

**Farwell Nominees Pty Ltd
NAPS ID 533**

**Approved Provider for
RACS 3633 - Emerald Glades
RACS 3628 - The Willows Wheelers Hill
RACS 3745 - Willow Wood Aged Care Facility**

**Audited Consolidated Financial Statements
For the year ended 30 June 2020**

Farwell Nominees Pty Ltd

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Statement of Profit or Loss and Other Comprehensive Income
 For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue	2	28,683,265	26,266,529
General & Administrative Expenses - external entities		332,397	265,317
Management fee expense	14(a)	5,972,389	6,252,040
Occupancy Expenses - external entities		4,046,907	2,400,106
Occupancy Expenses - related entities	14(a)	-	1,540,284
Operating Expenses		1,849,458	1,289,824
Employee Benefit Expenses		10,942,542	10,057,978
Resident Expenses		1,501,386	1,377,805
Finance Costs - related entities		10,324	-
Financing Costs - external entities		2,249,565	341,784
Bad and Doubtful Debts / (Recovery)		168,597	7,493
Equity Accounted Gains / (Losses) in Associates	1(m)	-	(156,928)
Total Expenses		<u>27,073,565</u>	<u>23,375,703</u>
Profit before Income tax		<u>1,609,700</u>	<u>2,890,826</u>
Income tax expense	1(b)	-	-
Profit for the year		<u>1,609,700</u>	<u>2,890,826</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>1,609,700</u>	<u>2,890,826</u>
Profit is attributable to:			
Owners of Farwell Nominees Pty Ltd		-	156,928
Non-controlling interests		<u>1,609,700</u>	<u>2,733,898</u>
		<u>1,609,700</u>	<u>2,890,826</u>

The accompanying notes form an integral part of these financial statements

Statement of Financial Position

As at 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	3,455,662	11,781,966
Trade and Other Receivables	5	45,581,679	36,923,208
Other Current Assets	6	218,834	29,450
TOTAL CURRENT ASSETS		<u>49,256,175</u>	<u>48,734,624</u>
NON-CURRENT ASSETS			
Plant & Equipment	7	2,888,324	3,125,599
Right of Use Asset	20	6,406,862	-
Intangible Assets	8	10,593,082	10,593,082
TOTAL NON-CURRENT ASSETS		<u>19,888,268</u>	<u>13,718,681</u>
TOTAL ASSETS		<u>69,144,443</u>	<u>62,453,305</u>
CURRENT LIABILITIES			
Trade and Other Payables	10	60,886,471	56,014,914
Short Term Provisions	11	1,523,980	1,232,184
Lease Liabilities	20	2,625,436	-
Other Financial Liabilities	13	-	4,986,405
TOTAL CURRENT LIABILITIES		<u>65,035,887</u>	<u>62,233,503</u>
NON-CURRENT LIABILITIES			
Long Term Provisions	12	255,479	219,200
Lease Liabilities	20	3,852,475	-
TOTAL NON-CURRENT LIABILITIES		<u>4,107,954</u>	<u>219,200</u>
TOTAL LIABILITIES		<u>69,143,841</u>	<u>62,452,703</u>
NET ASSETS		<u>602</u>	<u>602</u>
EQUITY			
Contributed Equity		602	602
Accumulated funds		-	-
Capital attributable to owners		<u>602</u>	<u>602</u>
Non-controlling interests		-	-
TOTAL EQUITY		<u>602</u>	<u>602</u>

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity
 For the Year Ended 30 June 2020

	Note	Share capital \$	Retained earnings \$	Non-controlling interest \$	Total \$
Balance at 30 June 2018		602	(156,928)	-	(156,326)
Loss for the year		-	156,928	2,733,898	2,890,826
Other comprehensive income		-	-	-	-
Total comprehensive income		-	156,928	2,733,898	2,890,826
Transactions with owners in their capacity as owners	14(a)	-	-	(2,733,898)	(2,733,898)
Dividends paid		-	-	-	-
Balance at 30 June 2019		602	-	-	602
Profit for the year		-	-	1,609,700	1,609,700
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	1,609,700	1,609,700
Transactions with owners in their capacity as owners	14(a)	-	-	(1,609,700)	(1,609,700)
Dividends paid		-	-	-	-
Balance at 30 June 2020		602	-	-	602

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Cash Flows from Operating Activities			
Receipts from Customers		24,994,823	24,066,359
Payments to Suppliers & Employees		(21,958,176)	(22,339,925)
Finance Costs		(149,123)	(341,784)
Interest Received		1,803,493	2,158,907
Net Operating Cash Flows		<u>4,691,017</u>	<u>3,543,557</u>
Cash Flows from Investing Activities			
Payment for Plant & Equipment and Leasehold Improvements		(684,612)	(1,507,342)
Deposits Paid		(121,283)	-
Receipts for sale of investment in The Exotic Marigold Prahran Trust		-	1,000,000
Net Investing Cash Flows		<u>(805,895)</u>	<u>(507,342)</u>
Cash Flows from Financing Activities			
Net receipts from accommodation bonds and deposits		3,643,168	10,855,621
Receipts from/(loans to) Non-controlling interests		(7,626,714)	(2,094,075)
Lease Liability Repayments		(2,627,321)	-
Repayment of Bank Loans		(4,986,405)	-
Loans to other related parties		(614,154)	(2,964,410)
Net Financing Cash Flows		<u>(12,211,426)</u>	<u>5,797,136</u>
Net Increase in Cash Held		(8,326,304)	8,833,351
Cash at Beginning of Financial Year		11,781,966	2,948,615
Cash at End of Financial Year	4	<u>3,455,662</u>	<u>11,781,966</u>

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements and notes represent those of Farwell Nominees Pty Ltd and Controlled entities (the "Group"). The separate financial statements of the parent entity, Farwell Nominees Pty Ltd, have not been presented within these financial statements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards — Reduced Disclosure Requirements issued by the Australian Accounting Standards Board, Australian Accounting Interpretations, and the Aged Care Act 1997. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

These financial statements cover Farwell Nominees Pty Ltd a company, established and domiciled in Australia, and its controlled entities.

Adoption of standards

Farwell Nominees Pty Ltd has elected to adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

Principles of Consolidation

The consolidated financial statements comprise the financial statements of Farwell Nominees Pty Ltd and the entities it controlled as at 30 June each year.

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The financial statements of the entities it controlled are prepared for the same reporting period as the parent company, using consistent accounting policies.

Reporting Basis and Conventions

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest Australian dollar.

Going Concern Basis

The consolidated group recorded a profit for the year ended 30 June 2020 of \$1,609,700 following a profit of \$2,890,826 recorded for the prior year. Before providing for distributions to non-controlling interests, as at 30 June 2020 the Group had net assets of \$1,610,302 before distributions - \$602 net assets after distributions (2019: \$2,734,500 before distributions - \$602 after distributions).

As detailed in Note 10, accommodation bonds and deposits held at 30 June 2020 amount to \$44,916,761 (2019: \$41,273,593) and represent the group's major liability. It is considered unlikely that a significant number of bonds and deposits would be called upon for repayment at any one time. Furthermore, strong demand is expected to continue for accommodation placements ensuring that any accommodation bonds and deposits called upon would be replaced by incoming residents' deposits. Therefore it is not anticipated that the accommodation bond and deposits liabilities will cause future cash flow concerns.

After making reasonable enquires, the Director has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future without any intention or necessity to liquidate or wind up operations. This expectation includes continued profitable operations which have now been reported for two consecutive years. Accordingly the financial statements have been prepared on a going

Assets and liabilities have been recorded on the basis that the Group will be able to generate sufficient positive cash flows to meet its financial obligations and realise its assets and discharge its liabilities in the normal course of business.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact of New Accounting Standards

i. Impact of AASB 16 - 'Leases'

Effective 1 July 2019 the Group adopted AASB 16 'Leases' replacing AASB 117 'Leases'.

The adoption of this new standard in the 2020 financial year resulted in the group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low value or having a remaining lease term of less than 12 months from the date of initial application

The new standard was applied using the modified retrospective approach. Under this method the right of use asset is measured equal to the lease liability at initial adoption thus there was no opening adjustment to equity.

Right of Use Assets

The Group recognises right-of-use assets at the commencement of the lease (that is the date the asset becomes available for use). Right of Use Assets are measured at cost, less any accumulated depreciation and adjusted for any subsequent remeasurement of the lease liability. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term the right-of-use asset is depreciated on a straight line basis over the lease term.

Lease Liabilities

At the commencement date of the lease, the Group measures lease liabilities as equal to the net present value of lease payments to be made over the life of the lease. Lease payments include fixed payments and variable payments which depend on an index or a rate.

To calculate the present value of current and future lease payments at the commencement of the lease the Company elected to use an incremental borrowing rate equivalent to the rate provided by financiers for funding of other long term assets. In adopting this approach, the Company viewed that an interest rate implicit in the lease was not readily determinable. After the lease commencement date the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of the lease liability is re-measured if there is a modification, a significant re-assessment of the incremental borrowing rate, re-assessment of future lease payments, change in the lease term or reassessment of probability of exercising options to renew over the life of the lease.

Significant Accounting Judgements and Assumptions

In applying AASB 16 the Company has made the following judgements:

Incremental Borrowing Rate ('IBR')

In the absence of a readily determinable interest rate implicit in the lease the Company has applied an incremental borrowing rate (IBR) being a weighted average of the interest rate the lessee would have to pay to fund long term assets on an unsecured and secured commercial basis. This has been measured with reference to the actual interest rate paid on secured commercial borrowings and an estimated interest rate on unsecured borrowings given the Groups expected credit rating. These rates have been applied at the commencement of the lease and at reporting date.

Long term growth rate ('CPI')

To estimate increases in future lease payments the Company has applied a long-term growth rate equivalent to long-term CPI (5 yr avg. to 31 Mar 20).

Lease Term

In determining the lease term used to ascertain lease payments the Company considers all facts and circumstances that create an economic benefit to exercise an extension option.

It is the Director's judgement that the Group is likely to exercise options to extend the term of the above leases as follows:

Property

135 Duff St Cranbourne Vic 3977	Renewal Options will not be exercised. Liability calculated to end of current term in Dec-24
135 Duff St Cranbourne Vic 3977 (Rear)	No renewal option exists. Liability calculated to end of current term in Jun-21
171-175 Jells Rd Wheelers Hill 3150	Lease will be exited within the forthcoming year (see note 19). Liability calculated to Jun-21
15 Emerald-Monbulk Rd Emerald 3782	Lease will be renewed. Liability calculated to Nov-25

For the calculation of the groups lease liabilities the Company's judgements are summarised below:

Lessee	Property Located	IBR (%)	CPI (%)	Expiration
The Willow Wood Cranbourne Aged Services Trust	135 Duff St Cranbourne Vic 3977	3.23%	1.69%	Dec-24
The Willow Wood Cranbourne Aged Services Trust	135 Duff St Cranbourne Vic 3977 (Rear)	3.23%	1.69%	Jun-21
The Emerald Glades Hostel Trust	171-175 Jells Rd Wheelers Hill 3150	3.23%	1.69%	Nov-25
The Wheelers Hill Aged Services Trust	171-175 Jells Rd Wheelers Hill 3150	3.23%	1.69%	Jun-21

Impact of adoption of the new standard on the profit and loss has been noted at note 20

At reporting date the carrying value of the lease liability and right-of-use asset have been measured taking into consideration all circumstances which are within the control of the Trust and all information which is available to the Director with respect to current and future lease payments.

ii. Impact of AASB 16 - 'Accounting for Refundable Accommodation Deposits ('RAD's) and Accommodation Bonds'

Effective 1 July 2019 total revenue and expenses includes the provision of accommodation which is accounted for in accordance with AASB 16.

Total revenue includes imputed non cash lease income for residents who have elected to pay a lump sum RAD or accommodation bond.

Total expenditure includes an imputed non cash interest charge relating to the liabilities held for residents who have elected to pay a lump sum RAD or accommodation bond

The Company determined the use of the Maximum Permissible Interest Rate (MPIR) as the interest rate to be used to calculate the imputed charge or daily equivalent accommodation charge.

The MPIR is the interest rate calculated in accordance with section 6 of the Fees and Payments Principles 2014 (No. 2) and made under section 96-1 of the Aged Care Act 1997.

The charge has been calculated during the year for all days where a lump sum deposit was held in respect of an occupied bed. The MPIR has been adjusted during the year for all change made by the Department of Health (DoH). At reporting date the MPIR used to calculate the daily accommodation charge under AASB 16 was 4.89%

Notes to the Financial Statements

For the Year Ended 30 June 2020

Accounting Policies

a) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the residents. Revenue received from government subsidies is recognised at fair value when the right to receive the income has been established. Interest Revenue is recognised when accrued. All revenue is stated net of the amount of Goods and Services Tax (GST).

b) Income tax

These general purpose financial statements are a consolidation of three operating trusts and the controlling company. All taxable income has been distributed from the trusts and as such there is no tax liability arising in the consolidated group.

c) Cash and Cash Equivalents

Cash and cash equivalents included cash on hand, in banks and deposits at call.

d) Goods and Services Tax

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 the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Property Plant & Equipment

Plant and equipment and leasehold improvements are measured on the cost basis, less accumulated depreciation.

The carrying amount of plant and equipment and leasehold improvements is reviewed annually by the director to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, including capitalised lease assets, are depreciated on a straight line basis over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold Improvements	10% - 33%
Plant & Equipment	10% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

f) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g) Operating leases (Before 1 July 2019)

Leases in which a significant portion of the risks and rewards of ownership are not transferred are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the leases.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Classification and Subsequent Measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment of Financial Assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument

Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

i) Accommodation Bonds and Refundable Accommodation Deposits

Provision is made for the Group's liability to repay resident entry bonds and deposits. Bonds paid by residents less any retention amounts payable to the Group are re-payable to residents when they leave the facility or their estate upon the grant of probate. Bonds and deposits are measured at their nominal amounts.

Effective 01 October 2011 clearer and stronger arrangements exist regarding the use of accommodation bonds and deposits. These changes limit the permitted uses for accommodation bonds and deposits such that approved providers may only use accommodation bonds and deposits for capital works, investment in particular financial products, loans for these purposes and refunding accommodation bonds and deposits.

Effective 1 July 2014, accommodation bonds are known as Refundable Accommodation Deposits ('RAD').

j) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Long service leave is accrued pro rata in respect of all employees based on the probability of the employee reaching eligibility.

k) Related Parties

The director of Farwell Nominees Pty Ltd controls Residential Aged Services Pty Ltd ("RAS"). RAS provides management services to each aged care facility for which Farwell Nominees Pty Ltd is the Approved Provider. Amounts paid or payable to RAS are disclosed in the financial statements.

Farwell Nominees Pty Ltd provides no compensation to its director or other key management personnel. All such compensation is provided by RAS.

l) Intangibles

Bed Licences

Bed Licences are recognised at the cost of acquisition. Bed Licences have an indefinite life and are carried at cost less accumulated impairment losses. The group performs its impairment testing as at 30 June each year using a discounted cash flow methodology. Further details on the assumptions used are outlined in Note 8.

m) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries

During the year the group sold its investment of 1,000,000 units in the Exotic Marigold Prahran Trust. In prior reporting periods this investment was deemed an investment in associates. In accordance with AASB 128 Investment in Associates and Joint Ventures, the Company was considered to have significant influence over the operations, strategy and direction of Exotic Marigold Prahran Trust due to the common directorship of Peter Reilly who is a director on the board of all other entities that are unit holders in the Exotic Marigold Prahran Trust.

Investments in associates are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

m) Investments in Associates (cont'd)

Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment.

n) Critical Accounting Estimates and Judgements

The Group evaluates estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Further details of these estimates have been included in note 8.

Key estimates — Provisions

A provision has been calculated for employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon five years historical data. The measurement and recognition criteria for employee benefits has been included in Notes 1(j) and 11.

Key Judgement - Consolidation of entities

The director of Farwell Nominees Pty Ltd has concluded that the company controls Emerald Glades Hostel Trust, Willow Wood Cranbourne Aged Services Trust and The Wheelers Hill Aged Services Trust, even though it holds less than half the voting rights of these trusts. This is because Farwell Nominees Pty Ltd, as the approved provider of the three trusts, meets the control criteria detailed in Note 1, which includes the power to enlist variable returns from each of the trusts.

Key estimate – Coronavirus (COVID-19)

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in Australia and International markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the Australia and international economies. The longer term impacts of COVID-19 on the operations of the Company remain uncertain and cannot be quantified at this time.

The financial statements were authorised for issue by a resolution of the director of the Company on the 21st September 2020.

Notes to the Financial Statements

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
2 REVENUE			
Commonwealth Funding		18,847,910	18,579,285
Resident Contributions		6,003,282	5,469,536
Bond Retentions		0	24,825
Other Income		73,157	26,890
Rental Income		8,100	7,086
Interest from Related Parties	14(a)	875,297	1,251,435
Interest from external parties		928,196	907,472
Imputed revenue on RAD and Bond balances under AASB 16		1,947,323	-
Total Revenue		<u>28,683,265</u>	<u>26,266,529</u>
3 PROFIT AND LOSS ITEMS			
Profit from ordinary activities has been determined after:			
Depreciation			
Depreciation of Right of Use Assets (AASB 16)	20	2,534,927	-
Depreciation of Plant & Equipment and Leasehold Improvements		921,887	796,859
		<u>3,456,814</u>	<u>796,859</u>
Occupancy expenses			
Rent expense		-	2,605,805
Finance Costs - External entities			
Imputed Interest Cost on RAD and Bond Balances under AASB 16		1,947,323	-
Interest Expense on leases under AASB 16	20	163,443	-
Interest Expense on RADs for departed residents		102,725	112,517
Interest Expense on Bank Loans		36,074	198,500
		<u>2,249,565</u>	<u>311,017</u>
Employee benefits expense			
Superannuation expense		876,173	767,611
Other Expenses Items			
Provision for Employee Entitlements		328,075	383,247
4 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		3,455,662	11,781,966
<u>Reconciliation of cash:</u>			
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:			
Cash and cash equivalents		3,455,662	11,781,966
Total Cash		<u>3,455,662</u>	<u>11,781,966</u>
5 TRADE AND OTHER RECEIVABLES			
Trade debtors		189,764	84,730
Provision for doubtful debts		(174,966)	(7,558)
Trade debtors - external entities (net)		14,798	77,172
GST receivable - external entities		116,342	120,632
Other receivables - external entities		266,136	285,870
Loan to RAS Trust - related entity	14(b)	16,203,880	8,577,165
Loan to RAS Pty Ltd - related entity	14(b)	3,981,963	3,224,717
Loan to Emerald Glades Property Trust	14(b)	5,271,670	5,063,270
Loan to The Argyle Trust	14(b)	9,592,818	9,661,191
Loan to The Exotic Marigold Prahran Trust	14(b)	172,454	172,454
Loan to The Maview Property Trust	14(b)	9,961,618	9,740,737
Total Trade & Other Receivables		<u>45,581,679</u>	<u>36,923,208</u>

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$	2019 \$
6 OTHER ASSETS (CURRENT)		
Prepayments	97,551	29,450
Deposits Paid	121,283	-
Total Current Other Assets	<u>218,834</u>	<u>29,450</u>
7 PROPERTY PLANT & EQUIPMENT & CAPITAL WORK IN PROGRESS		
LEASEHOLD IMPROVEMENTS		
At cost	2,408,291	2,509,509
Accumulated Depreciation	<u>(800,690)</u>	<u>(935,454)</u>
	<u>1,607,601</u>	<u>1,574,055</u>
PLANT AND EQUIPMENT		
At cost	2,341,544	3,700,701
Accumulated Depreciation	<u>(1,060,821)</u>	<u>(2,149,157)</u>
	<u>1,280,723</u>	<u>1,551,544</u>
PROPERTY PLANT & EQUIPMENT	<u>2,888,324</u>	<u>3,125,599</u>
Movements in Carrying Amounts		
Leasehold Improvements		
Opening carrying value	1,574,055	1,040,408
Additions	431,102	884,955
Disposals	(532,322)	-
Accumulated Depreciation on Disposals	532,322	-
Depreciation for the Year	<u>(397,558)</u>	<u>(351,308)</u>
Closing carrying value	<u>1,607,601</u>	<u>1,574,055</u>
Plant and Equipment		
Opening carrying value	1,551,544	1,374,708
Additions	253,510	622,387
Disposals	(1,612,666)	-
Accumulated Depreciation on Disposals	1,612,666	-
Depreciation for the Year	<u>(524,330)</u>	<u>(445,551)</u>
Closing carrying value	<u>1,280,723</u>	<u>1,551,544</u>
8 INTANGIBLE ASSETS		
Bed Licences	<u>10,593,082</u>	<u>10,593,082</u>
Net Carrying Value	<u>10,593,082</u>	<u>10,593,082</u>
Reconciliation of Bed Licences		
Balance at beginning of year	10,593,082	10,593,082
Additions	-	-
Closing Carrying Value	<u>10,593,082</u>	<u>10,593,082</u>

Notes to the Financial Statements

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
8 INTANGIBLE ASSETS (Cont'd)			
Bed Licences have an indefinite useful life. The indefinite useful life exists because the licence is expected to be perpetually renewed without substantial expenditure that is significant compared to future economic benefits that the licence can generate.			
Value in use of the bed licences was determined by discounting the future cash flows generated from the continuing use and was based on the following assumptions for the three residential aged care services:			
<u>Emerald Glades Hostel Trust</u>			
<ul style="list-style-type: none"> • Cash flows were projected based on a projected cash flow range of five (5) years, before a terminal value is calculated; • A growth rate in the cash flow projections of 2.5% pa for all revenues and expenses other than wages (1.75% growth rate) and utilities (2.5% growth rate); • A terminal growth rate of 2.5%; and • An After Tax Discount Rate of 5.79% was used in discounting the projected future cash flows 			
<u>Willow Wood Cranbourne Aged Services Trust</u>			
<ul style="list-style-type: none"> • Cash flows were projected based on a projected cash flow range of five (5) years, before a terminal value is calculated; • A growth rate in the cash flow projections of 2.5% pa for all revenues and 2.5% for expenses other than wages (1.75% growth rate for employment expenses), utilities (2.5% growth rate) • A terminal growth rate of 2.5%; and • An after-tax discount rate of 5.78% was used in discounting the projected future cash flows. 			
<u>The Wheelers Hill Aged Services Trust</u>			
<ul style="list-style-type: none"> • Cash flows were projected based on a projected cash flow range of five (5) years, before a terminal value is calculated; • A growth rate in the cash flow projections of 2.5% pa for all revenues and expenses other than wages (1.75% growth rate) and utilities (2.5% growth rate); • A terminal growth rate of 2.5%; and • An after tax discount rate of 5.82% was used in discounting the projected future cash flows. 			
9 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD			
Investment in Associate At Cost - The Exotic Marigold Prahran Trust	21	-	-
Accumulated Equity Accounted Losses	1(m)	-	-
Carrying Value of Investment		-	-
Reconciliation of Equity Accounted Investments			
Balance at beginning of year		-	843,070
Equity Accounted Losses in Year	1(m)	-	156,928
Sale of Equity Accounted Investment	9(a)	-	(1,000,000)
Closing Carrying Value		-	-
a) During the 2019 year the group sold it's investment in The Exotic Marigold Prahran Trust to non-controlling interests (The Residential Aged Services Trust). Investment was sold at issue price (1,000,000 units sold at \$1 per unit)			
10 TRADE AND OTHER PAYABLES			
<i>Unsecured Liabilities</i>			
Trade Payables - external entities		1,019,788	1,307,840
Payroll Liabilities - external entities		322,058	483,633
Sundry Payables - external entities		271,724	203,408
Amounts Payable to Non-controlling interests	14(c)	14,356,140	12,746,440
Accommodation Bonds and Deposits Payable		44,916,761	41,273,593
Total Trade and Other Payables		60,886,471	56,014,914

Notes to the Financial Statements

For the Year Ended 30 June 2020

		2020	2019
		\$	\$
11 SHORT TERM PROVISIONS			
Employee Benefits	12(a)	1,523,980	1,232,184
Total Short Term Provisions		<u>1,523,980</u>	<u>1,232,184</u>
12 LONG TERM PROVISIONS			
Employee Benefits	12(a)	255,479	219,200
Total Long Term Provisions		<u>255,479</u>	<u>219,200</u>
a) Aggregate Employee Entitlements		<u>1,779,459</u>	<u>1,451,384</u>
Provision for Long Term Employee Benefits			
A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon six years historical data. The measurement and recognition criteria for employee benefits has been included in Note 1(j).			
13 FINANCIAL LIABILITIES			
Westpac Bank		-	4,986,405
Total Financial Liabilities		<u>-</u>	<u>4,986,405</u>
On 5 September 2019 the group repaid a loan owed by The Wheelers Hill Aged Services Trust to the Westpac Bank. Loan was originally established in relation to the groups development at Wheelers Hill			
14 RELATED PARTY TRANSACTION			
a) Transactions with related parties			
Transactions with related parties are on mutually agreed terms and conditions. Transactions with related parties are as follows:			
Management fees paid to related party RAS Pty Ltd		<u>5,972,389</u>	<u>6,252,040</u>
Interest Revenue - Argyle Trust		312,635	414,281
Interest Revenue - The Residential Aged Services Trust		250,739	280,508
Interest Revenue - Residential Aged Services Pty Ltd		62,685	67,260
Interest Revenue - The Maview Property Trust		<u>249,238</u>	<u>489,386</u>
		<u>875,297</u>	<u>1,251,435</u>
Interest Paid - The Argyle Trust		-	-
Interest Paid - Residential Aged Services Trust		<u>10,324</u>	<u>30,388</u>
		<u>10,324</u>	<u>30,388</u>
Rent paid to Emerald Glades Property Trust		-	<u>504,000</u>
Rent paid to The Argyle Trust		-	<u>1,036,284</u>
Distributions to RAS Trust		<u>1,609,700</u>	<u>2,733,898</u>
b) Amounts receivable from director related parties			
Emerald Glades Property Trust		5,271,670	5,063,270
Residential Aged Services Trust		16,203,880	8,577,165
Residential Aged Services Pty Ltd		3,981,963	3,224,717
The Argyle Trust		9,592,818	9,661,191
The Exotic Marigold Prahran Trust		172,454	172,454
The Maview Property Trust		<u>9,961,618</u>	<u>9,740,737</u>
		<u>45,184,403</u>	<u>36,439,534</u>
c) Amounts payable to beneficiaries			
Residential Aged Services Trust		<u>14,356,140</u>	<u>12,746,440</u>
		<u>14,356,140</u>	<u>12,746,440</u>

Notes to the Financial Statements

For the Year Ended 30 June 2020

15 EVENTS SUBSEQUENT TO BALANCE DATE

During the financial year the Covid-19 pandemic has had a significant impact on the local and international economies. Subsequent to balance date, Victoria has experienced a second wave of the Covid-19 pandemic which is the jurisdiction in which the group operates. While the costs currently incurred by the group in relation to Covid-19 have not been significant, the longer term impacts on the operations of the group remain uncertain and cannot be quantified at this time.

Since the end of the financial year, the director is unaware of any other events subsequent to balance date which could materially impact upon the financial position of the group, apart from the following.

16 ECONOMIC DEPENDENCE

Farwell Nominees Pty Ltd is an Approved Provider for three Aged Care facilities and is dependent upon funding provided by the Commonwealth Government and Residents (including accommodation bonds and deposits).

17 CREDIT STAND-BY ARRANGEMENTS

\$2,000,000 Bank facility

Facility provided by National Australia Bank to The Residential Aged Services Trust on 6 November 2019, to allow the group to redeem a departing residents RAD. Facility limit at reporting date was \$2,000,000.

Interest rate is the bank bill swap rate plus a margin of 1.75%. At reporting date interest rate on drawn balances was 1.90%

Facility fee rate is .75%. Facility has a 12 month expiry date. At reporting date the facility had not been drawn.

18 CONTINGENT LIABILITIES

The Company has provided a guarantee in respect of a loan owed by The Argyle Trust to it's financiers (National Australia Bank). As at 30 June 2020 the amount The Argyle Trust owed to National Australia Bank was \$12,000,000.

The Company has provided a guarantee in respect of a loan owed by The Residential Aged Services Trust to it's financiers (National Australia Bank). As at 30 June 2020 the amount The Residential Aged Services Trust owed to National Australia Bank was \$6,945,000.

The Company has provided a guarantee in respect of a \$2,000,000 facility provided to The Residential Aged Services Trust from it's financiers (National Australia Bank). As at 310 June 2020 the amount The Residential Aged Services Trust owed to National Australia Bank was nil (See note 17).

The Group is a part of the Residential Aged Services Trust Group. The Residential Aged Services Trust has agreed to provide a guarantee in respect of a loan owed by The Argyle Trust to it's financiers (National Australia Bank). As at 30 June 2020 the amount The Argyle Trust owed to National Australia Bank was \$12,000,000 (2019: \$12,400,000).

The Residential Aged Services Trust group comprises:

- Residential Aged Services Nominees Pty Ltd as trustee for the Residential Aged Services Trust;
- Emerald Glades Hostel Pty Ltd as trustee for the Emerald Glades Hostel Trust;
- Emerald Glades Property Pty Ltd as trustee for the Emerald Glades Property Trust;
- Wheelers Hill Aged Services Pty Ltd as trustee for the Wheelers Hill Aged Services Trust;
- Willow Wood Cranbourne Aged Services Pty Ltd as trustee for the Willow Wood Cranbourne Aged Services Trust;
- Farwell Nominees Pty Ltd;
- Wrixon Manor Pty Ltd as trustee for The Wrixon Property Trust

19 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	2020	2019
	\$	\$
Financial Assets		
Cash and cash equivalents	3,455,662	11,781,966
Trade and other receivables	45,581,679	36,923,208
Total Financial Assets	<u>49,037,341</u>	<u>48,705,174</u>
Financial Liabilities:		
Trade and other payables	60,886,471	56,014,914
Financial borrowings	-	4,986,405
Total Financial Liabilities	<u>60,886,471</u>	<u>61,001,319</u>

Notes to the Financial Statements

For the Year Ended 30 June 2020

20 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The group has three high value lease agreements in place in relation to the below properties

	Lessee	Property Located
i.	The Willow Wood Cranbourne Aged Services Trust	135 Duff St Cranbourne Vic 3977
ii.	The Willow Wood Cranbourne Aged Services Trust	135 Duff St Cranbourne Vic 3977 (Rear)
iii.	The Emerald Glades Hostel Trust	15 Emerald-Monbulk Rd Emerald Vic 3782
iv.	The Wheelers Hill Aged Services Trust	171-175 Jells Rd Wheelers Hill 3150

The carrying amount of the groups Right of Use assets and lease liabilities in connection with these leases and the movement during the period are presented below. Refer to note 1 for full details on the adoption and transition to AASB 16.

Reconciliation of Lease Liability and Right of Use	Property Leases (RUA)	Lease Liabilities
	\$	\$
As at 1 Jul 2019	5,056,086	(5,056,086)
Depreciation Expense	(2,534,927)	-
Interest Expense	-	(163,443)
Lease Payments	-	2,627,321
Subsequent Re-measurements	3,885,703	(3,885,703)
Closing Carrying Value	<u>6,406,862</u>	<u>(6,477,911)</u>

The following table is provided to assist with the understanding of the impact of the adoption of AASB 16 on the profit and loss for the period:

Impact on Net Profit	2020	2019
	\$	\$
Depreciation expense of right-of-use assets, now recognised	(2,534,927)	-
Interest expense on lease liabilities, now recognised	(163,443)	-
Operating lease rentals, under AASB 117	2,627,321	-
Net impact on the Profit and Loss	<u>(71,049)</u>	<u>-</u>

i. Lease for property located at 135 Duff St Cranbourne VIC 3977 (External Lease)

The current term of the property lease expires in Dec 2024, with 2 further five year options to extend to December 2044.

On the 10 May 2017 a Director related party (The Argyle Trust) executed an agreement with the landlord of 135 Duff St, to sell the property at 135 Duff St to The Argyle Trust. At reporting date the sale had not been completed and settlement date had not been agreed. Once the sale is completed a new lease will be established between the Argyle Trust and The Willow Wood Cranbourne Aged Services Trust

Given the sale is expected to be completed within the current term of the lease, and a new lease will be established upon completion of the sale, the Director has confirmed that it is reasonably certain the lessee would not exercise the two options to extend the lease to 2044. Accordingly at reporting date lease payments have been capitalised to Dec 2024 at the lessee's IBR of 3.23% with an assumed long term growth rate in future lease payments of 1.69% (long-term CPI).

ii. Lease for property located at 135 Duff St Cranbourne VIC 3977 - Property at Rear (Related Lease)

Landlord for this lease is the Argyle Trust (a related party)

The current term of the property lease expires in Jun 2021. Accordingly at reporting date lease payments have been capitalised to Dec 2024 at the lessee's IBR of 3.23% with an assumed long term growth rate in future lease payments of 1.69% (long-term CPI)

iii. Lease for property located at 15 Emerald-Monbulk Road Emerald Vic 3782

The current term of the property lease expires on 28 Nov 2020, with 1 further five year options to extend to November 2025.

The Director confirmed that it is reasonably certain the lessee would exercise the option to renew to the the expiration of the lease in Nov 2025. Accordingly at reporting date lease payments have been capitalised to Nov 2025 at the lessee's IBR of 3.23% with an assumed long term growth rate in future lease payments of 1.69% (long-term CPI)

iv. Lease for property located at 171-175 Jells Rd Wheelers Hill 3150

The current term of the property lease expires on 19 Feb 2023, with 2 further five year options to extend to February 2033.

The Director confirmed that the lessee will not be exercising the options to renew the lease. The Landlord and the lessee expect that the property will be acquired by a related party (The Maview Property Trust) during the 2020-21 financial year. Following acquisition The Wheelers Hill Aged Services Trust will enter into a new lease agreement with the Maview Property Trust. Settlement is expected to be completed in September 2020. Accordingly at reporting date 2020-21 financial year lease payments have been capitalised at lessess's IBR of 3.23% with an assumed long-term growth rate in future lease payments of 1.69% (long-term CPI).

21 CONTROLLED AND ASSOCIATED ENTITIES


Name of entity	Ownership interest		Non controlling interest	
	2020	2019	2020	2019
	%	%	%	%
Emerald Glades Hostel Trust	-	-	100	100
Willow Wood Cranbourne Aged Services Trust	-	-	100	100
The Wheelers Hill Aged Services Trust	-	-	100	100

Farwell Nominees Pty Ltd
Director's Declaration
of Farwell Nominees Pty Ltd

The director of Farwell Nominees Pty Ltd declares that:

1. The financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and accompanying notes and the director's declaration give a true and fair view of the Company and its controlled entities financial position as at 30 June 2020 and of its performance for the year ended on that date in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and other mandatory professional reporting requirements;

2. In the director's opinion there are reasonable grounds to believe that Farwell Nominees Pty Ltd and its consolidated entities will be able to pay its debts as and when they become due and payable.


Peter T Reilly
Director

Dated this day 21st September 2020

Independent Auditor's Report

To the Members of Farwell Nominees Pty Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Farwell Nominees Pty Ltd (the Company), and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' Declaration of the Company.

In our opinion, the accompanying financial report of Farwell Nominees Pty Ltd:

- a presents fairly, in all material respects, the Group's financial position as at 30 June 2020 and of its performance and cash flows for the year then ended; and
- b Complies with Australian Accounting Standards – Reduced Disclosure Requirements

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 Company 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* (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.

Emphasis of matter – COVID-19

We draw attention to Note 1 and Note 15 of the financial report, which describes the circumstances relating to COVID-19 and the uncertainty surrounding any potential financial impact on the financials. Our opinion is not modified in respect of this matter.

Responsibilities of the Director for the financial report

The Director of the Company is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements. The Directors' responsibility also includes such internal control as the Director determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Director is responsible for assessing the Group'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 Director either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Director is responsible for overseeing the Group's financial reporting process.

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: https://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 L Taylor
Partner – Audit & Assurance

Melbourne, 21 September 2020