed entities. Following the less than projected performances, demand from these three groups has abated. The mid-sized corporate and "not for profit" market has stepped into play and taken over demand at consistent values for good quality assets. The part of the market with exposure to downside risk are secondary and tertiary assets which may see a softening in values.

Demonstrated demand in the current spate of acquisitions generally reflects a number of comment features including:

- Reasonably modern stock in metropolitan regions.
- A high proportion of single bedrooms with mainly private ensuite bathrooms.
- Good facility scale and/or development potential.
- Bond (RAD) potential combined with a capacity for the market to pay appropriate DAP's.
- Reasonable financial performance with potential for subsidy improvement and roster efficiency.
- Stable workforce and manageable Enterprise Bargaining Agreements. Limited agency.
- Sound history of care management and accreditation.

Future performance of the Residential Aged Care Facility will be subject to a number of factors, including the following:

- Levels of government funding for aged care.
- Cost increases in staffing including any nursing staff.
- Competition of alternate existing and proposed extra service facilities.
- Requirements for capital expenditure.
- Impact of outcome of the recently proposed Royal Commission into Aged Care. Whilst the terms of reference are not known as at the time of writing, expectation that a renewed focus on delivery of quality care may divert management from acquisition to operations.

The factors impacting on the adoption of a yield include the following:

- *Bed numbers and viability.* The bed number at 43 is considered viable in the context of the size of the townsite and absence of immediate competing aged care facilities.
- *Competing facilities and proposed competing development, which may be reflected at least in part by occupancy.* There is a relatively soft level of existing and emerging competition in the surrounding region, with the subject property offers accommodation at the higher end of market expectation in this location.
- *Physical nature of the facility, with reference to regulatory compliance, particularly 2008 Certification.* The subject property provides arguably good quality accommodation.
- *Trading profile.* The subject facility has historically operated under a management agreement with Baptistcare. The facility has operated lower levels of profitability anticipated for a facility this age and scale, with scope to reduce operating costs (staffing & supply costs in particular), in order to generate commercially viable levels of profitability.
- *Local economic factors.* Brookton is a townsite focused on supporting the surrounding farming region with the subject facility servicing the existing townsite requirements. Brookton does not have the reputation of an established retirement destination.

10.1 Resident Profile – Maintainable ACFI

The Aged Care Funding Instrument (ACFI) assesses the relative care needs of residents and is the mechanism for allocating the Government subsidy to aged care providers for delivering care to residents. The ACFI replaced the former Resident Classification Scale (RCS) on 20 March 2008. The instrument consists of 12 care need questions, some of which have specified assessment tools.

The ACFI has three funding categories or domains:

- Activities of Daily Living (ADL),
- Behaviour (BEH) and,
- Complex Health Care (CHC).

Funding in each of these domains is provided at the following levels:

- High (H),
- Medium (M),
- Low (L) and,
- Nil (N).

When considering the sustainable ACFI that is likely to be achieved assuming "good, average management" for this type of facility, we have benchmarked against our knowledge of other facilities.

The well managed facilities we have been involved in recently have been demonstrating a fairly narrow range mostly of \$170 to \$200 per day, however, we note that these amounts are constantly fluctuating.

We are also aware that a number of other facilities have been achieving ACFI levels at or above this level, however this level may not be sustainable, subject to ACFI changes and organic fluctuations.

Based on recent Medicare Payment Statements for the subject facility the following ACFI profile exists:

ACFI	No. Residents	Commonwealth Funding
Jan-19	43	\$172.17
Feb-19	43	\$186.97
Mar-19	43	\$188.24

We have benchmarked the subject average ACFI against other facilities as follows:

Relevant Funding Date	Total Beds	Average ACFI
Jan-17	64	\$123.11
Jun-17	46	\$196.36
Aug-17	78	\$187.78
Aug-17	120	\$144.17
Feb-18	35	\$203.03
Apr-18	43	\$183.17
May-18	64	\$153.29
Jul-18	78	\$201.96
Jul-18	82	\$197.96

Relevant Funding Date	Total Beds	Average ACFI
Jul-18	120	\$159.26
Jan-19	44	\$141.30
Mar-19	73	\$200.65
Mar-19	83	\$182.33
Mar-19	64	\$139.52

The recent March 2019 average ACFI at \$188.24 is considered to be within the typical industry range. In our assessment of value, we have adopted the average daily ACFI of \$188. We are of the view that this represents “good, average management”, at a prudent and sustainable level.

10.2 Maintainable Occupancy Rate

Occupancy levels achieved by facilities valued by Knight Frank and used as a benchmark have reflected the following:

Financial period	Total Beds	Annual Average Occupancy %
FY17	64	93.16%
FY17	46	95.40%
FY18	78	96.56%
FY18	64	96.29%
FY18	120	98.64%
FY18	46	96.20%
FY18	78	97.00%
FY18	80	99.00%
FY18	120	99.20%
FY18	73	97.80%
FY18	83	98.19%
FY18	64	99.25%

Actual occupancy levels achieved during the previous 3 financial years and the current financial year to date within the subject facility are summarised as follows:

FYE 30 June	2016	2017	2018	2019 YTD
Annual Occupancy	94.04%	98.05%	98.50%	97.47%

We have adopted a maintainable occupancy level at 98.0% for the subject facility on an ongoing basis (with regard to the limited direct competition within the immediate region and ageing population).

10.3 Accommodation (Hotel) Resident Mix

Based on the resident billing statement and Commonwealth Payment Statement provided, there was a typical recent profile of 13 supported residents. There was also one (1) pre 1 July 2014 accommodation bond payer, 7 RAD payers, 6 RAD/DAP combination payers, 11 DAP payers, 1 respite resident and 1 vacant place.

We have adopted the current profile as reflecting the actual resident profile indicated, with 43 permanent residents and nil respite place, assuming the vacant places are applied to fully supported residents, for a total of 43 beds.

In accordance with the information provided, it is our understanding that there are 43 residents in occupation, of whom 0 were concessional, 30 were supported, 1 has paid an accommodation bond/RAD and 12 are paying a DAP (Daily Accommodation Payment). We confirm that we have adopted the current profile for the purposes of our valuation assessment.

10.4 Current Accommodation Bond/RAD/DAP Pool & Assumptions

In accordance with information provided, the following RAD profile exists:

No. Fully Paid Bonds (Pre 1 Jul 2014)	1
Average Fully Paid Bond	\$85,000
No. Fully Paid RAD's	7
Average Fully Paid RAD	\$393,721
No. RAD / DAP Combinations	6
RAD / DAP Combination (RAD / DAP)	\$153,333/\$179,686
Bond/RAD Pool (Redeemable Value)	\$3,743,109
Average Overall Bond/RAD (Redeemable Value)	\$267,365

The DAP components of the 11 DAPs and 6 RAD/DAP Combinations are set out as follows:

Resident	Date of Entry	Equivalent RAD	MPIR	DAP \$ day
1	14/10/2015	\$210,261.00	6.14%	\$35.37
2	19/11/2018	\$137,853.00	5.96%	\$22.51
3	9/07/2015	\$300,000.00	6.15%	\$50.55
4	19/11/2018	\$75,939.00	5.96%	\$12.40
5	25/07/2018	\$65,405.00	5.96%	\$10.68
6	15/02/2016	\$50,756.00	6.22%	\$8.65
7	7/02/2018	\$47,667.00	5.72%	\$7.47
8	22/05/2018	\$362,000.00	5.77%	\$57.23
9	12/02/2016	\$177,748.00	6.22%	\$30.29
10	16/10/2015	\$400,000.00	6.14%	\$67.29
11	25/02/2019	\$400,000.00	5.96%	\$65.32
12	12/12/2017	\$45,469.00	5.70%	\$7.10
13	3/04/2017	\$208,410.00	5.78%	\$33.00
14	16/11/2018	\$300,000.00	5.96%	\$48.99
15	26/08/2016	\$113,173.00	6.01%	\$18.63
16	24/11/2015	\$200,000.00	6.14%	\$33.64
17	6/08/2017	\$211,065.00	5.73%	\$33.13
Average				\$31.90

10.5 Valuation Current Accommodation Bond / RAD Pool

We traditionally consider the market would ascribe “full value” to the redeemable bond/RAD pool. A generally softening residential market and the current Royal Commission into Aged Care has meant that facilities that are perceived as being “over bonded” or even well bonded are seeing a pricing down of the value of the bond/RAD as concern grows about the capacity to replace existing RAD paying residents with similar new residents, in the face of an increasing trend of incoming residents to pay DAP’s. The tendency is that “not for profit” operators to have a higher supported profile and not to be so fully bonded.

The key issue from this is that the MPIR, currently at a maximum of 5.96% of the RAD equivalent, is inadequate to fund the replacement of outgoing RAD’s. This trend has been identified in the most ACFA report and in simplistic terms has been determined as being a result of resident stakeholders pushing back against increased RAD levels.

Whilst this may be true it is also apparent that this is a reflection of stakeholders becoming more sophisticated in their thinking and residents with a likely shorter stay are being admitted on the basis of DAP’s whilst those with a likely longer perceived length of stay, enter with a RAD.

We are aware of one mid sized corporate group where the number of discharges in excess across their 15 + facilities in FY18 are be shown as follows:

Type	Number of Discharges in FY18	Average Stay in Years	Average Stay in Days
Bond	405	2.25	820
Combo	177	1.10	400
DAP	51	0.68	250
Supported	347	2.52	920
Total	980	2.05	750

In the instance of the subject facility, we consider that the RAD pool is relatively low and the market would perceive that this level is sustainable and therefore “full” value would be ascribed.

We outline our assessment of value of the accommodation bond/RAD amount as follows:

Bond/RAD Pool	
Redeemable Value Bond/RAD’s	\$3,743,109
Adopted Value Bond/RAD’s	\$3,740,000

Legislative changes prohibit retentions from bonds taken after July 2014. Bearing this in mind, we do not consider the market at this juncture would ascribe value to the existing retentions in perpetuity.

10.6 Current Bond/Residential Accommodation Deposit (RAD's) Assumptions

Our adopted profile set out above, shows the current level of fully paid RAD's are at the date of valuation. We have had regard to facilities valued by this office that provide a level of comparability to the subject property in terms of quality of proposed accommodation and locational characteristics.

Whilst we have also considered the targeted RAD's as published on the My Aged Care website, we consider the actual bonds/RAD's that have been achieved as a better comparison to the RAD's to be adopted for valuation purposes.

In relation to the subject facility we note that the 1 accommodation bond paying resident, 7 RAD's and paid components of 6 RAD/DAP combinations have been achieved. The seven payments achieved for FYE ending 30 June 2018 average \$201,429.

This is conservative in respect to the overall average redeemable RAD of \$267,365, and is likely to be impacted by residents who have agreed to a payment, but not yet completed this transaction, waiting perhaps for the sale of major assets like a family home.

The overall average bond/RAD level at the subject facility is at a level considered maintainable.

An analysis of the historic ingoing RAD/Bonds paid (as distinct from agreed) is set out as follows:

Period	Number	Average Paid	Total Sum Paid
FY14 & Prior	1	\$85,000	\$85,000
FY15	0	Nil	Nil
FY16	8	\$119,506	\$956,049
FY17	4	\$302,500	\$1,210,000
FY18	7	\$201,429	\$1,410,000
FY19	5	\$20,000	\$100,000
	25		\$3,761,049

10.7 Valuation Assumptions – 43 Beds

We have assessed value based on “good, average management”, with our assumptions being summarised as follows:

Kalkarni Residency Aged Care Facility	Numbers	\$ / bed day
Allocated Places	43	
Adopted Occupancy (%)	98.0%	
Bed Days (based on Occupancy)	15,381	
Resident Standard Daily Fee	15,381	\$51.21
ACFI Government Subsidy	15,381	\$188.00 ave
No Respite Residents	0	
No. Supported Residents	6,439	\$56.59
No. DAP & DAP Component of RAD/DAP	6,081	\$31.90 ave
No. RAD's / Accommodation Bonds		
Existing Fully Paid Bond/RAD	1/7	\$85,000/\$393,721
Paid RAD Component RAD/DAP	6	\$153,333/\$179,686

10.8 Maintainable Revenue Profile – 43 Beds

Based on our valuation assumptions, our adopted sustainable revenue profile is summarised as follows:

Maintainable Revenue Profile Table	Bed Days		(\$)	(\$)
Revenue Item				
Resident standard daily fee	15,380	@	51.21	787,610
Maintainable Average Subsidy	15,380	@	188.00	2,891,440
Respite Supplement & Subsidies	-	@	223.51	0
Supported Residents Accommodation Supplement	6,439	@	56.59	364,360
DAP Payers (& DAP Combinations)	6,081	@	31.90	193,962
Core Revenue				4,237,372
Periodic Payments (Pre 1 Jul 2014) Accommodation bond				0
Total Revenue				4,237,372

10.9 Financial Analysis

Our financial analysis of the subject property has been completed assuming “good, average management”, with expenses adopted based on the actual past trading performance of the facility and/or benchmarked on the operation of a range of other comparable aged care facilities.

We have completed our benchmarking having regard to the levels of revenue and operating expenses achieved across the industry and have also excluded any allowance for interest expenses, depreciation, rental, leases and hire purchase and motor vehicle expenses.

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We have completed our benchmarking having regard to the levels of revenue and operating expenses achieved across the industry and have also excluded any allowance for interest expenses, depreciation, rental, leases and hire purchase, motor vehicle and management expenses.

We have been provided with accounts for FY16, 17, 18, YTD 19 and the Budget 19.

Our analysis may be summarised as follows:

Period	Bed Days	Gross Income	Operating Expenses	EBITDAR
FY16	14,799	\$272.71	\$238.06	\$34.65
FY17	15,389	\$281.53	\$225.11	\$56.42
FY18	15,461	\$284.54	\$236.04	\$48.50
YTD19	12,742	\$267.47	\$214.04	\$53.44
Budget19 *	15,380	\$302.46	\$245.24	\$57.23
Adopted	15,380	\$275.51	\$226.47	\$49.04

*Assumed Occ

The operating expenses (per occupied bed day) of the subject business may be summarised as follows:

Operating Expenses	FY16	FY17	FY18	YTD19	Budget 19	Adopted Valuation
Administration	\$7.15	\$6.24	\$6.95	\$4.28	\$5.47	\$6.00
Wages	\$181.35	\$164.17	\$173.67	\$159.39	\$177.97	\$172.96
Property	\$9.98	\$13.57	\$13.67	\$10.91	\$13.85	\$13.00
Supplies	\$33.11	\$35.17	\$35.58	\$33.85	\$41.21	\$28.00
Utilities	\$6.47	\$5.96	\$6.18	\$5.62	\$6.73	\$6.51

We have also had regard to additional Property Expenses that a hypothetical purchaser would incur Shire rates and land tax liabilities.

Revenue Adopted

The assessed operating revenue of the subject property reflects \$4,237,372 at \$275.51 per bed day. This is consistent with the adopted ACFI, the number of supported residents and revenue from accommodation payments, including DAP components of RAD/DAP combinations. (in addition to our underlying assumption of ongoing competent management).

Expense Profile

Broadly speaking we have adopted expenses profiles that are consistent with the historic actuals. The areas of adjustment have been increases for Supplies and decreases for Wages, with a minor variations for Property expenses.

Maintainable EBITDAR

The maintainable EBITDAR adopted is \$754,292 per annum, which equates to \$49.04 per occupied bed day and \$17,542 per bed per annum. This is consistent with the adopted average ACFI, which is well above what is actually being achieved, the number of supported residents and revenue from accommodation payments.

10.10 Valuation – Capitalisation Approach - 43 Beds

As detailed in our analysis of the sales evidence provided within Section 7 of this report, we have adapted a core market yield of 17.0% on the Maintainable EBITDAR for the subject property.

In recent times, there have been a number of events which have caused a decrease in confidence in the sector, over 2018. These include the following:

- The Federal Court ruling against asset replacement charges had no significant financial impact for most operators, however reiterated the risks associated with operating in a heavily regulated environment that is dependent on Government funding.
- The new Aged Care Quality and Safeguards Commission will be implemented in July 2019 to acknowledge, correct and prevent quality concerns in the aged care industry. In addition, unannounced re-accreditation visits and amplified compliance and monitoring noticed a rise in sanctions and non-compliance notices and expect this trend to grow into 2019.
- The announcement of the 2018-19 Aged Care Approvals Round in the Federal Budget was expected due to constrained ability to meet demand. The allocation of an additional 13,500 funded residential aged care places will occur in May 2019. However, the activation of allocated places are expected to delay to 2020, suggesting concern for immediate demand.
- The establishment of Royal Commission into Aged Care Quality and Safety focus on the extent to which current services meet identified need and the below average care being provided. The Commission will also consider how best to deliver services and manage challenges in the industry. With the industry under examination, heightened enforcement of compliance and regulation will continue into 2019. There appears to be a broad expectation that existing pressures will be heightened and new pressures may emerge. is likely to increase investment risk on aged care stocks and further soften the market. Furthermore, other emerging factors such as government intervening in non performing assets and directing immediate sales, rather than sanctioning or removing accreditation from the facility.
- RAD/DAP and DAP's are increasing leaving a lack of capacity to repay outgoing RAD's. Some vendors are being asked to leave a part of the bond/RAD pool behind leading to concerns in the softening market and the sustainability of RAD's. There has been a continuing decrease RADs from 2015-2017 with a significant increase in RAD/DAP and DAP's. This predominantly effects facilities that are well bonded. The upside for the subject facility is that it is not considered overly bonded (RAD) and there is no evidence at this stage of a decline in the bond/RAD pool.

We have adopted a capitalisation rate of 17.0% to the core EBITDAR to derive the total adopted value of the freehold, going concern of the 43 allocated places, in addition to the value of the bond/RAD pool, as shown following:

Revenue Item		
- Core Revenue	\$	4,237,372
- Interest Unpaid Part Paid Bonds	\$	-
Indicated Total Revenue	\$	4,237,372
Adopt		\$4,237,372
Expense Item		
- Administration & General		\$92,280
- Personnel and On Costs		\$2,660,120
- Property Expenses		\$199,950
- Supplies		\$430,640
- Utilities		\$100,090
Total Expenses		\$3,483,080
Total EBITDAR (by deduction)		\$754,292
<i>Per bed per annum</i>	\$17,542	
Capitalised @	17.00%	\$4,437,014
Less Establishment Adjustment		\$0
Indicated Core Value		\$4,437,014
Add Bond RAD Pool		\$3,740,000
		\$8,177,014
Adopt Value of Going Concern		\$8,200,000
Reflects per Place (Gross)		\$190,698

In accordance with most major lending institutions reporting requirements, the value net of current accommodation bond liability is as follows:

▪ Adopted Value Gross of Accommodation Bonds/RAD's	\$	8,200,000
▪ <i>Less Current Bond/RAD Liability (after retentions)</i>		<u><i>(\$ 3,740,000)</i></u>
▪ Value Net of Accommodation Bond/RAD Liability	\$	4,460,000

10.11 Valuation - Direct Comparison Approach, 43 Beds

The adopted value reflects \$190,698 gross per on line place, or alternatively expressed \$103,196 net per place. This value is supported by the sales evidence and reflects the scale, quality of the improvements and location.

Accordingly, the Freehold "Going Concern" Value relevant to prevailing levels of value as at the date of valuation, has been adopted at \$8,200,000 exclusive of GST.

11 Market Value - Allocated Bed Licences

We have adopted the Direct Comparison Approach to determine the Market Value of the subject bed licences (i.e. on a \$ rate per bed).

The market for surplus bed licences is very much a spot market, considered to reflect the market position, particularly with reference to the timing of the ACAR (Aged Care Approvals Round) which is borne out in the sales evidence. In recent years the likely selling timeframe has compressed, typically for less than 6 months.

Selling agents report a softening in and around Sydney whilst Melbourne metro remains a market where places are strongly sought after. There has been an absence of transactions within Western Australia in recent years we are aware of from which to draw comparison.

The secondary market for the sale of allocated places (bed licences) is generally completed “off market” and hence sales information is not broadly promulgated in the public arena, unlike for example, sales of real property. Shown following is a summary of the sale of surplus operational places:

Date of Sale (Contract)	State	Origin Planning Region	Total	Sale Price	Price per Unit
Oct-16	VIC	Southern Metro	71	\$5,041,000	\$71,000
Jun-17	VIC	Southern Metro	4	\$280,000	\$70,000
Jun-17	VIC	Southern Metro	19	\$1,330,000	\$70,000
Jul-17	VIC	Eastern Metro	35	\$2,450,000	\$70,000
Dec-17	VIC	Hume	19	\$1,235,000	\$65,000
Jan-18	VIC	Loddon Mallee	49	\$3,185,000	\$65,000
Aug-18	Vic	Southern Metro	30	\$2,130,000	\$71,000
Sep-18	Vic	Eastern Metro	10	\$720,000	\$72,000
Current	NSW	Confidential	15	\$1,035,000	\$69,000
Current	Vic	Confidential	40	\$3,200,000+	\$80,000 +

Of recent, post ACAR, the sales indicate the lack of supply and greater demand for bed places, due to operators resorting to other means to obtain licences. This has resulted in paying premiums especially if the operator/developer are constructing new facilities and are time constrained. This has led to prices at a premium to those seen pre ACAR.

The provisional allocation of “bed licences” under ACAR each year has meant that with an appropriate application (and holding costs) an operator has an opportunity to obtain potential “bed licences”, otherwise at a nil cost.

In 2016-17, for the first time, places were available at the state and territory level for residential aged care resulting in aged care services being based on need, rather than geographic ACPRs. The total number of places to be made available in each state and territory is still based on the national planning benchmark population projections provided by the Australian Bureau of Statistics, and the current level of service provision.

A total of 13,500 residential aged care places were made available across Australia in 2018/19, as follows:

NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
3,485	1,521	4,289	3,295*	497	161	202	50	13,500

** As at 5 March 2019, the above places include deferred allocations for 224 residential aged care places in Western Australia, in respect of applicants who are awaiting the required approved provider status.*

In 2006-2009 the controlled supply of allocations in some regions was hotly contested and with occasionally poorly completed applications or reflecting financial inadequacies of an operator, many applicants were unsuccessful. We note however that some subsequent ACAR's were significantly under-subscribed which was partly due to operator concerns over the increased cost of construction at the same time as restricted or reducing ACFI/Bond revenue under the age care reforms, thereby making many projects potentially unviable.

Since 2014 the "Living Longer, Living Better" package was introduced there has been an increase in demand and consequently value in the secondary markets for allocated places.

However, occasionally some previously operational "bed licences" become surplus to requirement, perhaps through redundancy of ageing facilities or refurbishments involving design changes reducing multi-bed wards to single bed rooms. Similarly, with care packages, these may become surplus through a change in operational strategy of a provider in a particular region.

These licences and packages may then be offered to the market (privately or through a broker / agent) and subject to approval by the Department of Health and Ageing, can be transferred not only to another appropriately qualified operator but also occasionally into another region.

We also note that typically these transactions occur "off-market" and are therefore not readily identified unless through direct involvement with a transaction and then only on a confidential basis. Moreover, we consider the likely selling timeframe to be lengthy to achieve the adopted Market Value, possibly extending to in excess of 12 months, including being subject to receiving approval.

Importantly, the quoted selling price and the basis of the valuation set out herein are on a "clean skin" basis, that is, deduction for any outstanding staff entitlements etc. are to be netted off from the purchase price or previously operational bed licences.

We note that these indicated levels of value do not apply to "provisional allocations" which are generally regarded as only having a nominal value as part of a going concern, although may improve the marketability of an RACF development opportunity.

The market for surplus operational "bed licences", is very much a spot market, considered in part to reflect scarcity, which is borne out in the sales evidence.

11.1 Sales Evidence

Sales evidence has historically been inconsistent ranging from \$20,000 to \$55,000 per allocated place (bed licence) excluding GST, although more recently tending towards the middle to upper range from \$40,000 to \$70,000.

The secondary market for the sale of allocated places (bed licences) is generally completed “off market” and hence sales information is not broadly promulgated in the public arena, unlike for example sales of real property.

We provide the following summary of the sale of bed licences with details made available to us:

- A tranche of 10 at \$70,000 each for \$700,000 in the Central Coast Region, NSW in May, 2017.
- A tranche of 50 at \$50,000 each for \$2,500,000 in the Sunshine Coast Region, QLD in March, 2017.
- A tranche of 27 at \$53,000 each for \$1,431,000 in the Mid North Coast Region, NSW in March, 2017.
- A tranche of 26 at \$60,000 each for \$1,560,000 in the South East Sydney Region, NSW in February, 2017.
- A tranche of 34 at \$62,000 each for \$2,210,000 in the New England Region, NSW in October, 2016.
- A tranche of 71 at \$71,000 each for \$5,041,000 in the Southern Metro Region, VIC in October, 2016.
- A tranche of 20 at \$50,500 each for \$1,010,000 in the Northern Region, QLD in June, 2016.
- A tranche of 22 at \$68,636 each for \$1,510,000 in the Barwon-South Western Region, VIC in June, 2016.
- Four places at \$65,000 each for \$260,000 in the Loddon Mallee Region, VIC in June, 2016.
- A tranche of 20 at \$70,000 each for \$1,400,000 in the Central Coast Region, NSW in April, 2016.
- A tranche of 12 at \$65,000 each for \$780,000 in the Loddon Mallee Planning Region, VIC in March, 2016.
- A tranche of 10 at \$68,000 each for \$680,000 in the Hume Region, VIC in March, 2016.
- Two places sold for \$30,000 each in March, 2015. Transferred from the Southern to Northern Metro Planning Region.
- A tranche of 19 at \$41,000 each for \$779,000 in the Loddon Mallee Planning Region, VIC in March, 2015.
- A tranche of 22 at \$37,500 each for \$825,000 in the Northern Metro Planning Region, VIC in March, 2015.
- A tranche of 30 at \$37,500 each for \$1,125,000 in the Northern Metro Planning Region, VIC in March, 2015.
- A tranche of 12 at \$30,000 each for \$360,000 in the Southern Metro Planning Region, VIC in March, 2015.
- A tranche of 30 at \$30,000 each for \$900,000 in the Loddon Mallee Planning Region, VIC in January, 2015.

- A tranche of 30 at \$30,000 each for \$900,000 in the Northern Metro Planning Region, VIC in January, 2015.
- Pre 1997 beds in a tranche of 50 sold in September, 2013 for \$1,250,000 indicating \$25,000 per place. These were in the Northern Metro Planning Region, VIC.
- Pre 1997 beds in a tranche of 30 sold in October, 2013 for \$630,000 indicating \$21,000 per place. These were in the Eastern Metro Planning Region, VIC.

The most recent sales evidence for bed licences reflects a significant increase in price. This can be justified through the increase in demand of bed places over the past 2 years. In the 2015 ACAR approximately 2 new places were sought for every place available, in comparison with the 2017 ACAR that saw 4.5 new places being sought for every place, representing an increase in demand of 15% over 2015 levels.

Two separate transactions in March, 2015 being the sale of 2 allocated places sold for \$30,000 each in the Northern Metro Region (Victoria) and a tranche of 19 at \$41,000 each in the Loddon Mallee Region (Victoria). This can be compared to a tranche of 71 at \$71,000 in the Southern Metro Region (Victoria) in December, 2016 and a tranche of 22 at \$68,636 in South Western Region (Victoria) in June, 2016.

Within a regional context (i.e. outside major metropolitan centres), the tranche of 27 licences in March 2017 reflecting \$53,000 each is considered a strong comparison to the subject, together with the tranche of 20 licences which sold in June 2016 reflecting \$50,050 each.

Whilst there has been previous historic evidence suggesting different levels of value depending on whether surplus “bed licences” are pre 1997 or either low care or high care, which particularly related to the ability to achieve Residential Accommodation Bonds, we have been unable to identify any recent evidence to establish any true pattern, particularly noting the impacts of the aged care reforms in due course.

11.2 Valuation - Direct Comparison Approach

Based on our analysis of the evidence detailed within the previous section of this report, it is our considered opinion that the value for the subject operational “bed licences” reflect in the order of \$40,000/place to \$45,000/place.

On balance, we have adopted the Market Value for the operational bed licences at **\$1,850,000, exclusive of any GST applicable** (\$43,023/licence).

Our valuation calculations are summarised as follows:

Direct Comparison Calculations - Bed Licenses				
# Allocated Places	43	@	\$40,000/License =	\$1,720,000
			\$45,000/License =	\$1,935,000
ADOPT				\$1,850,000
			Reflects	\$43,023/License

12 Goods and Services Tax

It should be noted that the aforementioned valuation has been carried out on a net of GST basis, and any tax payable on the sale, rental, income or expense of the subject property is in addition to the amounts assessed herein.

Generally, if the accommodation satisfies the provisions in Sections 38-25 (1), (2) or (3) of the GST Act, the supply of the accommodation will be GST free.

Residential care defined under Sections 41-3 of the Aged Care Act 1973 will be GST free under Sections 38-25 if those services:

- are covered by Schedule 1 of the Quality of Care Principles (this includes the provision of goods such as meals, toiletries and consumables in the course of providing residential care); and
- are provided through a residential care service within the meaning of the 1997 Aged Care Act; and
- the supplier is an approved provider within the meaning of the 1997 Aged Care Act.

A supply of services supplied through private sector residential care facilities not receiving Government funding is also GST free if it is provided in accordance with a determination by the Minister responsible for Aged Care.

Where the accommodation provided is not residential care and it is supplied in residential premises, it will be an input taxed supply. However, if the accommodation is provided by a charity for less than 75% of the market value or the cost of supply the supply would be GST free.

If the accommodation is not residential care, then where it is provided in hostels and boarding houses, it would be commercial accommodation.

The supply of accommodation in a commercial residential premises (including for example accommodation in boarding houses and hostels) is a taxable supply unless the non-commercial test above applies. Where the supply of accommodation is taxable, the special rules contained in Division 87 may be applicable where the supply is of long term accommodation (28 days continuous) in commercial residential premises. These rules have the effect of applying a lower rate than would otherwise apply, thus reducing the amount of GST payable.

GST is a complex and involved issue and we recommend that expert advice is obtained if clarification is required.

13 Valuation Certification

Acting under instructions from the Shire of Brookton, Knight Frank Australia Pty Ltd has undertaken a valuation of the Kalkarni Residency and Saddleback Medical Centre, Lot 511 Whittington Street, Brookton, WA. We confirm that we have inspected the property as described herein and have prepared this report.

Subject to the overriding stipulations contained within the body of this report, we are of the opinion that the Current Market Freehold Going Concern Value, subject to the lease agreements detailed herein, assuming the management agreement had been terminated as at the date of valuation, and relevant to prevailing levels of value as at 11 April 2019 for internal asset determination purposes only is:

\$8,200,000 (exclusive of GST)

(Eight Million, Two Hundred Thousand Dollars – exclusive of GST)

Subject to the overriding stipulations contained within the body of this report, we are of the opinion that the Market Value for the operational bed licences attached to the property, relevant to prevailing levels of value as at 11 April 2019 for internal asset determination purposes only is:

\$1,850,000 (exclusive of GST)

(One Million, Eight Hundred and Fifty Thousand Dollars – exclusive of GST)

This certificate of valuation forms part of, and should not be used or read independently from, the complete report.



CHRIS MURPHY FAPI
Certified Practising Valuer
Licensed Valuer No. 44039
Partner, Joint Head of Valuation & Advisory, WA



DAVID LANG
Partner, Joint Head of Valuation & Advisory, WA

The counter-signatory verifies that this is a genuine report, issued and endorsed by Knight Frank Australia Pty Ltd. The opinion of value expressed in this report has been arrived at by the signing valuer.

Knight Frank Australia Pty Ltd

Disclaimer – Important Notice to Third Parties

This report is prepared for the private and confidential use of the reliance party/parties named in Section 1.1 of this report, and only for the purpose outlined in Section 1.1. It should not be relied on by the nominated party/parties for any other purpose and should not be reproduced in whole or part for any other purpose without the express written consent of Knight Frank Valuations. Any party that is not named as a reliance party/parties may not rely on this report for any purpose and should obtain their own valuation before acting in any way in respect of the subject property.

APPENDIX 1

INSTRUCTIONS

15 February 2019

Mr I D'Arcy
Chief Executive Officer
Shire of Brookton
14 White Street,
BROOKTON, WA, 6306

Via email to: ceo@brookton.wa.gov.au sp@brookton.wa.gov.au dceo@brookton.wa.gov.au

Dear Ian

Re: Valuation of Kalkarni AC and Saddleback Medical Centre, Brookton, WA

Thank you for the opportunity to submit a quotation to undertake a valuation of the above mentioned property.

Further to your email correspondence dated 1 February 2019, we outline the terms of our retainer as follows. If the terms are accepted and this letter signed/executed and returned it will form the Terms of Appointment between yourself and Knight Frank Australia Pty Ltd.

- Title Details:** Lot 511 on Deposited Plan 406799
- Reliance Parties:** The valuation may be relied upon by the Shire of Brookton for internal asset determination purposes only.
- Liability Cap:** Pursuant to Clause 16.2 of the Terms and Conditions, our liability, however arising which relates in any way to the Services, whether under the law of contract, tort, the Australian Consumer Law or otherwise, shall be limited to a refund of the Fee.
- Basis of Valuation:** To assess the Current Market Freehold Going Concern Value, subject to the lease agreements within the Saddleback Medical Centre.
To assess the value of the allocated places attached to the residential aged care facility.
By signing this letter, you agree that the basis of valuation is correct unless otherwise notified and agreed with Knight Frank Australia Pty Ltd.
- Timing:** 15-20 business days from confirmation of receipt of instructions, assuming coordinated access to the property for inspection.

We reserve the right to review this timing should there be any undue delay with regard to either/or the instruction, information or access. Our quote herein is valid for a period of 14 days or as otherwise agreed.

Liability limited by a scheme approved under Professional Standards Legislation.

T +61 8 9325 2533 F +61 8 9325 6918
Level 10, Exchange Tower, 2 The Esplanade, Perth, WA 6000
GPO Box X2253, Perth WA 6847
KnightFrank.com.au

Knight Frank Australia Pty Ltd ABN 17 004 973 684. Licensed Real Estate and Business Agents

Please note that we are continuously providing quotations and as a consequence, our anticipated timeframe stated above is based on current work commitments as at the date of this quotation and may well be subject to variance in the future.

Valuation Fee: Refer to Appendix 2.

Payment Terms: Refer to Appendix 2.

Reporting: A PDF copy of the report (including annexures) will be forwarded upon completion with a hard copy of the report provided upon request (maximum 2).

If additional copies are required, a charge of \$100 per report will be incurred.

Information: Outlined below is a list of required information (if available). We note that this list may be amended or added to during the process of undertaking the valuation.

1. If updated from 23 March 2018, a copy of the management agreement for the aged care facility, including any associated documents.
2. If updated from 23 March 2018, copies of all lease agreements and associated documents relating to the Saddleback Medical Centre.
3. If updated from 23 March 2018, contact details to organise inspections of the property.
4. Financial statements for the financial year ending 30 June 2018 and current year to date (incorporating a breakup of the domestic and nursing wages; domestic and nursing agency wages; additional contract fees such as laundry and cleaning; leave provisions; superannuation and workers compensation).
5. A line item budget for the current financial year.
6. Occupancy levels on a monthly basis for the financial year ending 30 June 2018 and current financial year to date (in an Excel format).
7. For the RAD/DAP assessment, a schedule of existing residents paying accommodation charge and individual amounts.
 - In an Excel format clearly identifying bond residents, DAP residents & combined bond/DAP residents.
 - Including: entry date, agreed bond amount, bond amount received, bond amount owing & current bond balance.
8. Copy of any side agreements.
9. A copy of the three (3) most recent monthly Medicare Payment Statements detailing the:
 - Respite Care Recipient Details & Payments
 - Permanent Care Recipient Details & payments
 - Payment Summary
 - Respite Care Summary
 - Supported Resident Ratios Summary
 - Daily Subsidy Levels
10. A copy of the most recent billing summary for the facility.
 - Detailing the fees charged to each resident.

Terms & Conditions: The valuation and valuation service is subject to:

1. The terms outlined within this letter.
2. The "Terms and Conditions of Appointment" detailed within Appendix 1.
3. Acceptance of valuation fee and payment terms detailed within Appendix 2.
4. All issues, conditions, assumptions, disclaimers, qualifications and recommendations as outlined within the report/advice provided.
5. Compliance with the information request outlined within.

Should you agree to our terms of engagement, execute and return via email to Chris.Murphy@au.knightfrank.com

We trust that the above satisfies your immediate requirements however, should you have any queries in respect of our quotation, please contact the undersigned.

Yours sincerely




Chris Murphy
Director
Valuation & Advisory, WA
Knight Frank Australia Pty Ltd
Level 10, Exchange Tower
2 The Esplanade, Perth WA 6000

D+ 61 8 9225 2422
M 0407 214 250
Chris.Murphy@au.knightfrank.com
KnightFrank.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Acceptance of Confirmation

I confirm that the above details are correct and authorise Knight Frank Australia Pty Ltd to proceed with the above works described.

Name: IAN D'ARCI Signature: 
Company: SHIRE OF BROOKTON Date: 20 FEBRUARY 2019

Appendix 1 - Terms and Conditions of Appointment – Valuations

It is agreed as follows:

1. DEFINITIONS

'Confidential Information' means information that:

- (a) Is by its nature confidential;
- (b) Is designated by Us as confidential;
- (c) You know or ought to know is confidential;
- (d) And includes, without limitation:
 - (i) Information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services; and
 - (ii) The Quotation annexed hereto.

'Currency Date' means, in relation to any valuation or consultancy report, the date as at which our professional opinion is stated to be current.

'Fee' means the amount agreed to be paid for the Services as set out in the Quotation.

'Party' means You or Us and Parties means You and Us.

'Quotation' means the written quote provided by Us in relation to the Services.

'Services' means the valuation or consultancy services provided pursuant to these Terms and Conditions and the Quotation, and includes any documents, reports or certificates provided by Us in connection with the services.

'Services Validity Period' means the three month period following the Currency Date during which Our professional opinion is valid. After this period, Our professional opinion cannot be relied upon or referred to.

'We', 'Us', 'Our' means the entity that You engage with to perform the Services as set out in the Quotation being Knight Frank Australia Pty Ltd

ABN 17 004 973 684

'You', 'Your' means the entity engaging Us to perform the Services as set out in the Quotation.

2. APPLICATION

2.1 A contract is formed if the Client accepts a Quote, the Client accepts the Services or Knight Frank Australia Pty Ltd otherwise forms an agreement (whether written or oral) with the Client for the provision of the Services. These terms apply to each Contract.

2.2 If the Client is a trustee, the Client enters the Contract in its own capacity and as trustee of the trust.

2.3 Either party may terminate a Contract immediately if the other breaches any part of these terms and fails to remedy that breach within seven (7) days of being notified or becomes insolvent within the meaning of Regulation 7.5.02 of the Corporations Regulations (as amended or replaced from time to time).

3. PERFORMANCE

3.1 Knight Frank Australia Pty Ltd:

- a) Will provide the Services with due care and skill;
- b) Will provide the Services by exercising a degree of professional skill, care, efficiency and diligence expected of a service provider experienced in providing the same or similar services;
- c) Will comply with all applicable laws in providing the Services;
- d) Will comply with all reasonable directions of the Client in providing the Services;
- e) May refuse to provide the Services until the Client has provided written acceptance of the Quote;
- f) Will make every effort to comply with any Completion Date applicable to any Contract but Knight Frank Australia Pty Ltd may elect to extend the Completion Date as reasonably necessary;
- g) Is not liable to the Client for any Liability the Client suffers or incurs arising from any delay in providing the Services; and
- h) Reserves the right to determine how the Services are provided and may use agents or contracts to provide all or any part of the Services.

4. BASIS OF VALUATION

4.1 You warrant that the basis of valuation noted is correct unless otherwise notified and agreed.

4.2 Loan Security – When instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

5. CURRENCY OF VALUATION

5.1 Due to possible changes in market forces and circumstances in relation to the subject property the Services can only be regarded as relevant as at the Currency Date.

5.2 Where You rely upon Our valuation or consultancy report after the Currency Date, You accept the risks associated with market movement between the Currency Date and the date of such reliance.

5.3 Without limiting the clauses 6.1 - 6.8, You cannot rely upon Our valuation or consultancy report:

- (a) After the expiry of the Services Validity Period;
- (b) Where circumstances have occurred during the Services Validity Period which has a material effect on the value of the property or the assumptions or methodology used in the valuation or consultancy report.

6. RELIANCE

6.1 You will not release any part of Our valuation or consultancy report of its substance to any third party without Our written consent. Such consent will be provided at Our absolute discretion and on such conditions as We may require including that a copy of these Terms and Conditions be provided to such third party. This clause shall not apply to persons noted as recipients in Your prior instruction to Us or in the Quotation provided that You shall provide any such recipient with a copy of these Terms and Conditions.

6.2 If you release any part of the valuation or consultancy advice or its substance with our written consent, You agree: i) to inform the other person of the terms of our consent; and ii) to compensate Us if You do not do so. We have no responsibility to any other person even if that person suffers damage as a result of any other person receiving this valuation or consultancy advice.

6.3 Should the valuation be required for capital / equity raising purposes, this should be clearly instructed. Should reproduction or reference to the valuation be required for this purpose within any Product Disclosure Statement or similar investment circular, published document or statement, formal consent will be required to be obtained by the instructing party. We reserve the right to withhold consent for reasons, including but not limited to, absence of initial notification that the valuation was required for this purpose or insufficient, inadequate or inaccurate information.

6.4 Where the Services are provided for mortgage purposes, You agree that You will not use the valuation or consultancy report where the property is used as security other than by first registered proprietors.

6.5 We reserve the right, at Our absolute discretion, to determine whether or not to assign Our valuation to any third party. Without limiting the extent of Our discretion, We may decline a request for assignment where:

- (a) The proposed assignee is not a major recognised lending institution (such as a major bank);
- (b) The assignment is sought in excess of 3 months after the date of valuation on expiry of the Services Validity Period;
- (c) We consider that there has been a change in conditions which may have a material impact on the value of the property;
- (d) The proposed assignee seeks to use the valuation for an inappropriate purpose; or
- (e) Our Fee has not been paid in full.

6.6 Where We decline to provide an assignment on either of the bases at 6.5(b) or (c), We may be prepared to provide an updated valuation on terms to be agreed at that time.

6.7 In the event that You request us to assign Our valuation and We agree to do so, You authorise Us to provide to the assignee a copy of these Terms and Conditions, the Quotation and any other document, including instructions provided by You, relevant to the scope of Our Services.

6.8 The Valuation cannot be extended, assigned or relied upon by parties connected with any Managed Investment Scheme (as defined in the Corporations Act, 2001 (Cth)) which:

- a) Promotes or offers tax benefits (including tax minimisation) to investors; or
- b) Is involved in any form of direct or indirect investment in primary production (including property used in primary production).

7. FEE AND EXPENSES

- 7.1 The Fee is as set out in the Quote.
- 7.2 For any Services provided without a Quote or outside the scope of a Quote, the Fee will be based on Knight Frank Australia Pty Ltd' current pricing for like services as amended from time to time.
- 7.3 Knight Frank Australia Pty Ltd may vary the Fee for any work undertaken or costs incurred as a result of the Client varying its request for Services or the Contract, providing subsequent information that was not provided to us prior to provisions of the Services, correcting any errors or omissions referred to in clause 7.4, or requiring any urgent Services (including any overtime costs) outside of the Initial Services agreed.
- 7.4 Knight Frank Australia Pty Ltd will provide the Services on the basis of the Client's request for Services (whether written or oral). Knight Frank Australia Pty Ltd will not be responsible for any errors or omissions in relation to the Services where those errors or omissions result wholly or partially from incomplete or unclear instructions in the Client's request for services.
- 7.5 Knight Frank Australia Pty Ltd may invoice the Client the Fee and any agreed Expenses by submitting a valid tax invoice. Unless a Quote specifies otherwise, invoicing may occur at Knight Frank Australia Pty Ltd' discretion and can take place in advance progressively or otherwise.
- 7.6 Unless a Quote provides otherwise the Client must pay Knight Frank Australia Pty Ltd' invoices in full within 14 days of the date of such invoices.
- 7.7 All payments will be made in full and the Client may not deduct from the Fee and Expenses any set off, counterclaim or other sum unless Knight Frank Australia Pty Ltd agrees in writing. The Client must pay GST on an invoice as and when the Client is required to pay the invoice.
- 7.8 If before the valuation is concluded:
- You end this instruction, we will charge abortive fees; or
 - There are undue delays in instructing or You materially alter the instruction so that additional work is required at any stage, we will charge additional fees; And in each case such fees will be calculated on the basis of reasonable time and expenses incurred.

8. INFORMATION

- 8.1 We require the full disclosure of all information and matters applicable to the property to be valued that may have an impact upon the value and marketability of the property. Accordingly, we require you to provide us with the information outlined within and note that this request may be updated or amended by us at any time. If information is not provided, we may include limiting conditions to our valuation service, including limitations or reliance or suitability for mortgage security.
- 8.2 Where possible, within the scope of our retainer and limited to our expertise as valuers in performing the Services, we will review this information including by analysis against industry standards. However, our review is limited by the nature of our role and we do not warrant that we have identified or verified all of the matters which a full audit, extensive examination or 'due diligence' investigation might disclose.
- 8.3 You warrant that the instructions and subsequent information supplied by You contain a full and frank disclosure of all information that is relevant to Our provision of the Services.
- 8.4 You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports.
- 8.5 You authorise and licence us to incorporate Your intellectual property within our report(s).

9. CONDITION OF THE PROPERTY

- 9.1 In undertaking the Services We will have regard to the apparent state of repair, condition and environmental factors in relation to the property based upon a visual inspection, but We will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible.
- 9.2 Our valuation will be conditional upon there being no timber infestation, asbestos or any other defect (unless advised otherwise) and that the property is compliant with all relevant environmental laws. It is Your responsibility to provide reports to Us that are relevant to these issues.
- 9.3 We will not undertake a detailed inspection of any plant and equipment or obtain advice on its condition or suitability.
- 9.4 We recommend that You engage appropriately qualified persons to undertake investigations excluded from the Services should you wish to determine condition.
- 9.5 No responsibility will be accepted either to You or to any third party for loss or damage that may result directly or indirectly from the condition of the property.

10. ENVIRONMENT AND PLANNING

- 10.1 We will obtain town planning information which is publically available. It is Your responsibility to check the accuracy of this information by obtaining a certificate under the appropriate legislation should you wish to confirm.
- 10.2 State or Federal Laws may require environmental audits to be undertaken before there is a change of land use. You will provide such audits to Us where they are required. We will not advise You whether such audits are required or obtain such audits. If You do not provide Us with such audits We will perform the Services on the condition that such audits are not required.

11. BUILDING AREAS AND LETTABLE AREAS

- 11.1 Where a survey is provided to Us for consideration, Our valuation will be conditional upon that information contained in the survey being accurate and having been prepared in accordance with the Property Council of Australia (PCA) Method of Measurement.
- 11.2 If You do not provide Us with a survey, We will estimate building and/or lettable areas based only upon available secondary information (including but not limited to building plans, Deposited Plans, and our own check measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey prepared by an appropriately qualified professional in accordance with the Property Council of Australia (PCA) Method of Measurement.
- 11.3 Where such a survey is subsequently produced which differs from the areas estimated then You will refer the valuation or consultancy advice back to Us for comment or, where appropriate, amendment.

12. OTHER CONDITIONS

- 12.1 Unless otherwise notified by You, Our valuation will be conditional upon:
- There being no easements, mortgages, leases, encumbrances, covenants, caveats, rights of way or encroachments except those shown on the Title; and
 - All licences and permits can be renewed and We will not make any enquiries in this regard.
- 12.2 Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with the Services (including but not limited to surveys, quantity surveyors reports, environmental audits, structural / dilapidation reports), we will rely upon the apparent expertise of such experts / specialists. We will not verify the accuracy of such information or reports as this is outside our area of expertise.

13. MARKET PROJECTIONS

- 13.1 Any forecasts, including but not limited to, financial cash flow projections, yields, growths rates or terminal value calculations noted within the services are a valuation tool only, undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.
- 13.2 Where our services include market projections such projections require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections.
- 13.3 Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.

14. CONFIDENTIALITY

- 14.1 You must not disclose or make any of the Confidential Information available to another person without Our written consent.
- 14.2 If consent to disclose the Confidential Information provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure.

15. PRIVACY

- 15.1 We may obtain personal information about You in the course of performing Our Services. We respect Your privacy. The Privacy Amendment (Private Sector) Act, 2000 requires Us to advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.

16. LIABILITY

16.1 Knight Frank Australia Pty Ltd' Liability is limited by a scheme approved under Professional Standards Legislation.

16.2 You agree that our liability, however arising which relates in any way to the Services, whether under law of contract, tort, the Australian Consumer Law or otherwise, shall be limited to a refund of the Fee.

16.3 We will not be liable for any consequential loss or damage or loss of profits claimed which relates in any way to the Services, or any work done in connection with those Services.

16.4 You agree that You will fully indemnify Us for and in respect of all loss, liability, costs and expenses of whatsoever kind which We may suffer or incur arising from or in any way connected with any breach by You of any terms of this agreement. This indemnity shall include but not be limited to loss, liability, costs and expenses which we may suffer or incur in respect of any claims, actions, proceedings, disputes or allegations made against Us or to which we are a party.

16.5 The releases, indemnities and limitations of liability in these Terms and Conditions will not apply to Our conduct which is fraudulent and / or wilfully dishonest.

16.6 The law of the Australian state in which a property is located will apply in every respect in relation to the valuation and the agreement with the client which shall be deemed to have been made in that state of Australia. In the event of a dispute arising in connection with a valuation, unless expressly agreed otherwise in writing by Knight Frank Australia Pty Ltd, the client, and any third party using the valuation, all will submit to the jurisdiction of the Australian Courts only. This will apply wherever the property or the client is located or the Service is provided.

17. COMPLAINTS PROCEDURE

17.1 If you have any concerns about our service, please raise them in the first instance with the valuer concerned. If this does not result in a satisfactory resolution, please contact the relevant Head of Department.

18. ENTIRE AGREEMENT

18.1 No further agreement, amendment or modification of these Terms and Conditions shall be valid or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers.

18.2 If there is an inconsistency between these Terms and Conditions and the Quotation, any letter of instruction from You, or other specific request or information, the other specific request or information shall prevail to the extent of the inconsistency.

APPENDIX 2

TITLE DOCUMENTS

WESTERN



AUSTRALIA

REGISTER NUMBER 511/DP406799	
DUPLICATE EDITION 1	DATE DUPLICATE ISSUED 14/2/2018

RECORD OF CERTIFICATE OF TITLE
UNDER THE TRANSFER OF LAND ACT 1893

VOLUME **2942** FOLIO **258**

The person described in the first schedule is the registered proprietor of an estate in fee simple in the land described below subject to the reservations, conditions and depth limit contained in the original grant (if a grant issued) and to the limitations, interests, encumbrances and notifications shown in the second schedule.



REGISTRAR OF TITLES

LAND DESCRIPTION:

LOT 511 ON DEPOSITED PLAN 406799

REGISTERED PROPRIETOR:
(FIRST SCHEDULE)

SHIRE OF BROOKTON OF PO BOX 42 BROOKTON WA 6306

(TF N818230) REGISTERED 29/1/2018

LIMITATIONS, INTERESTS, ENCUMBRANCES AND NOTIFICATIONS:
(SECOND SCHEDULE)

Warning: A current search of the sketch of the land should be obtained where detail of position, dimensions or area of the lot is required.
* Any entries preceded by an asterisk may not appear on the current edition of the duplicate certificate of title.
Lot as described in the land description may be a lot or location.

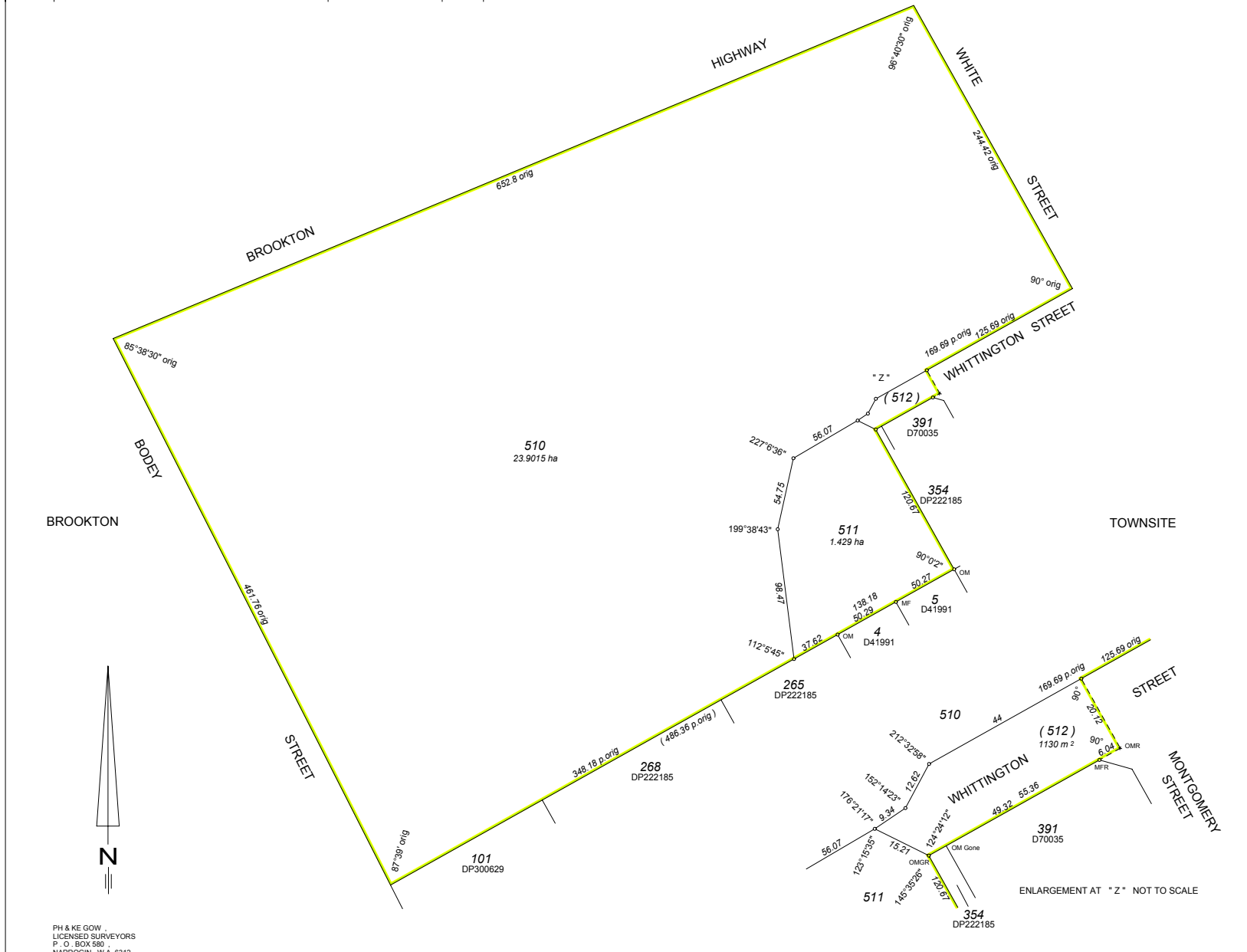
-----END OF CERTIFICATE OF TITLE-----

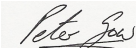



STATEMENTS:

The statements set out below are not intended to be nor should they be relied on as substitutes for inspection of the land and the relevant documents or for local government, legal, surveying or other professional advice.

SKETCH OF LAND: DP406799
PREVIOUS TITLE: LR3169-6
PROPERTY STREET ADDRESS: 27 WHITTINGTON ST, BROOKTON.
LOCAL GOVERNMENT AUTHORITY: SHIRE OF BROOKTON

VERSION	AMENDMENT	AUTHORISED BY	DATE



TYPE	CROWN	SSA #68/NO
PURPOSE	SUBDIVISION	
PLAN OF	LOTS 510, 511 AND ROAD (LOT 512)	
FORMER TENURE	LOT 456 ON DP221214 LR3120 - 894	
LOCAL AUTHORITY	SHIRE OF BROOKTON	
LOCALITY	BROOKTON	
D.O.L. FILE	01911 - 1992/2	
FIELD RECORD	137252	
SURVEYOR'S CERTIFICATE - Reg 54 I, <u>P. H. GOW</u> , hereby certify that this plan is accurate and is a correct representation of the (a) * survey; and / or (b) * calculations from measurements recorded in the field records, (* delete if inapplicable) undertaken for the purposes of this plan and that it complies with the relevant written law(s) in relation to which it is lodged.  Peter Gow 2016.08.29 10:54:42 +08'00' Licensed Surveyor Date		
LODGED		
7-Sep-16 DATE	\$0.00 FEE PAID	20105850 ASSESS NO.
I.S.C.		
EXAMINED		
22-9-2010		
WESTERN AUSTRALIAN PLANNING COMMISSION		
FILE		
EXEMPT FROM WAPC APPROVAL		
DELEGATED UNDER S.16 OF THE P & D ACT 2005 DATE		
IN ORDER FOR DEALINGS		
SUBJECT TO		
 22-9-2010 FOR INSPECTOR OF PLANS & SURVEYS DATE		
APPROVED		
 29-1-2018 INSPECTOR OF PLANS & SURVEYS (S.18 Licensed Surveyors Act 1909) DATE		
 GOVERNMENT OF WESTERN AUSTRALIA		
DEPOSITED PLAN		
406799		
SHEET 1 OF 1		
VERSION 1		

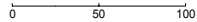
INTERESTS AND NOTIFICATIONS

SUBJECT	PURPOSE	STATUTORY REFERENCE	ORIGIN	LAND BURDENED	BENEFIT TO	COMMENTS

HELD BY LANDGATE IN DIGITAL FORMAT ONLY

PH & KE GOW
 LICENSED SURVEYORS
 P. O. BOX 580
 NARRGOON, W.A. 6312.
 PH - 98815140, FAX - 98815575
 peter-gow@bigpond.com

1 : 2000 at A2



P406799

<u>Lot Number</u>	<u>Part</u>	<u>Register Number</u>	<u>Section</u>
510		LR 3169/5	
512		LR 3169/7	

<u>Lot Number</u>	<u>Part</u>	<u>Register Number</u>	<u>Section</u>
511		2942/258	