



HERITAGE LODGE SCHEME

ARSN 089 099 249

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2022

HERITAGE LODGE SCHEME
ARSN: 089 099 249

RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The Directors of the Responsible Entity, Vasco Trustees Limited present their report on Heritage Lodge Scheme ('the Fund') for the year ended 30 June 2022. 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

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 profit of the Fund for the financial year ending 30 June 2022 was \$117,301 (2021 loss: \$405,888).

4. Review of Operations

The profit / (loss) for the year is \$117,301 (2021: (\$405,888)).

There have been fifteen room sales and one suite sale for the financial year ending 30 June 2022 (2021: seven room sales). Since inception the Fund had in total 96 rooms and 6 suites. These are owned by a total of 68 unitholders.

With the Hotel Management Agreement and many of the Room Management Agreements due to expire, the Responsible Entity is currently looking to update these agreements.

4. 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.

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. 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.

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RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2022

8. Proceedings on Behalf of the Fund

Unitholders will be aware a key document governing the rights and obligations of various stakeholders in the Scheme is the Hotel Management Agreement (HMA).

The term of the HMA and the original version of the room management agreements (RMAs) entered into by unitholders is calculated with reference to the meaning of the definition "Opening Date" under the HMA. The HMA does not nominate a specific date, but says the Opening Date is the latest date a series of conditions relating to the Scheme and the hotel were fulfilled. There is uncertainty about what the Opening Date is.

Three separate legal proceedings have been filed with the Supreme Court of Victoria which concern the Scheme and the definition of Opening Date.

The first proceeding has been commenced by Yarra Valley Heritage Estate Pty Ltd (YVHE), Austpac Properties Pty Ltd and Yarra Valley Lodge Pty Ltd (as plaintiffs) against Vasco Trustees Ltd as Responsible Entity of the Scheme (as defendant) (YVHE Proceeding). The plaintiffs in the YVHE Proceeding are asking the Court to make orders which will allow YVHE to buy the management lot and the hotel management rights.

The second proceeding has been commenced by Vasco seeking direction from the Court regarding its involvement in the YVHE Proceeding (Vasco Proceeding). This notice is issued in the Vasco Proceeding.

The third proceeding has been commenced by Australian Pacific and Investment Corporation Pty Ltd (APIC) against Vasco (APIC Proceeding). APIC is asking the Court to make orders declaring the RMAs it has signed over its two rooms in the Scheme have been terminated, and APIC is entitled to take possession of its rooms.

Because the definition of Opening Date is likely to be relevant in the YVHE Proceeding, the Vasco Proceeding and the APIC Proceeding, the Court has ordered the meaning of the term Opening Date be determined in the Vasco Proceeding. This will help to minimise costs and avoid the same issue being determined in all three proceedings, while still giving all unitholders the opportunity to have their say.

Vasco's current position in the Vasco Proceeding is the Opening Date was, at the latest, 8 May 2006, and that this means the term of the HMA will expire on 8 May 2026.

9. Value of Fund Assets

The Gross Asset Value (GAV) of the Fund's assets at the end of the reporting period was \$1,815,072 (2021: \$1,381,187). The Net Asset Value (NAV) at the end of the reporting period was \$48,051 (2021: (\$69,250)).

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.

11. After Balance Date Events

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.

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RESPONSIBLE ENTITY REPORT FOR THE YEAR ENDED 30 JUNE 2022

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 2022, the Fund had a net profit of \$117,301 (2021: net loss: \$405,888).

In assessing the appropriateness of the going concern the Fund is party to the various legal proceedings outlined above, which will incur significant legal fees. However, at the date of this report, the Directors consider the expected revenue of the Fund will be sufficient to meet the legal costs associated with the Fund's participation in those proceedings.

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 not generated expected profits, the costs of the proceedings be higher than expected, or the Fund be unable to obtain further funding, the Fund may in the future not be able to continue as a going concern. If this occurs, it 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.

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 \$78,295 (plus GST) were accrued and paid by the Fund to the Responsible Entity for the period.

16. Units held by the Responsible Entity or Related Parties

As at 30 June 2022 no units were held by the Responsible Entity.

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**RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

17. Number of Interests on Issue

As at 30 June 2022, 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 2022.

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

Craig Dunstan

Craig Dunstan

Director

Date: 26 October 2022

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

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 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.

SW

SW Audit (formerly ShineWing Australia)
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 26 October 2022

Brisbane

Level 15
240 Queen Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne

Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800

Perth

Level 25
108 St Georges Terrace
Perth WA 6000
T + 61 8 6184 5980

Sydney

Level 7 Aurora Place
88 Phillip Street
Sydney NSW 2000
T + 61 2 8059 6800



HERITAGE LODGE SCHEME
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | 2022 \$ | 2021 \$ |
|---|-------|------------------|------------------|
| Revenue and other income | | | |
| Room Revenue | 2 (a) | 3,044,944 | 1,166,112 |
| Other income | 2 (b) | 36,411 | 218,130 |
| Total revenue and other income | | 3,081,355 | 1,384,242 |
| Expenses | | | |
| Hotel Expenses | | | |
| Hotel overheads | | 1,055,580 | 892,099 |
| Direct room costs | | 1,245,809 | 660,196 |
| Hotel management fees | | 47,040 | 17,290 |
| Guarantee fee | | 39,465 | - |
| Incentive fee | | 87,727 | - |
| Owners' FF&E contribution | 3 | 86,227 | (22,067) |
| Total Hotel Expenses | | 2,561,848 | 1,547,518 |
| Scheme Expenses | | | |
| Responsible Entity fees | 4 | 78,295 | 29,274 |
| Other fund expenses | 5 | 58,687 | 59,758 |
| Legal costs | 6 | 205,907 | 32,788 |
| Audit fees | 7 | 26,350 | 24,500 |
| Tax advice | 7 | 400 | 2,900 |
| Total Scheme Expenses | | 369,639 | 149,220 |
| Depreciation expense | 8 | 32,567 | 93,392 |
| Total expenses | | 2,964,054 | 1,790,130 |
| Net profit / (loss) attributed to unitholders | | 117,301 | (405,888) |
| Finance costs attributable to unitholders | | | |
| Distributions paid | | - | - |
| Distributions payable | | - | - |
| Total comprehensive profit / (loss) for the year attributable to unitholders | | 117,301 | (405,888) |

The accompanying notes form part of these financial statements

HERITAGE LODGE SCHEME
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

| | Notes | 2022 \$ | 2021 \$ |
|---|-------|------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | 9 | 1,704,734 | 1,242,374 |
| Other assets | 10 | 38,862 | 40,909 |
| Total current assets | | 1,743,596 | 1,283,283 |
| Non-current assets | | | |
| Furniture, fixtures and equipment | 11 | 584,571 | 578,433 |
| Less: accumulated depreciation | 11 | (513,095) | (480,529) |
| Total non-current assets | | 71,476 | 97,904 |
| Total assets | | 1,815,072 | 1,381,187 |
| Liabilities | | | |
| Trade and other payables | 12 | 1,501,148 | 1,198,847 |
| Pooled hotel funding | 13 | 265,873 | 251,590 |
| Total liabilities | | 1,767,021 | 1,450,437 |
| Net assets / (liabilities) attributable to unitholders | 14 | 48,051 | (69,250) |

The accompanying notes form part of these financial statements

HERITAGE LODGE SCHEME
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

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.

HERITAGE LODGE SCHEME
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | 2022 \$ | 2021 \$ |
|--|-------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Room receipts and other income | | 3,076,070 | 1,181,211 |
| Payments to suppliers | | (2,635,326) | (1,463,395) |
| Interest received | | 1,864 | 188 |
| ATO – Jobkeeper | | - | 213,100 |
| Net cash flow provided by / (used in) operating activities | | <u>442,608</u> | <u>(68,896)</u> |
| Cash flows from financing activities | | | |
| Capital call contribution from members | | 5,467 | 472,419 |
| Pooled hotel funding | | 224,056 | 224,056 |
| Net cash flow provided by financing activities | | <u>19,750</u> | <u>696,475</u> |
| Net increase in cash | | 462,359 | 627,579 |
| Cash and cash equivalents at beginning of financial year | | 1,242,375 | 614,795 |
| Cash and cash equivalents at end of financial year | | <u><u>1,704,734</u></u> | <u><u>1,242,374</u></u> |

The accompanying notes form part of these financial statements

HERITAGE LODGE SCHEME
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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.

During the financial year ended 30 June 2022, the Fund had a net profit of \$117,301 (2021: net loss: \$405,888).

In assessing the appropriateness of the going concern assumption the Fund is party to the various legal proceedings outlined below, which will incur significant legal fees. However, at the date of this report, the Directors consider the expected revenue of the Fund will be sufficient to meet the legal costs associated with the Fund's participation in those proceedings.

Unitholders will be aware a key document governing the rights and obligations of various stakeholders in the Scheme is the Hotel Management Agreement (HMA). The term of the HMA and the original version of the room management agreements (RMAs) entered into by unitholders is calculated with reference to the meaning of the definition "Opening Date" under the HMA. The HMA does not nominate a specific date, but says the Opening Date is the latest date a series of conditions relating to the Scheme and the hotel were fulfilled. There is uncertainty about what the Opening Date is. Three separate legal proceedings have been filed with the Supreme Court of Victoria which concern the Scheme and the definition of Opening Date. Vasco's current position in the Vasco Proceeding is the Opening Date was, at the latest, 8 May 2006, and that this means the term of the HMA will expire on 8 May 2026 which supports the going concern basis of these financial statements.

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 not generate the expected profits, the costs of the proceedings be higher than expected, or the Fund be unable to obtain further funding, the Fund may in the future not be able to continue as a going concern. If this occurs, it 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 2022.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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.

HERITAGE LODGE SCHEME
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: 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
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue and Other Income

Hotel Room Revenue is recognised when control of the promised goods and services are transferred to the customer, which may be over time or at a point in time. Revenue is recognised in an amount that reflects the consideration expected to be entitled in exchange for transferring the goods and services.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, 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
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2: REVENUE

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

(a) Room revenue

| | 2022 | 2021 |
|--------------|-------------------------|-------------------------|
| | \$ | \$ |
| Room revenue | 3,044,944 | 1,166,112 |
| | <u>3,044,944</u> | <u>1,166,112</u> |

(b) Other income

| | 2022 | 2021 |
|-----------------------|----------------------|-----------------------|
| | \$ | \$ |
| Credit Card Surcharge | 34,547 | 4,842 |
| ATO Jobkeeper | - | 213,100 |
| Interest income | 1,864 | 188 |
| | <u>36,411</u> | <u>218,130</u> |

NOTE 3: OWNERS FF&E CONTRIBUTION

| | 2022 | 2021 |
|-------------------|----------------------|------------------------|
| | \$ | \$ |
| FF&E Contribution | 86,227 | (22,067) |
| | <u>86,227</u> | <u>(22,067)</u> |

NOTE 4: RESPONSIBLE ENTITY FEES

| | 2022 | 2021 |
|-------------------------|----------------------|----------------------|
| | \$ | \$ |
| Responsible entity fees | 78,295 | 29,274 |
| | <u>78,295</u> | <u>29,274</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 2022

NOTE 5: OTHER FUND EXPENSES

| | 2022 | 2021 |
|-------------------------|----------------------|----------------------|
| | \$ | \$ |
| Accountancy | 18,450 | 18,000 |
| Custody and compliance | 31,814 | 30,783 |
| Filing fees | 1,281 | 1,267 |
| Bank fees | 192 | 225 |
| Administration expenses | 6,950 | 9,482 |
| | <u>58,687</u> | <u>59,757</u> |

NOTE 6: LEGAL COSTS

| | 2022 | 2021 |
|-------------|-----------------------|----------------------|
| | \$ | \$ |
| Legal costs | 205,907 | 32,788 |
| | <u>205,907</u> | <u>32,788</u> |

During FY2022 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 2022 was SW Australia.

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

| | 2022 | 2021 |
|----------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Remuneration of Auditors: | | |
| Audit services | | |
| Audit of financial report | 19,000 | 18,000 |
| Compliance Audit | 7,350 | 7,000 |
| | <u>26,350</u> | <u>25,000</u> |
| Other services | | |
| Taxation services | 4,000 | 4,000 |
| | <u>4,000</u> | <u>4,000</u> |
| | <u>30,350</u> | <u>29,000</u> |

HERITAGE LODGE SCHEME
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 8: DEPRECIATION EXPENSE

| | 2022 | 2021 |
|----------------------|----------------------|----------------------|
| | \$ | \$ |
| Depreciation expense | 32,567 | 93,392 |
| | <u>32,567</u> | <u>93,392</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

| | 2022 | 2021 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Cash on deposit is held with ANZ Banking Group | | |
| Heritage Lodge Scheme operating account | 121,551 | 385,726 |
| Yarra Valley Lodge revenue account | 828,969 | 393,419 |
| Yarra Valley Lodge operating account (Fund share) | 349,850 | 138,507 |
| FF&E reserve | 404,364 | 324,722 |
| | <u>1,704,734</u> | <u>1,242,374</u> |

NOTE 10: OTHER ASSETS

| | 2022 | 2021 |
|----------------|----------------------|----------------------|
| | \$ | \$ |
| Trade debtors | 481 | 481 |
| Prepayments | 16,287 | 12,867 |
| Sundry debtors | 22,094 | 27,561 |
| | <u>38,862</u> | <u>40,909</u> |

NOTE 11: NON-CURRENT ASSETS

| | 2022 | 2021 |
|-----------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Furniture, fixtures and equipment | 584,571 | 578,433 |
| Less: accumulated depreciation | (513,096) | (480,529) |
| | <u>71,475</u> | <u>97,904</u> |

HERITAGE LODGE SCHEME
ARSN: 089 099 249
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 12: TRADE AND OTHER PAYABLES

| | 2022 | 2021 |
|-----------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Accrued expenses | 415,653 | 244,093 |
| Deposits held | 320,386 | 547,685 |
| Provision for FF&E | 413,150 | 327,536 |
| Payroll provision | 70,222 | 78,974 |
| Distribution payable | 308 | 307 |
| Hotel owner funding account | 24,211 | 252 |
| Scheme trade creditors | 190,171 | - |
| GST liabilities | 67,047 | - |
| | <u>1,501,148</u> | <u>1,198,847</u> |

NOTE 13: POOLED HOTEL FUNDING

| | 2022 | 2021 |
|----------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Management Lot inter-entity loan | 265,873 | 251,590 |
| | <u>265,873</u> | <u>251,590</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

| | 2022 | 2021 |
|--|----------------------|------------------------|
| | \$ | \$ |
| Opening net assets attributable to unit holders 1 July 2021 | (69,250) | (163,342) |
| Capital raised during financial year | - | 499,980 |
| Profit / (loss) for financial year | 117,301 | (405,888) |
| Closing net assets / (liabilities) attributable to unit holders 30 June 2022 | <u>48,051</u> | <u>(69,250)</u> |

HERITAGE LODGE SCHEME
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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 \$78,295 (plus GST) were accrued and paid by the Fund to Vasco Trustees Limited for its role as 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.

(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
ARSN: 089 099 249
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 18: FINANCIAL RISK MANAGEMENT

(a) Investment risk

The value of an investment may rise or fall, distributions may or may not be paid and Investor's capital may or may not be returned. No guarantee is made by the Trustee, or any of their directors, associates or consultants on the performance of the Fund

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

(b) Liquidity risk

An investment in the Fund should be considered illiquid. Investors' only opportunity to exit the Fund will be via a transfer of their Units to another Investor or person or upon sale of the Fund's assets subsequent and wind-up of the Fund. While the Trustee retains the right to make withdrawal offers to investors from time to time there is no guarantee the Fund will ever be able to redeem an Investors Units in whole or in part. Given the Fund is unlisted it can be expected that there is only a limited or negligible secondary market for Units.

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.

(c) Market risk

There is a risk that the market value of the Fund's assets will fluctuate. This may occur as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events, environmental and technological issues.

(d) Valuation risk

Investors are advised that the Trustee has not undertaken any assessment in terms of the valuation of the Fund Assets or any other due diligence on the Fund Assets. Investors will be entirely responsible for forming their own view as to the value of investing in the Fund and the terms of the Right of First Refusal on which the Trustee will purchase the Fund assets. There is a risk that the price paid for the Fund Assets is above what the Fund Assets are worth, in which case the value of an Investment in the Fund will decrease.

HERITAGE LODGE SCHEME
ARSN: 089 099 249
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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
ARSN: 089 099 249

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 2022 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 2022

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 2022, 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 2022 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.

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 2022, 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.

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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.

SW

SW Audit (formerly ShineWing Australia)
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 27 October 2022