

**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 2021**

Farwell Nominees Pty Ltd

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Statement of Profit or Loss and Other Comprehensive Income
 For the Year Ended 30 June 2021

	Note	2021	2020
		\$	\$
Revenue	2	27,869,501	28,683,265
General & Administrative Expenses - external entities		353,167	332,397
Management fee expense	12(a)	6,225,830	5,972,389
Occupancy Expenses - external entities		3,924,353	4,046,907
Operating Expenses		2,237,947	1,849,458
Employee Benefit Expenses		11,415,636	10,942,542
Resident Expenses		1,365,766	1,501,386
Finance Costs - related entities		-	10,324
Financing Costs - external entities		1,963,199	2,249,565
Bad and Doubtful Debts / (Recovery)		(169,465)	168,597
Total Expenses		<u>27,316,433</u>	<u>27,073,565</u>
Profit before Income tax		<u>553,068</u>	<u>1,609,700</u>
Income tax expense	1(b)	-	-
Profit for the year		<u>553,068</u>	<u>1,609,700</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>553,068</u>	<u>1,609,700</u>
Profit is attributable to:			
Owners of Farwell Nominees Pty Ltd		-	-
Non-controlling interests		<u>553,068</u>	<u>1,609,700</u>
		<u>553,068</u>	<u>1,609,700</u>

The accompanying notes form an integral part of these financial statements

Statement of Financial Position

As at 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	1,435,405	3,455,662
Trade and Other Receivables	5	52,039,924	45,581,679
Other Current Assets	6	334,964	218,834
TOTAL CURRENT ASSETS		<u>53,810,293</u>	<u>49,256,175</u>
NON-CURRENT ASSETS			
Plant & Equipment	7	3,162,322	2,888,324
Right of Use Asset	18	4,922,956	6,406,862
Intangible Assets	8	10,593,082	10,593,082
TOTAL NON-CURRENT ASSETS		<u>18,678,360</u>	<u>19,888,268</u>
TOTAL ASSETS		<u>72,488,653</u>	<u>69,144,443</u>
CURRENT LIABILITIES			
Trade and Other Payables	9	65,346,886	60,886,471
Short Term Provisions	10	1,840,086	1,523,980
Lease Liabilities	18 (a)	2,140,618	2,625,436
TOTAL CURRENT LIABILITIES		<u>69,327,590</u>	<u>65,035,887</u>
NON-CURRENT LIABILITIES			
Long Term Provisions	11	246,336	255,479
Lease Liabilities	18 (b)	2,914,125	3,852,475
TOTAL NON-CURRENT LIABILITIES		<u>3,160,461</u>	<u>4,107,954</u>
TOTAL LIABILITIES		<u>72,488,051</u>	<u>69,143,841</u>
NET ASSETS		<u>602</u>	<u>602</u>
EQUITY			
Contributed Equity		2	2
Accumulated funds		-	-
Capital attributable to owners		<u>2</u>	<u>2</u>
Non-controlling interests		600	600
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 2021

Note	Share capital	Retained earnings	Non-controlling interest	Total
	\$	\$	\$	\$
Balance at 30 June 2019	2	-	600	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	-	-	(1,609,700)	(1,609,700)
Dividends paid	-	-	-	-
Balance at 30 June 2020	2	-	600	602
Profit for the year	-	-	553,068	553,068
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	553,068	553,068
Transactions with owners in their capacity as owners	-	-	(553,068)	(553,068)
Dividends paid	-	-	-	-
Balance at 30 June 2021	2	-	600	602

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows
 For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Cash Flows from Operating Activities			
Receipts from Customers		24,922,673	24,994,823
Payments to Suppliers & Employees		(21,317,159)	(21,958,176)
Finance Costs paid		(81,606)	(149,123)
Interest Received		1,122,196	1,803,493
Net Operating Cash Flows		<u>4,646,104</u>	<u>4,691,017</u>
Cash Flows from Investing Activities			
Payment for Plant & Equipment and Leasehold Improvements	7	(1,440,758)	(684,612)
Deposits Paid		(36,818)	(121,283)
Net Investing Cash Flows		<u>(1,477,576)</u>	<u>(805,895)</u>
Cash Flows from Financing Activities			
Net receipts from accommodation bonds and deposits		3,099,300	3,643,168
(Payments to) Non-controlling interests		(5,801,183)	(7,626,714)
Lease Liability Repayments	18	(2,318,294)	(2,627,321)
Repayment of Bank Loans		-	(4,986,405)
(Payments to) other related parties		(168,608)	(614,154)
Net Financing Cash Flows		<u>(5,188,785)</u>	<u>(12,211,426)</u>
Net Increase in Cash Held		(2,020,257)	(8,326,304)
Cash at Beginning of Financial Year		<u>3,455,662</u>	<u>11,781,966</u>
Cash at End of Financial Year	4	<u>1,435,405</u>	<u>3,455,662</u>

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the Year Ended 30 June 2021

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 2021 of \$553,068 following a profit of \$1,609,700 recorded for the prior year. Before providing for distributions to non-controlling interests, as at 30 June 2021 the Group had net assets of \$553,670 before distributions - \$602 net assets after distributions (2020: \$1,610,302 before distributions - \$602 after distributions).

The group is in a net current asset deficiency position. This position principally arises due to refundable accommodation deposits (RADs) and accommodation bonds being recorded as a current liability as required under accounting standards. However, in practice, deposits and bonds that are repaid are generally replaced from incoming residents in a short timeframe. The groups net receipt / (repayment) of bonds and deposits over a financial year represents a small portion of the groups total bond and deposit liability. In the year ended 30 Jun 21 the group received a net inflow of bonds and deposits (total receipts less total refunds) of \$3,099,300 (refer to Consolidated Statement of Cash Flows 'Accommodation Bonds'). Therefore it is not anticipated that the accommodation bond and deposit liabilities will cause future cash flow concerns. Additionally, the Group has positive operating cash flow, maintains a minimum liquidity level and has access to undrawn credit facilities.

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 concern basis.

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 2021

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New or amended Accounting Standards and Interpretations adopted

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

IFRIC Agenda Decision - Configuration or Customisation Costs in a Cloud Computing Arrangement (AASB 138 Intangible Assets)

The Group has adopted the IFRIC Agenda Decision from 1 July 2020. The Agenda Decision provides clarification on the elements of expenditure that meet the definition of an Intangible Asset as defined by AASB 138 Intangible Assets. There was no material impact on the group as a result of the adoption of the AFRIC Agenda Decision

Accounting Policies

a) Revenue

Aged Care

The group recognises revenue from aged care services over time as performance obligations are satisfied which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and nondiscretionary services, as agreed in a single contract with the resident.

Government Contributions - aged care

Government revenue reflects the Group's entitlement to revenue from the Australian Government based upon the specific care and accommodation needs of the individual residents. Government revenue comprises of basic subsidy amounts calculated in accordance with the Aged Care Funding Instrument ('ACFI'), accommodation supplements, funding for short-term 'respite' residents, HCP subsidies and other Government incomes. Revenue is recognised over time as services are provided and performance obligations fulfilled. Funding claims are submitted/updated daily and Government revenue is usually payable within approximately one month of services having been performed.

Resident and client fees - aged care

Residents are charged a basic daily fee as a contribution to the provision of care and accommodation. The quantum of resident/client basic daily fees is regulated by the Government and typically increases in March and September each year. Resident/client basic daily fee revenue is recognised over time as services are provided and performance obligations fulfilled. Residents/clients are invoiced on a monthly basis and revenue is usually payable within 30 days. Other resident/client revenue represents other fees charged to residents/clients in respect of care and accommodation services provided by the Group and includes means tested care fees, Daily Accommodation Payment (DAP)/Daily Accommodation Contribution (DAC) revenue, additional services revenue and other income. Other resident/client revenue is recognised over time as services are provided and performance obligations fulfilled. Residents/clients are invoiced on a monthly basis and revenue is usually payable within 30 days.

Other operating revenue - aged care

For residential aged care accommodation arrangements where the resident has elected to pay a Refundable Accommodation Deposit ('RAD') or Accommodation Bonds (prior to July 2014), the Group receives a financing benefit, being non-cash consideration, in the form of an interest free loan. The fair value of this non-cash consideration is required, under AASB 16 and AASB 9 to be recognised as rental income (to reflect the resident's occupancy of the room) and corresponding interest expense (to record the financial liability associated with RADs and bonds at fair value) with no net impact on profit or loss. Where residents have elected to pay a DAP, the DAP is recognised as resident/client fees as disclosed above. This is calculated based on average RAD / accommodation bond balances, excluding any RADs/accommodation bonds awaiting refund/probate divided by the Maximum Permissible Interest Rate (MPIR), which is a Commonwealth Government set interest rate used to calculate the Daily Accommodation Payment (DAP) to applicable residents.

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when performance obligations are fulfilled or when it is received or when the right to receive payment if performance obligations do not exist.

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) AASB 16 - Leases

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 was exited during the 2021 financial year (see note 20). Nil liability at reporting date.

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-22
The Emerald Glades Hostel Trust	15 Emerald-Monbulk Rd Emerald 3782	3.23%	0.00%	Nov-25

Impact on the profit and loss has been noted at note 19

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

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.

Total amounts charged by RAS are set out in a Management Agreement and include (see note 12 a):

- 1) A fixed management fee per bed licence held by the group
- 2) Recovery of Corporate costs relating to annual financial management, clinical governance and prudential compliance services overseen by the Executive and Finance Teams in RAS.

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 have been initially recognised at fair value upon issue from the Federal Government which is deemed to represent cost under AASB 138 Intangible Assets. The Group considers the licences to have an indefinite life and as such does not amortise them. The licences are reviewed annually to assess whether there has been any impairment in their value. Where the carrying amount exceeds the value of the expected future benefits, the difference is charged to profit and loss. Impairment losses can be reversed in subsequent periods to the extent previously recognised. The recoverable amount of bed licences represents the higher of the asset's fair value less costs to sell and its value in use. Judgements and estimates have been made in determining fair value and value in use of bed licences.

The current Government has stated its intention to abolish bed licence restrictions and the Aged Care Approval Rounds ("ACAR") from 1 July 2024. This proposal has the potential to impact the accounting value of bed licences. At 30 June 2021, the Group recognises bed licences at a book value of \$10,593,082. Legislation has not yet been drafted or passed to give effect to this intention and the exact nature of any changes to the licencing regime remains uncertain at the date of this report. Until such time as any legislation is passed, Approved Providers will still be required to own bed licences to be eligible for Government subsidies under the Aged Care Act. As a result, the Group has determined that bed licences continue to have an indefinite life and the carrying value remains appropriate at the date of this report.

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 2021

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. During the 2021 year there were further outbreaks in Victoria which is the State in which the group operates. 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 30th September 2021.

Notes to the Financial Statements

For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
2 REVENUE			
Commonwealth Funding		19,160,610	18,847,910
Resident Contributions		5,834,090	6,003,282
Bond Retentions		-	-
Other Income		29,644	73,157
Rental Income		7,350	8,100
Interest from Related Parties	12(a)	446,689	875,297
Interest from external parties		675,507	928,196
Imputed revenue on RAD and Bond balances under AASB 16		1,715,611	1,947,323
Total Revenue		<u>27,869,501</u>	<u>28,683,265</u>
3 PROFIT AND LOSS ITEMS			
Profit from ordinary activities has been determined after:			
Depreciation			
Depreciation of Right of Use Assets (AASB 16)	18	2,213,051	2,534,927
Depreciation of Plant & Equipment and Leasehold Improvements		<u>1,166,761</u>	<u>921,887</u>
		3,379,812	3,456,814
Occupancy expenses			
Rent expense		-	-
Finance Costs - External entities			
Imputed Interest Cost on RAD and Bond Balances under AASB 16		1,715,611	1,947,323
Interest Expense on leases under AASB 16	18	165,982	163,443
Interest Expense on RADs for departed residents		81,606	102,725
Interest Expense on Bank Loans		-	36,074
		<u>1,963,199</u>	<u>2,249,565</u>
Employee benefits expense			
Superannuation expense		<u>910,314</u>	<u>876,173</u>
Other Expenses Items			
Employee Entitlements		<u>306,963</u>	<u>328,075</u>
4 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		<u>1,435,405</u>	<u>3,455,662</u>
Reconciliation of cash:			
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		<u>1,435,405</u>	<u>3,455,662</u>
Total Cash		<u>1,435,405</u>	<u>3,455,662</u>
5 TRADE AND OTHER RECEIVABLES			
Trade debtors		128,187	189,764
Provision for doubtful debts		<u>(4,368)</u>	<u>(174,966)</u>
Trade debtors - external entities (net)		123,819	14,798
GST receivable - external entities		100,067	116,342
Other receivables - external entities		661,850	266,136
RAS Trust	12(b)	22,005,057	16,203,880
RAS Pty Ltd	12(b)	965,295	3,981,963
Emerald Glades Property Trust	12(b)	5,511,748	5,271,670
The Argyle Trust	12(b)	8,362,688	9,592,818
The Exotic Marigold Prahran Trust	12(b)	172,454	172,454
The Maview Property Trust	12(b)	14,136,946	9,961,618
Total Trade & Other Receivables		<u>52,039,924</u>	<u>45,581,679</u>

Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021	2020
	\$	\$
6 OTHER ASSETS (CURRENT)		
Prepayments	176,863	97,551
Deposits Paid	<u>158,101</u>	<u>121,283</u>
Total Current Other Assets	<u>334,964</u>	<u>218,834</u>
7 PROPERTY PLANT & EQUIPMENT & CAPITAL WORK IN PROGRESS		
LEASEHOLD IMPROVEMENTS		
At cost	3,191,950	2,408,291
Accumulated Depreciation	<u>(1,336,992)</u>	<u>(800,690)</u>
	<u>1,854,958</u>	<u>1,607,601</u>
PLANT AND EQUIPMENT		
At cost	2,998,615	2,341,544
Accumulated Depreciation	<u>(1,691,251)</u>	<u>(1,060,821)</u>
	<u>1,307,364</u>	<u>1,280,723</u>
PROPERTY PLANT & EQUIPMENT	<u>3,162,322</u>	<u>2,888,324</u>
Movements in Carrying Amounts		
Leasehold Improvements		
Opening carrying value	1,607,601	1,574,055
Additions	783,687	431,102
Disposals	-	(532,322)
Accumulated Depreciation on Disposals	-	532,322
Depreciation for the Year	<u>(536,331)</u>	<u>(397,558)</u>
Closing carrying value	<u>1,854,958</u>	<u>1,607,601</u>
Plant and Equipment		
Opening carrying value	1,280,723	1,551,544
Additions	657,071	253,510
Disposals	-	(1,612,666)
Accumulated Depreciation on Disposals	-	1,612,666
Depreciation for the Year	<u>(630,430)</u>	<u>(524,330)</u>
Closing carrying value	<u>1,307,364</u>	<u>1,280,723</u>
Total Property, Plant, Equipment & Capital Work in Progress Movements		
<i>Cost</i>		
Opening Carrying Amounts	2,888,324	3,125,599
Additions	1,440,758	684,612
Disposals	-	(2,144,987)
Accumulated Depreciation on Disposals	-	2,144,987
Depreciation for the year	<u>(1,166,761)</u>	<u>(921,887)</u>
TOTAL PROPERTY, PLANT, EQUIPMENT & CAPITAL WORK IN PROGRESS	<u>3,162,322</u>	<u>2,888,324</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 2021

	Note	2021 \$	2020 \$
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 4.99% 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 5.06% 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 5.00% was used in discounting the projected future cash flows. 			
9 TRADE AND OTHER PAYABLES			
<i>Unsecured Liabilities</i>			
Trade Payables - external entities		1,835,875	1,019,788
Payroll Liabilities - external entities		337,082	322,058
Sundry Payables - external entities		248,664	271,724
Non-controlling interests	12(c)	14,909,204	14,356,140
Accommodation Bonds and Deposits Payable		48,016,061	44,916,761
Total Trade and Other Payables		65,346,886	60,886,471

Notes to the Financial Statements

For the Year Ended 30 June 2021

		2021	2020
		\$	\$
10 SHORT TERM PROVISIONS			
Employee Benefits	11(a)	1,840,086	1,523,980
Total Short Term Provisions		<u>1,840,086</u>	<u>1,523,980</u>
11 LONG TERM PROVISIONS			
Employee Benefits	11(a)	246,336	255,479
Total Long Term Provisions		<u>246,336</u>	<u>255,479</u>
a) Aggregate Employee Entitlements		<u>2,086,422</u>	<u>1,779,459</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 seven years historical data. The measurement and recognition criteria for employee benefits has been included in Note 1(j).			
12 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>6,225,830</u>	<u>5,972,389</u>
Interest Revenue - Argyle Trust		167,267	312,635
Interest Revenue - The Residential Aged Services Trust		83,977	250,739
Interest Revenue - Residential Aged Services Pty Ltd		20,995	62,685
Interest Revenue - The Maview Property Trust		<u>174,450</u>	<u>249,238</u>
		<u>446,689</u>	<u>875,297</u>
Interest Paid - The Argyle Trust		-	-
Interest Paid - Residential Aged Services Trust		-	<u>10,324</u>
		<u>-</u>	<u>10,324</u>
Rent paid to Emerald Glades Property Trust		-	-
Rent paid to The Argyle Trust		-	-
Distributions to RAS Trust		<u>553,068</u>	<u>1,609,700</u>
b) Amounts receivable from director related parties			
Emerald Glades Property Trust		5,511,748	5,271,670
Residential Aged Services Trust		22,005,057	16,203,880
Residential Aged Services Pty Ltd		965,295	3,981,963
The Argyle Trust		8,362,688	9,592,818
The Exotic Marigold Prahran Trust		172,454	172,454
The Maview Property Trust		<u>14,136,946</u>	<u>9,961,618</u>
		<u>51,154,188</u>	<u>45,184,403</u>
c) Amounts payable to beneficiaries			
Residential Aged Services Trust		<u>14,909,204</u>	<u>14,356,140</u>
		<u>14,909,204</u>	<u>12,746,440</u>

Notes to the Financial Statements

For the Year Ended 30 June 2021

13 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 further outbreaks 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.

14 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).

15 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 1.84%

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

16 CONTINGENT LIABILITIES

The Company has provided a guarantee in respect of a loan owed by The Argyle Trust to its financiers (National Australia Bank). As at 30 June 2021 the amount The Argyle Trust owed to National Australia Bank was \$11,200,000.

The Company has provided a guarantee in respect of a loan owed by The Residential Aged Services Trust to its financiers (National Australia Bank). As at 30 June 2021 the amount The Residential Aged Services Trust owed to National Australia Bank was \$6,145,000.

The Company has provided a guarantee in respect of a \$2,000,000 facility provided to The Residential Aged Services Trust from its financiers (National Australia Bank). As at 310 June 2021 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 its financiers (National Australia Bank). As at 30 June 2021 the amount The Argyle Trust owed to National Australia Bank was \$11,200,000 (2020: \$12,000,000).

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

17 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	2021	2020
	\$	\$
Financial Assets		
Cash and cash equivalents	1,435,405	3,455,662
Trade and other receivables	52,039,924	45,581,679
Total Financial Assets	<u>53,475,329</u>	<u>49,037,341</u>
Financial Liabilities:		
Trade and other payables	65,346,886	60,886,471
Total Financial Liabilities	<u>65,346,886</u>	<u>60,886,471</u>

Notes to the Financial Statements

For the Year Ended 30 June 2021

18 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	Lease
		(RUA)	Liabilities
		\$	\$
As at 1 Jul 2020		6,406,862	(6,477,911)
Depreciation Expense		(2,213,051)	-
Interest Expense		-	(165,982)
Lease Payments		-	2,318,294
Subsequent Re-measurements		729,145	(729,145)
Closing Carrying Value		<u>4,922,956</u>	<u>(5,054,743)</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	2021	2020
	\$	\$
Depreciation expense of right-of-use assets, now recognised	(2,213,051)	(2,534,927)
Interest expense on lease liabilities, now recognised	(165,982)	(163,443)
Lease Payments under AASB 16	2,318,294	2,627,321
Net impact on the Profit and Loss	<u>(60,739)</u>	<u>(71,049)</u>

Lease Liabilities

	2021	2020
	\$	\$
a) Lease Liability - Current Liability	2,140,618	2,625,436
b) Lease Liability - Non-current Liability	2,914,125	3,852,475
Total Lease Liabilities	<u>5,054,743</u>	<u>6,477,911</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 ten 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 2022. Accordingly at reporting date lease payments have been capitalised to Dec 2022 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)

Subsequent Remeasurement During Year

During the 2021 year the lease was renewed for a further 12 months to 30 Jun 21. As a consequence the Right to Use Asset ('RuA') and Lease Liability were re-measured at 30 June 2021

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 nil assumed long term growth in lease payments.

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

Subsequent Remeasurement During Year

During the 2021 financial year the property located at 171-175 Jells Rd Wheelers Hill was acquired by a related party, The Maview Property Trust. On acquisition the lease held by the Trust was assigned to The Residential Aged Services Trust ('Non controlling Interests'). All rights and obligations associated with the lease were transferred. Accordingly at reporting date the carrying value of the Right of Use Asset ('RuA') and Lease Liability were nil.

19 CONTROLLED AND ASSOCIATED ENTITIES

Name of entity	Ownership interest		Non controlling interest	
	2021	2020	2021	2020
	%	%	%	%
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 2021 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 30th September 2021

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 2021, 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 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 2021 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 Group in accordance with 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.

Responsibilities of the Director of the Trustee Company 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 Director determines is necessary to enable the preparation of the financial report to be 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 Group or to cease operations, or has 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: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants



A C Pitts
Partner – Audit & Assurance

Melbourne, 30 September 2021