

Farewell Nominees Pty Ltd

Annual Report - 30 June 2024

NAPS ID 533

ABN 37 089 021 303

Approved Provider for

RACS 3633 – Emerald Glades

RACS 3628 – The Willows Wheelers Hill

RACS 3745 – Willow Wood Aged Care Facility

Farwell Nominees Pty Ltd

Contents

30 June 2024

Consolidated statement of profit or loss and other comprehensive income	3
Consolidated statement of financial position	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7
Directors' declaration	20
Independent auditor's report to the members of Farwell Nominees Pty Ltd	21

General information

The financial statements cover Farwell Nominees Pty Ltd as a group consisting of Farwell Nominees Pty Ltd, Emerald Glades Hostel Trust, Willow Wood Cranbourne Aged Services Trust and The Wheelers Hill Aged Services (collectively the 'Group').

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Farwell Nominees Pty Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	Consolidated 2024 \$	2023 \$
Revenue			
Revenue	4	37,107,391	31,025,099
Expenses			
Employee benefits expense		(18,813,146)	(13,923,980)
Resident expenses		(527,507)	(1,262,247)
Amortisation of bed licenses		(3,852,029)	(3,852,030)
Bad and doubtful debts		30,723	(78,596)
Finance costs	5	(3,931,363)	(2,928,030)
Management fee expense	19	(6,276,387)	(6,551,997)
General & administrative expenses		(175,151)	(167,969)
Operating expenses		(1,846,421)	(1,797,823)
Occupancy expenses		(3,584,347)	(3,782,962)
Total expenses		<u>(38,975,628)</u>	<u>(34,345,634)</u>
Loss before income tax expense		(1,868,237)	(3,320,535)
Income tax expense		-	-
Loss after income tax expense for the year		(1,868,237)	(3,320,535)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		<u>(1,868,237)</u>	<u>(3,320,535)</u>
Loss for the year is attributable to:			
Non-controlling interest		(1,868,237)	(3,320,535)
Owners of Farwell Nominees Pty Ltd		-	-
		<u>(1,868,237)</u>	<u>(3,320,535)</u>
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		(1,868,237)	(3,320,535)
Owners of Farwell Nominees Pty Ltd		-	-
		<u>(1,868,237)</u>	<u>(3,320,535)</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Farwell Nominees Pty Ltd
Consolidated statement of financial position
As at 30 June 2024

	Note	Consolidated 2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	6	605,775	323,880
Trade and other receivables	7	106,768	1,001,128
Other financial assets	8	58,030,013	56,937,420
Other assets		45,871	28,628
Total current assets		<u>58,788,427</u>	<u>58,291,056</u>
Non-current assets			
Property, plant and equipment	9	1,041,880	1,592,715
Right-of-use assets	10	7,562,988	3,121,128
Intangibles	11	-	3,852,029
Total non-current assets		<u>8,604,868</u>	<u>8,565,872</u>
Total assets		<u>67,393,295</u>	<u>66,856,928</u>
Liabilities			
Current liabilities			
Trade and other payables	12	49,957,320	52,480,909
Lease liabilities	13	2,219,089	2,293,869
Employee benefits	14	2,514,650	2,256,457
Total current liabilities		<u>54,691,059</u>	<u>57,031,235</u>
Non-current liabilities			
Lease liabilities	13	5,542,301	960,264
Employee benefits	14	387,065	224,322
Total non-current liabilities		<u>5,929,366</u>	<u>1,184,586</u>
Total liabilities		<u>60,620,425</u>	<u>58,215,821</u>
Net assets		<u>6,772,870</u>	<u>8,641,107</u>
Equity			
Contributed equity		2	2
Other contributed equity	15	14,303,930	14,303,930
Retained profits		-	-
Equity attributable to the owners of Farwell Nominees Pty Ltd		<u>14,303,932</u>	<u>14,303,932</u>
Non-controlling interest		<u>(7,531,062)</u>	<u>(5,662,825)</u>
Total equity		<u>6,772,870</u>	<u>8,641,107</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Farwell Nominees Pty Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2024

Consolidated	Contributed equity \$	Other contributed equity \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2022	2	14,303,930	-	(2,342,290)	11,961,642
Loss after income tax expense for the year	-	-	-	(3,320,535)	(3,320,535)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(3,320,535)	(3,320,535)
Balance at 30 June 2023	<u>2</u>	<u>14,303,930</u>	<u>-</u>	<u>(5,662,825)</u>	<u>8,641,107</u>

Consolidated	Contributed equity \$	Other contributed equity \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2023	2	14,303,930	-	(5,662,825)	8,641,107
Loss after income tax expense for the year	-	-	-	(1,868,237)	(1,868,237)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(1,868,237)	(1,868,237)
Balance at 30 June 2024	<u>2</u>	<u>14,303,930</u>	<u>-</u>	<u>(7,531,062)</u>	<u>6,772,870</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Farwell Nominees Pty Ltd
Consolidated statement of cash flows
For the year ended 30 June 2024

	Note	Consolidated 2024 \$	2023 \$
Cash flows from operating activities			
Receipts from residents and the Government		32,782,425	27,763,081
Payments to suppliers & employees		(27,579,039)	(23,149,533)
Interest received		856,414	565,151
Interest and other finance costs paid		(114,354)	(126,980)
		<u>5,945,446</u>	<u>5,051,719</u>
Net cash from operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		(348,868)	(295,426)
		<u>(348,868)</u>	<u>(295,426)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Net receipts of refundable accommodation deposits and accommodation bonds		(1,835,934)	(1,448,745)
Loans to related parties		(1,092,588)	(1,848,448)
Repayment of lease liabilities		(2,386,161)	(2,275,046)
		<u>(5,314,683)</u>	<u>(5,572,239)</u>
Net cash used in financing activities			
Net movement in cash and cash equivalents		281,895	(815,946)
Cash and cash equivalents at the beginning of the financial year		323,880	1,139,826
		<u>605,775</u>	<u>323,880</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>605,775</u></u>	<u><u>323,880</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policy information

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations 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, which had no impact on the financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

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

For the year ended 30 June 2024 the Group recognised a loss after tax of \$1,868,237 (2023: \$3,320,535). In addition, the Group is dependent on subsidies from the Government for a significant portion of its revenues.

The Director has considered the performance and position of the Group and considers that the going concern basis is appropriate for the preparation of the financial report due to the following factors:

- For the year ended 30 June 2024 the Group recognised \$3,852,029 (2023: \$3,852,030) of non-cash amortisation of bed licences;
- As at 30 June 2024 the Group had positive working capital, being current assets less current liabilities, of \$4,097,368 (2023 : \$1,259,821) and net assets of \$6,772,870 (2023 : \$8,641,107);
- For the year ended 30 June 2024 the Group had cash inflows from operations of \$5,945,446 (2023 : \$5,051,719); and
- At the date of this report the Director has no reason to believe that Government funding will not continue to be received for the Group's provision of aged care services.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Basis of preparation

These financial statements have been prepared for the purposes of meeting the needs of members of Farwell Nominees Pty Ltd and the approved provider requirements of Farwell Nominees Pty Ltd under the Aged Care Act 1997. To satisfy those requirements the entities within the approved provider group have been accounted for in these financial statements as a consolidated group (as noted below in the principals of consolidation section of this note).

These financial statements have been prepared in accordance with the requirements of Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Segment note

The Approved Provider delivers residential aged care services only and this General-Purpose Financial Report therefore relates only to such operations.

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 1. Material accounting policy information (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of Farwell Nominees Pty Ltd (the 'Company' or the 'approved provider'), and the entities deemed to be its subsidiaries for the purposes of satisfying Farwell Nominees Pty Ltd's approved provider requirements, being the Emerald Glades Hostel Trust, the Willow Wood Cranbourne Aged Services Trust and The Wheelers Hill Aged Services Trust (collectively the 'Group') as at 30 June 2024 and the results of the Group for the year then ended.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Material accounting policy information (continued)

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Income tax

All taxable income of the trust's within the Group has been distributed from the trusts, as such there is no tax liability arising for the trusts.

The Company had no taxable income for the year ended 30 June 2024 (2023: \$nil) and no temporary differences/carrying forward tax losses, as such there is no tax liability at year end, no deferred tax balances and no income tax expense.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 3. Reconciliation of profit or loss to underlying EBITDA

	Consolidated	Consolidated
	2024	2023
	\$	\$
Loss after income tax expense	(1,868,237)	(3,320,535)
Imputed revenue on refundable accommodation deposits and accommodations bonds under AASB 16	(3,566,033)	(2,698,809)
Depreciation and amortisation	6,952,313	7,112,654
Finance costs	3,931,363	2,928,030
Underlying EBITDA	<u>5,449,406</u>	<u>4,021,340</u>

Note 4. Revenue

	Consolidated	Consolidated
	2024	2023
	\$	\$
Government funding	24,466,360	20,266,736
Resident contributions	7,892,750	7,404,610
Other revenue	320,909	82,968
Rent revenue	4,925	6,825
Interest revenue - related parties	851,468	562,894
Interest revenue - external parties	4,946	2,257
Imputed revenue on refundable accommodation deposits and accommodations bonds under AASB 16	3,566,033	2,698,809
Revenue	<u>37,107,391</u>	<u>31,025,099</u>

Accounting policy for revenue

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 funding - 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') and the Australian National Aged Care Classification funding model ('AN-ACC'), accommodation supplements, funding for short-term 'respite' residents 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 contributions - aged care

Residents are charged a basic daily fee as a contribution to the provision of care, daily living 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.

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 4. Revenue (continued)

Imputed revenue on refundable accommodation deposits and accommodation bonds - 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.

Rent revenue

The Group earns rental income from tenants (both related party and other) under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the group may obtain bank guarantees for the term of the lease.

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.

Note 5. Expenses

	Consolidated	
	2024	2023
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Right-of-use assets	2,200,582	2,153,068
Property, plant and equipment	899,703	1,107,556
Intangible assets	3,852,029	3,852,030
	<u>6,952,314</u>	<u>7,112,654</u>
<i>Finance costs</i>		
Imputed interest on refundable accommodation deposits and accommodation bonds under AASB 16	3,566,033	2,698,809
Interest on lease liabilities	250,976	102,241
Interest on refundable accommodation deposits for departed residents	114,354	126,980
	<u>3,931,363</u>	<u>2,928,030</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>1,576,325</u>	<u>1,061,021</u>

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 6. Cash and cash equivalents

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Cash on hand and at bank	<u>605,775</u>	<u>323,880</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 7. Trade and other receivables

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Trade receivables	116,158	245,400
Less: Allowance for expected credit losses	<u>(71,050)</u>	<u>(102,811)</u>
	45,108	142,589
Other receivables	<u>61,660</u>	<u>858,539</u>
	<u>106,768</u>	<u>1,001,128</u>

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 8. Other financial assets

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Related party loans - at call	4,853,110	6,815,605
Related party loans - at amortised cost	<u>53,176,903</u>	<u>50,121,815</u>
	<u>58,030,013</u>	<u>56,937,420</u>

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 8. Other financial assets (continued)

Accounting policy for other financial assets

Loans receivable from related parties that have no documented terms and conditions are treated as receivable on demand/at call. At initial recognition the loans are measured at fair value which equates to the transaction price, being the amount advanced, on the basis that the Group has the ability to demand repayment immediately after the loan was advanced. Consequently no interest revenue on the loans have been recognised in the current and prior financial period.

Loans receivable from related parties that have documented terms and conditions are measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest. Interest was charged on the loans for the year ended 30 June 2024 of 6.36% (2023: 3.60% or 5.32%). The loans are due for repayment within the next financial year, as a result the loans are classified as current.

Note 9. Property, plant and equipment

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	3,461,296	3,259,927
Less: Accumulated depreciation	<u>(2,939,764)</u>	<u>(2,448,480)</u>
	521,532	811,447
Plant and equipment - at cost	3,831,731	3,684,232
Less: Accumulated depreciation	<u>(3,311,383)</u>	<u>(2,902,964)</u>
	520,348	781,268
	<u>1,041,880</u>	<u>1,592,715</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Leasehold improvements \$	Plant & equipment \$	Total \$
Balance at 1 July 2023	811,447	781,268	1,592,715
Additions	201,369	147,499	348,868
Depreciation expense	<u>(491,284)</u>	<u>(408,419)</u>	<u>(899,703)</u>
Balance at 30 June 2024	<u>521,532</u>	<u>520,348</u>	<u>1,041,880</u>

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 9. Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 10. Right-of-use assets

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Property leases - at cost	18,037,938	11,395,496
Less: Accumulated depreciation	<u>(10,474,950)</u>	<u>(8,274,368)</u>
	<u><u>7,562,988</u></u>	<u><u>3,121,128</u></u>

The current term of the property leases expire on various dates (December 2024, June 2025 and November 2025), with further options to extend the leases under the various lease agreements. The Group has accounted for any option periods when it is reasonable certain that the option will be taken exercised.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Property leases \$
Balance at 1 July 2023	3,121,128
Remeasurement	6,642,442
Depreciation expense	<u>(2,200,582)</u>
Balance at 30 June 2024	<u><u>7,562,988</u></u>

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 11. Intangibles

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Bed licenses - at cost	10,593,082	10,593,082
Less: Accumulated amortisation	<u>(10,593,082)</u>	<u>(6,741,053)</u>
	<u>-</u>	<u>3,852,029</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Bed licences
	\$
Balance at 1 July 2023	3,852,029
Amortisation expense	<u>(3,852,029)</u>
Balance at 30 June 2024	<u>-</u>

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Bed licences

Bed licences are initially measured at cost and subsequently less any accumulated amortisation and impairment.

In September 2021, The Department of Health and Aged Care (DHAC) confirmed the Australian government's decision to discontinue the Aged Care Approval Rounds (ACAR). From 1 July 2024 residential aged care places will be assigned directly to senior Australians not to approved providers. In accordance with Accounting Standards and guidelines issues by the Australian Securities and Investment Commission ("ASIC") and the Groups current understanding of the legislation, the Group has reassessed the useful life of its bed licenses.

The Group has been amortising the bed licenses from 1 October 2021 on a straight line basis over the remaining economic life to 30 June 2024. This resulted in an amortisation expense in the profit and loss for the 2024 financial year of \$3,852,029 (2023: \$3,852,030), with no impact on the cash flows of the Group.

Note 12. Trade and other payables

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Trade payables	2,170,528	2,855,639
Payroll related accrued expenses	753,550	422,962
Other payables and accrued expenses	291,935	625,067
Accommodation Bonds and Refundable Accommodation Deposits	<u>46,741,307</u>	<u>48,577,241</u>
	<u>49,957,320</u>	<u>52,480,909</u>

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 12. Trade and other payables (continued)

From 1 July 2007, pursuant to the Aged Care Act 1997, interest is paid on Refundable Accommodation Deposits ("RAD's") and Accommodation Bonds following departure (or death) of a resident until RAD repayment. Interest is required to be paid at two different rates, which are legislated on a quarterly basis:

- base interest rate for the period between the date of the refunding event and the earlier of the date the balance is refunded and the date the legislated timeframe for the refund of the balance expires; and
- the maximum permissible interest rate for the period after the end of the legislated timeframe (or the time set out in the Formal Agreement) until the balance is refunded.

Rates are amended quarterly. For the year ended 30 June 2024 base rates were 2.25% (2023: 2.25%) and the maximum permissible rate varied from 7.90% to 8.38% (2023 : 5.00% to 7.46%).

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 13. Lease liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Lease liability	2,219,089	2,293,869
<i>Non-current liabilities</i>		
Lease liability	5,542,301	960,264
	<u>7,761,390</u>	<u>3,254,133</u>
<i>Future lease payments</i>		
Future lease payments are due as follows:		
Within one year	2,388,815	2,364,321
One to five years	2,835,791	979,150
More than five years	3,555,759	-
	<u>8,780,365</u>	<u>3,343,471</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Lease liabilities \$
Balance at 1 July 2023	3,254,133
Remeasurements	6,642,442
Interest	250,976
Repayments	<u>(2,386,161)</u>
Balance at 30 June 2024	<u>7,761,390</u>

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 13. Lease liabilities (continued)

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 14. Employee benefits

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Employee benefits	2,514,650	2,256,457
<i>Non-current liabilities</i>		
Employee benefits	387,065	224,322
	<u>2,901,715</u>	<u>2,480,779</u>

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for employee benefits not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 15. Other contributed equity

	Consolidated	
	2024	2023
	\$	\$
Other contributed equity	<u>14,303,930</u>	<u>14,303,930</u>

Accounting policy for other contributed equity

Other contributed equity represents the net funds advanced from related parties that are not repayable or are repayable at the discretion of the Group.

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 16. Key management personnel disclosures

The Group provides no compensation to its director or other key management personnel. All such compensation is provided by Residential Aged Services Pty Ltd, a related party of the Group.

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Group:

	Consolidated	
	2024	2023
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit of the financial statements	60,538	70,200

Note 18. Contingent liabilities, financing arrangements and commitments

A facility was provided by the National Australia Bank to The Residential Aged Services Trust on 6 November 2019, to allow the Residential Aged Services Trust Group redeem a departing residents Refundable Accommodation Deposits The facility limit at reporting date was \$4,000,000. At 30 June 2024 the loan was drawn to \$nil. The interest rate on the facility is the bank bill swap rate plus a margin of 1.75%. At 30 June 2024 the interest rate was 1.6928%. The facility fee rate is 0.5%. The facility has a 12 month expiry date.

The Group 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 2024 the amount The Argyle Trust owed to National Australia Bank was \$8,800,000.

The Group 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 2024 the amount The Residential Aged Services Trust owed to National Australia Bank was \$3,745,000.

The Group has provided a guarantee in respect of a \$4,000,000 facility provided to The Residential Aged Services Trust from it's financiers (National Australia Bank). As at 30 June 2024 the amount The Residential Aged Services Trust owed to National Australia Bank was \$3,480,000.

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 2024 the amount The Argyle Trust owed to National Australia Bank was \$8,800,000.

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; and
- Wrixon Manor Pty Ltd as trustee for The Wrixon Property Trust

The Group had no other contingent liabilities, financing arrangements or commitments as at 30 June 2024, other than future lease payments as disclosed in note 13.

Note 19. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 16.

Farwell Nominees Pty Ltd
Notes to the consolidated financial statements
30 June 2024

Note 19. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2024	2023
	\$	\$
<i>Interest revenue</i>		
Interest charged to related parties	851,468	562,894
<i>Payment for goods and services:</i>		
Management fees charged by related parties*	6,276,387	6,551,997

*The Director controls Residential Aged Services Pty Ltd ("RAS"). RAS provides management services to the entity. Amounts paid or payable to RAS are disclosed in the financial statements.

Total amounts charged by RAS are set out in an arms length Management Agreement and include a fixed management fee per bed operated by the Group and recovery of corporate costs relating to annual financial management, sales and marketing, clinical governance and prudential compliance services overseen by the executive and finance teams in RAS.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2024	2023
	\$	\$
Current receivables:		
Loans to related parties	58,030,013	56,937,420

Note 20. Non-controlling interests

Name of entity	Ownership	Ownership	Non-	Non-
	interest	interest	controlling	controlling
	2024	2023	interest	interest
	%	%	2024	2023
			%	%
Emerald Glades Hostel Trust	-	-	100.00%	100.00%
Willow Wood Cranbourne Aged Services Trust	-	-	100.00%	100.00%
The Wheelers Hill Aged Services Trust	-	-	100.00%	100.00%

Note 21. Economic dependency

Farwell Nominees Pty Ltd is an approved provider for the three aged care facilities within the Group which are dependent upon funding provided by the Commonwealth Government and residents (including Accommodation Bonds and Refundable Accommodation Deposits).

Note 22. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Farwell Nominees Pty Ltd
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Australian Accounting Standards - Simplified Disclosures;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the director


Peter T Reilly
Director

18 October 2024

Grant Thornton Audit Pty Ltd

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

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 2024, 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.

In our opinion, the accompanying financial report of the Group:

- a presents fairly, in all material respects, the Group's financial position as at 30 June 2024 and of its performance and cash flows for the year then ended; and
- b complies with Australian Accounting Standards *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of management and those charged with governance for the financial report

Management is responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies used. This responsibility also includes such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

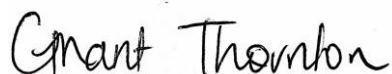
In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 Audit Pty Ltd
Chartered Accountants



J D Vasiliou
Partner – Audit & Assurance

Registration No. 538595

Melbourne, 18 October 2024