



Lyndoch borrows big for \$100m masterplan as deficit rises

Description



Despite successive deficits, Lyndoch Living is borrowing big to fund its \$100m masterplan. Original image: Disney.

Carol Altmann – The Terrier

Lyndoch Living, having recorded a fifth deficit in six years, is digging into residential bonds to fund its \$100m masterplan.

And a warning – figures ahead, lots of figures – as we dive again into the swirling financials of Lyndoch Living.

One, two, three...jump!

When you bob up you will see that figures lodged by Lyndoch Living last week show an even greater loss – a \$2.4 million deficit – than was reported at last October's AGM (the one we were not invited to Zoom, but could watch [later on YouTube](#)).

The annual information statement [lodged last week with the Australian Charities and Not for Profit Commission](#) reveals a \$600,000 increase on the \$1.88 million loss reported at the AGM and in Lyndoch's full financial statements to the commission.

The \$2.4 m is the loss recorded by Lyndoch without taking into account the profit from the Warrnambool Medical Clinic, which it bought in 2019. Either way, it is the fifth deficit for Lyndoch in six years.

This doesn't seem to trouble the board.

As reported here [last November](#), Lyndoch's overall asset base (assets minus its liabilities) also

continues to slide and is now \$47.6m down from \$69m in 2015.

This doesn't seem to trouble the board either.

There is a lot to digest in the 60-page financial statement, so I am going to break it into bite-sized chunks tonight and in follow-up pieces.

First, the report shows us that Lyndoch has funded at least part of its \$13 million Swinton Wing expansion by doing something it has never done before, which is borrow money.

It has visited the bank and also borrowed a big chunk out of the \$26 million it holds in residential bonds paid by residents.

From this \$26 million in bonds, Lyndoch has thus far extracted \$10,944,323.

By law, as long as an aged care provider can cover its residential bond refunds for the next 12 months, it can dig into the rest and repay it down the track.

If an aged care home defaults, the Federal Govt will pick up the tab, so it's kind of a taxpayer-backed Ponzi scheme that relies on an aged care home doing the right thing.

It's also cheap, interest-free money, but concerns about how these bonds are being used is one reason (among many) that the whole bond scheme is [now under review](#) as part of the Royal Commission into Aged Care.

The loans, of course, will need to be repaid at some point, including fairly substantial interest on the bank loans, despite low interest rates.

In 2018, Lyndoch paid zero interest on any loans.

In 2019, it paid \$62,420.

In 2020, it paid \$372,669.

As of 7 July 2020, Lyndoch signed up for another loan from the NAB for \$3,386,000 which is due to be repaid by June 2022.

This was needed to fund the "redevelopment of a residential building" which, I assume, was the blowout in cost of the Swinton Wing.

That project, where residents are not allowed to hang any pictures on the walls despite paying huge bonds which helped fund it, grew from a budget of \$10 million to \$13 million.

Relying big on borrowed money is new territory for Lyndoch, which once upon a time used to spend only what it had, what the government gave it, and what it raised from the public.

But Lyndoch, as we know, is now a long way from those comfortable shores as it sails into a \$100 million masterplan under the captaincy of a CEO and board that firmly believes you must spend money to make it.

This is why in 2019 Lyndoch bought the Warrnambool Medical Clinic, Health Spot and May Noonan Hostel, in Terang, for around \$3.3 million.

(Lyndoch also recently hired JB Were – who will charge fees accordingly – to look after its complicated investment portfolio. We are not in Kansas anymore, Toto.)

The Warrnambool Medical Clinic last year turned over \$3.8m in revenue, but had \$2.8m in expenses.

According to the financials, the clinic returned a final profit of \$539,249 to Lyndoch Living in 2020 which is not to be sneezed at... but \$372,000 of this will be spent this year paying out the original owners of the clinic as the final instalment of the sale contract. Achoo!

The WMC was pretty much break even for last year.

As for this year, well this is when things get interesting, because Lyndoch has the wire fencing up and around its now-vacant Tomlinson Wing (built in 1991 with help from a generous donation from the Tomlinson family), all set for demolition to make way for a new, two-storey Lyndoch medical clinic to replace the existing WMC.

This clinic will have acute care, dentistry, an x-ray machine, up to 20 GPs, allied health, education rooms, a cafe, a chemist and no doubt wonderful indoor plants and a red-and-white colour scheme.

The cost? [An estimated \\$24 million](#). Where is that money coming from?

The bigger question, however, is will Lyndoch Living thrive or dive under this grand expansion and multi-million dollar spend up? Time will tell.

More soon.

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