



HERITAGE LODGE SCHEME

ARSN 089 099 249

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2021

HERITAGE LODGE SCHEME

ARSN: 089 099 249

RESPONSIBLE ENTITY REPORT FOR THE YEAR ENDED 30 JUNE 2021

The Directors of the Responsible Entity, Vasco Trustees Limited present their report on Heritage Lodge Scheme ('the Fund') for the year ended 30 June 2021. In order to comply with the provisions of the *Corporations Act 2001* the Directors report as follows:

1. Directors

The names of Directors of the Responsible Entity in office at any time during the financial year were:

Craig Mathew Dunstan

Fiona Jean Dunstan (retired on 31 December 2020)

Jonathan William Martin

Reginald Bancroft

2. Principal Activities

The Fund's principal activity is that of a managed investment scheme which operates 96 rooms and 6 suites at the Heritage Lodge Scheme Hotel located in the Yarra Valley Victoria. Each room represents 945 units in the Fund. Each suite represents 1546 units in the Fund.

3. Operating Results

The operating loss of the Fund for the financial year ending 30 June 2021 was \$405,888 (2020 loss: \$282,477).

4. Review of Operations

The result for the year to June was \$42,709 below budgeted revenue and \$1,123,497 behind last year's revenue. The Hotel operating profit was \$220,118. Hotel operating profit was \$15,662 ahead of the budgeted operating profit, and increased by \$119,090 compared to last year's results.

The Hotel remained closed from 24 March 2020 until 1 February 2021 due to government restrictions as a result of COVID-19. During the closure period, the interim hotel manager focused on minimizing ongoing costs related to unavoidable maintenance tasks as well as IT and revenue platform costs, and preparing for re-opening. Despite government support through JobKeeper and other initiatives, the Hotel's financial resources were severely depleted. As a result, the Fund had to undertake a capital raise for \$499,980 in September 2020 in order to meet its financial obligations which included the potential refund of booking deposits at the time, the ongoing hotel operating costs, and the costs of drafting and securing a new Room Management Agreement and Hotel Management Agreement. During the period in which the Hotel was closed no responsible entity fee was paid. Event Hospitality and Entertainment Limited (EVENT) commenced operations at Yarra Valley Lodge on 3 February 2021 as the hotel reopened following the lifting of Covid-19 restrictions. Room and Conference bookings since reopening have been strong, predominantly Leisure bookings at weekends and Conferencing during the week.

Despite a strong Q4, the tough climate in the hotel industry during most of the financial year resulted in a net loss for FY2021 and no distributions were payable to room owners. The scheme continues to face challenges with Victoria falling in and out of lockdown well into September 2021. The scheme is trying to manage expenses as best as possible, while preparing for re-opening by rescheduling all booked events.

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4. Review of Operations (continued)

There have been seven room sales for the financial year ending 30 June 2021 (2020: two room sales). During the period since inception the Fund had in total 96 rooms and 6 suites. These are owned by a total of 88 unitholders.

With the Hotel Management Agreement and many of the Room Management Agreements expiring on 16 April 2022, the Responsible Entity is currently looking to update these agreements.

5. Distributions Paid or Recommended

In accordance with the Room Management Agreement distributions are declared and paid on a quarterly basis from the net taxable income.

No distributions were declared during the financial year. The Fund's accumulated losses will need to be recovered prior to any distributions being paid in the future.

6. Redemption Arrangements

As detailed in the Fund's Constitution the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unitholders. Consequently, no units were redeemed by the Responsible Entity during the reporting period. As the rooms and suites are not owned by the Fund, units can only be transferred to another Investor.

7. Options

No options over issued units or interests in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report. The Directors and executives of the Responsible Entity hold no options over interests in the Fund.

8. Proceedings on Behalf of the Fund

The Responsible Entity is currently considering whether to consent to the sale of the Management Lot and is working through a range of issues with the proposed purchaser. The purchaser has lodged proceedings in relation to the granting of consent, however, at this time we are unaware of the substance of the issues.

Other than as mentioned above no person has applied to the court for leave to bring proceedings on behalf of the Fund, or to intervene in any proceedings to which the Fund is a party, for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings.

9. Value of Fund Assets

The Gross Asset Value of the Fund's assets at the end of the reporting period was \$1,381,187 (2020: \$773,043). The Net Asset Value at the end of the reporting period was (\$69,250) (2020: (\$163,342)).

10. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections of this Report, there have been no other significant changes to the state of affairs of the Fund during the financial year.

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11. After Balance Date Events

Due to ongoing government restrictions the Hotel was closed for the period 16 July 2021 to 27 July 2021 and again on the 5th August 2021 to the date of this Report.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years other than as disclosed in this report.

12. Future Developments

The current owner of the Management Lot is looking to sell its interests to another party. The Responsible Entity is reviewing the matter.

There are no other future developments to report on which are not otherwise disclosed in this report.

13. Going Concern

The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the financial year ended 30 June 2021, the Fund had a net loss of \$405,888 (2020: net loss: \$282,477) primarily as a result of the hotel closure as a consequence of COVID-19.

In addition, the Fund has a net current liability position at 30 June 2021 of \$69,250 (2020: \$163,342).

Consequently, there is material uncertainty that may cast significant doubt whether the Fund can continue as a going concern.

While noting the above factors, in assessing the appropriateness of the going concern basis the following factors have been taken into consideration by the Directors:

- The Directors are of the view that the Fund is expected to generate profits and positive cash flows in FY 22 as the economic consequences of COVID-19 are expected to improve once Victoria achieves its target vaccination rate.
- The Directors raised additional equity funds in September 2020 to meet ongoing costs and have the ability, if need be, to do so again.

On this basis no adjustments have been made to the financial report relating to classification and carrying amount of assets or the amount and classification of liabilities that would be necessary should the Fund not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis. Should the Fund be unable to obtain further funding, the Fund may in the future not be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in these financial statements.

14. Indemnifying Officers or Auditor

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned Directors as well as officers of the Responsible Entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Responsible Entity, other than conduct involving a willful breach of duty in relation to the Responsible Entity.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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**RESPONSIBLE ENTITY REPORT
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14. Indemnifying Officers or Auditor (continued)

The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

15. Fees, Commissions or Other Charges by the Responsible Entity, Investment Manager or Related Parties

Fees of \$32,788 (plus GST) were accrued and paid by the Fund to the Responsible Entity for the period. In addition, expenses of \$36,000 (plus GST) were accrued and paid by the Fund to the Responsible Entity.

16. Units held by the Responsible Entity or Related Parties

As at 30 June 2021 no units were held by the Responsible Entity.

17. Number of Interests on Issue

As at 30 June 2021, the number of units on issue in the Fund was 99,996, represented by 90,720 units issued to room owners and 9,276 units issued to suite owners.

18. Environmental Issues

The operations of the Fund are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

19. Lead auditor's declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on the following page and forms part of the Responsible Entity's report for the year ended 30 June 2021.

Signed in accordance with a resolution of the Board of Directors of Vasco Trustees Limited by:

Craig Dunstan

Craig Dunstan

Director

Date: 26 October 2021

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF HERITAGE LODGE

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.


ShineWing Australia
Chartered Accountants


Rami Eltchelebi
Partner

Melbourne, 26 October 2021

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
Revenue and other income			
Room Revenue	2 (a)	1,166,112	2,483,136
Other income	2 (b)	218,130	21,926
Total revenue and other income		1,384,242	2,505,062
Expenses			
Hotel Expenses			
Hotel overheads		892,099	1,193,131
Direct room costs		660,196	1,026,333
Hotel management fees		17,290	109,473
Owners' FF&E contribution	3	(22,067)	26,511
Total Hotel Expenses		1,547,518	2,355,448
Scheme Expenses			
Responsible Entity fees	4	29,274	62,626
Other fund expenses	5	59,758	61,132
Legal costs	6	32,788	177,294
Audit fees	7	24,500	26,750
Tax advice	7	2,900	4,000
Total Scheme Expenses		149,220	331,802
Depreciation expense	8	93,392	100,289
Total expenses		1,790,130	2,787,539
Net (loss)/profit attributed to unitholders		(405,888)	(282,477)
Finance costs attributable to unitholders			
Distributions paid		-	32,586
Distributions payable		-	-
Total comprehensive (loss)/income for the year attributable to unitholders		(405,888)	(315,063)

The accompanying notes form part of these financial statements

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	9	1,242,374	614,795
Other assets	10	40,909	23,605
Total current assets		1,283,283	638,400
Non-current assets			
Furniture, fixtures and equipment	11	578,433	521,780
Less: accumulated depreciation	11	(480,529)	(387,136)
Total non-current assets		97,904	134,644
Total assets		1,381,187	773,044
Liabilities			
Trade and other payables	12	1,198,847	908,852
Pooled hotel funding	13	251,590	27,534
Total liabilities		1,450,437	936,386
Net (liabilities)/assets attributable to unitholders	14	(69,250)	(163,342)

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or the end of the financial year.

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Room receipts and other income		1,181,211	2,505,062
Payments to suppliers		(1,463,395)	(2,948,079)
Interest received		188	-
ATO – Jobkeeper		213,100	-
Net cash flow from operating activities		<u>(68,896)</u>	<u>(443,017)</u>
Cash flows from financing activities			
Capital call contribution from members		472,419	-
Distribution to members		-	(103,026)
Pooled hotel funding		224,056	(377,390)
Net cash flow from financing activities		<u>696,475</u>	<u>(480,416)</u>
Net (decrease) /increase in cash held		627,579	(923,433)
Cash and cash equivalents at beginning of financial year		<u>614,795</u>	<u>1,538,228</u>
Cash and cash equivalents at end of financial year	9	<u>1,242,374</u>	<u>614,795</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the Heritage Lodge Scheme ('the Fund'). The Fund is a registered managed investment scheme established and domiciled in Australia. The Responsible Entity of the Fund is Vasco Trustees Limited.

Basis of Preparation

(a) Going concern

The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Hotel Management Agreement and many of the Room Management Agreements will be expiring in April 2022, the Responsible Entity is currently looking to update these agreements.

During the financial year ended 30 June 2021, the Fund had a net loss of \$405,888 (2020: net loss: \$282,477) primarily as a result of the hotel closure as a consequence of COVID-19.

In addition, the Fund has a net current liability position at 30 June 2021 of \$69,250 (2020: \$163,342).

Consequently, there is material uncertainty that may cast significant doubt whether the Fund can continue as a going concern.

While noting the above factors, in assessing the appropriateness of the going concern basis the following factors have been taken into consideration by the Directors:

- The Directors are of the view that the Fund is expected to generate profits and positive cash flows in FY 22 as the economic consequences of COVID-19 are expected to improve once Victoria achieves its target vaccination rate.
- The Directors raised additional funds in September 2020 to meet ongoing costs and have the ability, if need be, to do so again.

On this basis no adjustments have been made to the financial report relating to classification and carrying amount of assets or the amount and classification of liabilities that would be necessary should the Fund not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis. Should the Fund be unable to obtain further funding, the Fund may in the future not be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in these financial statements.

(b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report of the Fund complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Heritage Lodge Scheme is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were approved by the Board of Directors of the Responsible Entity on 26 October 2021.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of measurement

The financial report is prepared on the historical cost basis except for the following material items in the statement of financial position:

(d) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

(e) Use of estimates and judgements

The preparation of financial statements requires the Directors of the Responsible Entity to undertake a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(f) Critical Accounting Judgements

The Directors of the responsible entity evaluate judgements incorporated into the financial statements based on historical knowledge and best available current information.

Key judgements

Payroll provision

The Fund recognises a payroll provision in relation to its share of employee benefit costs of the Hotel in accordance with the Constitution.

Judgement is utilised in estimating the amount of leave to be utilised and the future employment length of hotel staff.

Significant accounting policies

(a) Financial instruments

Financial assets and financial liabilities are recognised on the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

(i) Measurement

Financial assets are recognised when the Relevant Entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Relevant Entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial assets are initially measured at fair value plus transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

(a) Financial instruments (continued)

(i) Measurement (continued)

Amortised Cost

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Fair Value through Other Comprehensive Income

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

Fair Value through Profit or Loss

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit or loss.

Financial Liabilities

Financial liabilities are recognised when the Relevant Entity becomes a party to the contractual provisions to the instrument.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

(ii) Categorisation

The Fund's financial instruments are categorised as follows:

Cash and cash equivalents

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Categorisation (continued)

Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

De-recognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with AASB 9. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Interest income

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income is recognised on a gross basis, including withholding tax, if any.

Expenses

All expenses, including management fees, are recognised in the statement of comprehensive income on an accrual basis.

Finance Cost

Distributions paid and payable on investor funds are recognised in the statement of comprehensive income as finance costs and as a liability where not paid. Distributions paid are included in cash flows from operating activities in the statement of cash flows.

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Distribution and taxation

The Fund's Constitution requires that the Fund distribute, at a minimum, the "net income" (as defined in the *Income Tax Assessment Act 1936*) derived during the financial year.

The Fund is not subject to income tax as the taxable income is distributed in full to the investors. The Fund fully distributes its distributable income, calculated in accordance with the Fund constitution and applicable taxation legislation, to the unit-holders who are presently entitled to the income under the constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

(b) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST, and accruals are shown exclusive of GST.

(c) Income tax

Under current legislation, the Fund is not liable for income tax provided its taxable income is fully distributed to unitholders.

(d) Critical judgements and significant accounting estimates

The preparation of financial statements requires the Directors of the Responsible Entity to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(e) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Fund that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(f) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Revenue is deferred when fees are received upfront but where associated services are yet to be performed. Any consideration deferred for more than one year is treated as a financing arrangement and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of Goods and Services Tax (GST).

(g) Trade Receivables

Trade receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

(h) Foreign Exchange

Items included in the financial records are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Australian dollars, which is the presentation currency of the Fund.

(i) Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(j) New accounting standards and interpretations

The Fund has adopted AASB 16 during the year ended 30 June 2021. There was no material impact upon adoption as all leases fell under the low value exemption.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

(k) Coronavirus (COVID-19) impact

In preparing its financial statements the Responsible Entity has considered the current and ongoing impact the COVID-19 pandemic has had on its business operations. In assessing such impacts the Responsible Entity has relied upon certain key estimates to evaluate current and future business operations. Inherent in any estimate is a level of uncertainty. In particular, due to COVID-19, estimation uncertainty is heightened this year. Estimation uncertainty is associated with:

- The extent and duration of the disruption to the business of the hotel arising from the actions by governments, businesses and consumers to contain the spread of the virus;

- The extent and duration of the expected economic downturn, including:
 - The disruption to capital markets;
 - Deteriorating credit and liquidity concerns;
 - Increasing unemployment and declines in consumer discretionary spending;
 - Percentage of population vaccinated and effectiveness of vaccines which the Responsible Entity will continue to monitor and adapt as new information is available; and
 - The effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

COVID-19 mandated temporary trading restrictions and closures over the period impacted revenue. Once COVID-19 trading restrictions were eased sales generally improved to levels in line or higher than those pre COVID-19.

There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Responsible Entity. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected and the effect of those differences may significantly impact accounting estimates in this report.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 2: REVENUE

The Fund's revenue may be analysed under the following categories

(a) Room revenue

	2021	2020
	\$	\$
Room revenue	1,166,112	2,483,136
	<u>1,166,112</u>	<u>2,483,136</u>

(b) Other income

	2021	2020
	\$	\$
Credit Card Surcharge	4,842	21,926
ATO Jobkeeper	213,100	-
Interest income	188	-
	<u>218,130</u>	<u>21,926</u>

NOTE 3: OWNERS FF&E CONTRIBUTION

	2021	2020
	\$	\$
FF&E Contribution	(22,067)	26,511
	<u>(22,067)</u>	<u>26,511</u>

An amount equal to 3% of revenue is transferred to a separate account to be used to replace furniture, fixtures and equipment of a capital nature when required

NOTE 4: RESPONSIBLE ENTITY FEES

	2021	2020
	\$	\$
Responsible entity fees	29,274	62,626
	<u>29,274</u>	<u>62,626</u>

In accordance with the Hotel Management Agreement (HMA) the Responsible Entity is entitled to an amount equal to 2.5% of revenue payable monthly in arrears.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 5: OTHER FUND EXPENSES

	2021	2020
	\$	\$
Accountancy	18,000	17,941
Custody and compliance	30,783	30,702
Filing fees	1,267	1,240
Bank fees	225	195
Administration expenses	9,482	9,350
Meeting expenses	-	1,704
	59,757	61,132
	59,757	61,132

NOTE 6: LEGAL COSTS

	2021	2020
	\$	\$
Legal costs	32,788	177,294
	32,788	177,294
	32,788	177,294

During FY2021 legal costs were incurred in relation to the sale of the Management Lot and drafting of new Room Management Agreements.

NOTE 7: REMUNERATION OF AUDITORS

The auditor of the Fund for the financial year ending 30 June 2021 was SW Australia. Hayley Underwood of SW Australia was the Compliance Plan auditor.

The fees paid or agreed to be paid by the Fund are disclosed below.

	2021	2020
	\$	\$
Remuneration of Auditors:		
Audit services		
Audit of financial report	18,000	18,000
Other regulatory audit services	7,000	7,000
	25,000	25,000
Other services		
Taxation services	4,000	4,000
	4,000	4,000
	39,750	39,750

**HERITAGE LODGE SCHEME
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 8: DEPRECIATION EXPENSE

	2021	2020
	\$	\$
Depreciation expense	93,392	100,289
	<u>93,392</u>	<u>100,289</u>

Depreciation charged on the assets owned by the scheme on behalf of the Room Owners.

NOTE 9: CASH AND CASH EQUIVALENTS

Cash at bank

	2021	2020
	\$	\$
Cash on deposit is held with ANZ Banking Group		
Heritage Lodge Scheme operating account	385,726	190,959
Yarra Valley Lodge revenue account	393,419	93,380
Yarra Valley Lodge operating account (Fund share)	138,507	(22,349)
FF&E reserve	324,722	352,805
	<u>1,242,374</u>	<u>614,795</u>

NOTE 10: OTHER ASSETS

	2021	2020
	\$	\$
Trade debtors	481	9,160
Prepayments	12,867	14,445
Sundry debtors	27,561	-
	<u>40,909</u>	<u>23,605</u>

NOTE 11: NON-CURRENT ASSETS

	2021	2020
	\$	\$
Furniture, fixtures and equipment	578,433	521,780
Less: accumulated depreciation	(480,529)	(387,136)
	<u>97,904</u>	<u>134,644</u>

**HERITAGE LODGE SCHEME
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 12: TRADE AND OTHER PAYABLES

	2021	2020
	\$	\$
Accrued expenses	244,093	109,985
Deposits held	547,685	359,405
Provision for FF&E	327,536	354,348
Payroll provision	78,974	84,807
Distribution payable	307	307
Hotel owner funding account	252	-
	<u>1,198,847</u>	<u>908,852</u>

NOTE 13: POOLED HOTEL FUNDING

	2021	2020
	\$	\$
Management Lot inter-entity loan	251,590	27,534
	<u>251,590</u>	<u>27,534</u>

As the Hotel revenue account is held by the Fund's custodian, this amount is the balance owing to the Management Lot owner and has no interest payable or specific repayment date.

NOTE 14: RECONCILIATION OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2021	2020
	\$	\$
Opening net assets attributable to unit holders 1 July 2020	(163,342)	151,721
Capital raise during financial year	499,980	-
Loss for financial year	(405,888)	(315,063)
Closing net assets attributable to unit holders 30 June 2021	<u>(69,250)</u>	<u>(163,342)</u>

The scheme's financial resources were depleted during the latter half of last financial year due to significant legal costs resulting from the legal action that Room Owners demanded the Responsible Entity undertake to ensure that the golf course owner did not acquire the Management Lot. There have been ongoing legal costs since then due to the continued agitation by one of the room owners. Subsequent to the legal matters, the hotel was then hit by the global pandemic, COVID-19, forcing the hotel to be closed for an extended period.

A Contribution/Funding Notice was sent to all Unitholders in September 2020, seeking \$500,000 from Room Owners (\$4,725 per room owner and \$7,730 per suite owner) to assist the scheme in meeting the following minimum financial commitments: (1) the refund of booking deposits for events that may be cancelled, (2) an ongoing need to fund hotel operating costs until the hotel re-opens and reaches break-even and (3) the costs of drafting and securing agreement for a new Room Management Agreement and Hotel Management Agreement. These are costs and expenses which form part of the usual cost of the operation of a hotel business and are necessary to ensure the longevity of the scheme.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 15: RELATED PARTY TRANSACTIONS

The Fund's related parties include those described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(a) Responsible Entity

The Responsible Entity of the Heritage Lodge Scheme is Vasco Trustees Limited.

Fees of \$29,274 (plus GST) were accrued and paid by the Fund to Vasco Trustees Limited for its role as Responsible Entity for the period.

Expenses of \$36,000 (plus GST) were accrued and paid by the Fund to Vasco Trustees Limited for out-of-pocket expenses incurred by the Responsible Entity for the period.

While the Responsible Entity has power over the relevant activities of the Fund pursuant to the management agreement, the Responsible Entity does not have sufficient exposure and rights to variable returns from its involvement with the Fund to meet the criteria necessary for control in AASB 10: Consolidated Financial Statements. Accordingly, the Responsible Entity is not considered to be the parent. However, for the purpose of AASB 124: Related Party Disclosures, the Directors consider that the Responsible Entity is a related party of the Fund as it is the management entity. Accordingly, both the Responsible Entity and its Directors are considered to be key management personnel of the Fund.

(b) Key management personnel

The Directors of Vasco Trustees Limited, being the Responsible Entity of the Heritage Lodge Scheme, have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, and are considered Key Management Personnel (KMP) of the Fund.

NOTE 15: RELATED PARTY TRANSACTIONS (continued)

(c) Other Related Parties

Other related parties include close family members of KMP and entities that are controlled or significantly influenced by those KMP or their close family members, individually or collectively.

(d) Transactions with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(e) Remuneration of Key Management Personnel

The Directors are not remunerated by the Fund.

NOTE 16: CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the period.

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

As at the date of this report, there have been no other events subsequent to the reporting date that require additional disclosure.

**HERITAGE LODGE SCHEME
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 18: FINANCIAL RISK MANAGEMENT

The Fund's financial instruments consist of deposits with banks, accounts receivable and accounts payable.

The Responsible Entity does not consider that the Fund is exposed to any significant financial risk. The Responsible Entity's overall risk management strategy seeks to assist the Fund in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The risk management policies are approved and reviewed by the Responsible Entity on a regular basis.

NOTE 19: RESPONSIBLE ENTITY DETAILS

The registered office and the principal place of business of the Responsible Entity are:

Vasco Trustees Limited

Level 4

99 William Street

Melbourne Victoria 3000

HERITAGE LODGE SCHEME
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DIRECTORS' DECLARATION

In the opinion of the Directors of Heritage Lodge Scheme:

- (a) The financial statements and notes of Heritage Lodge Scheme are in accordance with the *Corporations Act 2001*, including
 - (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting obligations; and
 - (ii) Giving a true and fair view of its financial position as at 30 June 2021 and its performance for this financial year ended on that date;
- (b) There are reasonable grounds to believe that Heritage Lodge Scheme will be able to pay its debts as and when they become due and payable.
- (c) Note 1 confirms the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors.

Craig Dunstan

Craig Dunstan

Director

26 October 2021

INDEPENDENT AUDITOR'S REPORT

TO THE INTERESTHOLDERS OF HERITAGE LODGE

Opinion

We have audited the financial report of Heritage Lodge (the Fund), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity, statement of cash flows for the year ended and notes to the financial statements, including a summary of significant accounting policies, and the Responsible Entity directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its financial performance for the year then ended, and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Fund, would be in the same terms if given to the directors at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report which states that the Fund had a net loss of \$405,888 and net current liabilities of \$69,250 primarily as a result of the hotel closure as a consequence of COVID-19. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Information Other than the Financial Report and Auditor's Report Thereon

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.

- Conclude on the appropriateness of the Responsible Entity directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



ShineWing Australia
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 26 October 2021