



HERITAGE LODGE SCHEME

ARSN 089 099 249

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2024

HERITAGE LODGE SCHEME

ARSN: 089 099 249

RESPONSIBLE ENTITY REPORT FOR THE YEAR ENDED 30 JUNE 2024

The Directors of the Responsible Entity, Vasco Trustees Limited present their report on Heritage Lodge Scheme (Fund) for the year ended 30 June 2024. 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

The names of the Director of the Responsible Entity appointed subsequent to period end:

Patrice Lo (appointed July 1 2024)

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 2024 was (\$112,143) (2023: profit \$441,548).

4. Review of Operations

There have been no room sales for the financial year ending 30 June 2024 (2023: no room sales). Since inception the Fund had a total of 96 rooms and 6 suites. These are owned by a total of 68 unitholders.

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 as at the end of the financial year (2023: \$59,295).

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 2024

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.

As previously communicated to unitholders, the Responsible Entity has been engaged in litigation that has examined the expiry date of the HMA and RMA as well as litigation that goes to certain operational matters in relation to the hotel and Fund.

As you are aware, the Responsible Entity had instituted proceedings in the Supreme Court of Victoria to obtain clarity around the expiry date of the HMA and the validity of the non-evergreen RMAs. The court delivered its decision on 29 August 2024 and found:

- The HMA commenced on 10 June 2002, and expired on 10 June 2022.
- The Responsible Entity did not have power under the constitution to enter into evergreen RMAs.

The basis for the 10 June 2022 date appears to be that because the scheme operated for 19 days in the 2001/2022 financial year, it must have been satisfied by that date the developer had procured complete documents and executed those documents necessary to give effect to the RMA, HMA and the contracts of sale by 10 June 2002. Adding 20 years then brings us to 10 June 2022.

These findings will, as owners appreciate, may have consequences for the Fund. The Responsible Entity is carefully reviewing the judgment, in combination with its legal team. Please refer to Note 16 to the financial statements for the potential impact on the Fund's financials.

9. Value of Fund Assets

The gross asset value of the Fund at the end of the financial year was \$2,252,707 (2023: \$1,732,898). The net asset value at the end of the financial year was \$318,161 (2023: \$430,304).

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.

12. Future Developments

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

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**RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

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.

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.

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 \$96,421 (plus GST) (2023: \$96,243) were paid or payable by the Fund to the Responsible Entity for the period.

16. Units held by the Responsible Entity or Related Parties

As at 30 June 2024 no units were held by the Responsible Entity.

17. Number of Interests on Issue

As at 30 June 2024, 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. No units were issued or redeemed for the financial year.

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 2024.

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

Craig Dunstan

Craig Dunstan

Director

Date: 26 September 2024

Grant Thornton Audit Pty Ltd

Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Vasco Trustees Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Heritage Lodge for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 26 September 2024

HERITAGE LODGE SCHEME
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 June 2024

	Notes	2024 \$	2023 \$
Revenue and other income			
Room revenue	2 (a)	3,782,356	3,913,695
Other income	2 (b)	80,446	72,855
Total revenue and other income		3,862,802	3,986,550
Expenses			
Hotel Expenses			
Hotel overheads		1,322,914	1,227,682
Direct room costs		1,627,561	1,584,498
Hotel management fees		57,444	59,465
Incentive fee		102,360	131,126
Owners' furniture, fixtures and equipment contribution	3	114,888	94,133
Total Hotel Expenses		3,225,167	3,096,904
Scheme Expenses			
Responsible Entity fees	4	96,421	96,243
Other fund expenses	5	68,350	63,447
Legal costs	6	548,453	178,212
Audit and tax fees	7	28,660	29,950
Auditor - other services	7	3,523	-
Total Scheme Expenses		745,407	367,852
Depreciation expense	8	4,371	80,246
Total expenses		3,974,945	3,545,002
Net profit / (loss) attributed to unitholders		(112,143)	441,548
Finance costs attributable to unitholders			
Distributions payable		-	59,295
Total comprehensive income / (loss) for the year attributable to unitholders		(112,143)	382,253

The accompanying notes form part of these financial statements

HERITAGE LODGE SCHEME
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STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2024

	Notes	2024 \$	2023 \$
Current assets			
Cash and cash equivalents	9	2,079,701	1,672,225
Other assets	10	78,539	46,781
Pooled hotel funding	13	84,946	-
Total current assets		2,243,186	1,719,006
Non-current assets			
Net furniture, fixtures and equipment	11	9,521	13,892
Total non-current assets		9,521	13,892
Total assets		2,252,707	1,732,898
Liabilities			
Trade and other payables	12	1,934,546	1,270,187
Pooled hotel funding	13	-	32,407
Total liabilities		1,934,546	1,302,594
Net assets attributable to unitholders		318,161	430,304
Represented by			
Issued capital	14	499,980	499,980
Retained earnings	14	(181,819)	(69,676)
		318,161	430,304

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 2024

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 2024

	Notes	2024 \$	2023 \$
Cash flows from operating activities			
Room receipts and other income inclusive of GST		4,177,988	3,958,136
Payments to suppliers inclusive of GST		(3,645,484)	(3,777,675)
Interest received		31,292	20,496
Net cash flow provided by operating activities		<u>563,796</u>	<u>200,957</u>
Cash flows from financing activities			
Distribution paid		(38,967)	-
Pooled hotel funding paid		(117,353)	(233,466)
Net cash flow used in financing activities		<u>(156,320)</u>	<u>(233,466)</u>
Net increase / (decrease) in cash		407,476	(32,509)
Cash and cash equivalents at beginning of financial year		1,672,225	1,704,734
Cash and cash equivalents at end of financial year	9	<u><u>2,079,701</u></u>	<u><u>1,672,225</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 2024

NOTE 1: MATERIAL ACCOUNTING POLICIES

Reporting Entity

The financial report is for the Heritage Lodge Scheme (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.

(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 September 2024.

(c) Basis of measurement

The financial report is prepared on the historical cost basis.

(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.

HERITAGE LODGE SCHEME
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICIES (continued)

(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.

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

Financial assets and liabilities are initially measured at fair value plus transaction costs.

All financial assets and liabilities are subsequently measured at amortised cost.

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICIES (continued)

(b) 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.

(c) 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 Profit or Loss and Other 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.

(d) 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.

(e) Interest income

Interest income and expense is recognised in the Statement of Profit or Loss and Other 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.

(f) Expenses

All expenses, including management fees, are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis.

(g) Finance Cost

Distributions paid and payable on investor funds are recognised in the Statement of Profit or Loss and Other 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.

(h) 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICIES (continued)

(h) Distribution and taxation (continued)

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 unitholders who are presently entitled to the income under the constitution.

(i) 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.

(j) 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

(k) 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).

(l) 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.

(m) 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.

**HERITAGE LODGE SCHEME
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

NOTE 1: MATERIAL ACCOUNTING POLICIES (continued)

(n) New accounting standards and interpretations

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2023 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 2: REVENUE

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

(a) Room revenue

	2024	2023
	\$	\$
Room revenue	3,782,356	3,913,695
	<u>3,782,356</u>	<u>3,913,695</u>

(b) Other income

	2024	2023
	\$	\$
Credit card surcharge	47,256	50,668
Interest income	33,190	22,187
	<u>80,446</u>	<u>72,855</u>

NOTE 3: OWNERS' FURNITURE, FIXTURES AND EQUIPMENT CONTRIBUTION

	2024	2023
	\$	\$
Furniture, fixtures and equipment contribution	114,888	94,133
	<u>114,888</u>	<u>94,133</u>

NOTE 4: RESPONSIBLE ENTITY FEES

	2024	2023
	\$	\$
Responsible Entity fees	96,421	96,243
	<u>96,421</u>	<u>96,243</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 2024

NOTE 5: OTHER FUND EXPENSES

	2024	2023
	\$	\$
Accountancy	21,084	20,653
Custody and compliance	36,368	32,607
Filing fees	1,440	1,433
Bank fees	201	193
Administration expenses	9,257	8,561
	68,350	63,447

NOTE 6: LEGAL COSTS

	2024	2023
	\$	\$
Legal costs	548,453	178,212
	548,453	178,212

Legal costs relate to existing legal matters as described in the directors' report, including a provision for legal settlement costs. Refer to note 16 for further details.

NOTE 7: REMUNERATION OF AUDITORS

The auditor of the Fund for the financial year ending 30 June 2024 was Grant Thornton Audit Pty Ltd.

The fees paid or payable by the Fund are disclosed below.

	2024	2023
	\$	\$
Remuneration of Auditors:		
<u>Grant Thornton Audit Pty Ltd</u>		
Audit services		
Audit of financial report	20,000	-
Compliance audit	4,500	-
	24,500	-
Other services		
Taxation services	4,160	-
	4,160	-
	28,660	-

The Fund has changed auditors in the financial year. The existing auditor, SW Australia resigned and was replaced by Grant Thornton Audit Pty Ltd.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 7: REMUNERATION OF AUDITORS (continued)

	2024	2023
	\$	\$
Remuneration of Auditors:		
<u>SW Australia</u>		
Audit services		
Other services	3,523	21,850
Compliance audit	-	8,100
	<u>3,523</u>	<u>29,950</u>

NOTE 8: DEPRECIATION EXPENSE

	2024	2023
	\$	\$
Depreciation expense	4,371	80,246
	<u>4,371</u>	<u>80,246</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

	2024	2023
	\$	\$
Cash on deposit is held with ANZ Banking Group		
Heritage Lodge Scheme operating account	795,558	456,421
Yarra Valley Lodge revenue account	483,244	546,408
Yarra Valley Lodge operating account (Fund share)	169,084	164,237
Furniture, fixtures and equipment reserve	631,814	505,159
	<u>2,079,700</u>	<u>1,672,225</u>

NOTE 10: OTHER ASSETS

	2024	2023
	\$	\$
Trade debtors	35,099	6,867
Prepayments	17,757	16,129
Sundry debtors	25,683	23,785
	<u>78,539</u>	<u>46,781</u>

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11: FURNITURE, FIXTURES AND EQUIPMENT

	2024	2023
	\$	\$
Furniture, fixtures and equipment	607,234	607,234
Less: accumulated depreciation	(597,713)	(593,342)
	<u>9,521</u>	<u>13,892</u>

NOTE 12: TRADE AND OTHER PAYABLES

	2024	2023
	\$	\$
Accrued expenses	304,355	298,813
Legal fees	377,149	-
Deposits held	383,701	258,681
Provision for furniture, fixtures and equipment	622,040	507,152
Payroll provision	46,373	46,851
Distribution payable	20,636	59,603
Hotel owner funding account	96,594	33,373
Scheme trade creditors	(57,275)	38,607
GST liabilities	26,423	27,107
	<u>1,934,546</u>	<u>1,270,187</u>

Refer to note 16 for further details of legal fee payable.

NOTE 13: POOLED HOTEL FUNDING

	2024	2023
	\$	\$
Management Lot inter-entity loan	(84,946)	32,407
	<u>(84,946)</u>	<u>32,407</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 14: RECONCILIATION OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

(a) Issued units

	2024	2023
	\$	\$
Owner's / Shareholder's capital	499,980	499,980
Retained earnings	(69,676)	(451,929)
Profit / (loss) for financial year	(112,143)	382,253
Closing net assets attributable to unit holders 30 June	<u>318,161</u>	<u>430,304</u>

As at 30 June 2024, 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. No units were issued or redeemed for the financial year.

(b) Capital management

The Fund regards total unitholders' interests as capital. 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.

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 \$96,421 (plus GST) (2023: \$96,243) were paid or payable 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 of the Fund. The Directors are not remunerated by the Fund.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 15: RELATED PARTY TRANSACTIONS (continued)

(c) Other Related Parties

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel 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.

NOTE 16: CONTINGENT LIABILITIES

Included in the accounts, there is \$377,149 recognised for legal fees accrued in relation to the estimated settlement costs of a litigation which was decided upon in August 2024.

The final settlement costs have not yet been determined and therefore the accrual recognised is based on the Responsible Entities best estimate at the date of the financial report.

Given the outcome of the legal case, there is the potential that the Scheme may be responsible for legal settlement costs above the accrual recognised at 30 June 2024.

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

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

Other than the legal matter disclosed above and in the Responsible Entity report, there have been no other events subsequent to the reporting date that require additional disclosure.

NOTE 18: FINANCIAL RISK MANAGEMENT

(a) 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.

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NOTE 18: FINANCIAL RISK MANAGEMENT

(a) Liquidity risk (continued)

The maturity of financial liabilities at reporting date are shown below, based on the contractual terms of each liability in place at reporting date. The amounts disclosed are based on undiscounted cash flows.

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	\$	\$	\$	\$	\$
2024					
<i>Non-interest bearing</i>					
Trade and other payables	1,822,403	-	-	-	1,822,403
Total	1,822,403	-	-	-	1,822,403
	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	\$	\$	\$	\$	\$
2023					
<i>Non-interest bearing</i>					
Trade and other payables	1,270,187	-	-	-	1,270,187
Pooled hotel funding	32,407	-	-	-	32,407
Total non-derivatives	1,302,694	-	-	-	1,302,694

(b) Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Fund. The Fund is exposed to this risk for various financial instruments, for example, placing money at financial institutions or interest revenue that is paid in arrears. The Fund's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2024	2023
	\$	\$
Cash and cash equivalents	2,079,701	1,672,225
Pooled hotel funding	84,949	-
Other assets	78,539	46,781
	2,243,189	1,719,006

The Responsible Entity, through the Investment Manager manages the exposure to credit risk on an ongoing basis. The Fund's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

(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.

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NOTE 18: FINANCIAL RISK MANAGEMENT (continued)

(d) Interest Rate Risk

The Scheme's interest rate risk is monitored by the Responsible Entity. Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

	2024	2023
	\$	\$
Cash and cash equivalents	2,079,701	1,672,225
	<u>2,079,701</u>	<u>1,672,225</u>

An increase or decrease of 100 basis points in interest rates as at the reporting date would not have a material effect on the net assets attributable to unitholders and operating results.

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 2024 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

Director

26 September 2024

Independent Auditor's Report

To the Members of Vasco Trustees Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Heritage Lodge (the Fund), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and the 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 2024 and of its performance for the year ended on that date; 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and 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 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 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 2024 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 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*. The Directors' responsibility also includes such internal control as the Directors 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 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 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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance

Melbourne, 26 September 2024