

**PHILLIP ISLAND RESORT SCHEME**

**A.R.S.N. 155 658 307**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**PHILLIP ISLAND RESORT SCHEME**

**A.R.S.N. 155 658 307**

**FINANCIAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**CONTENTS**

<b>INDEX</b>	<b>PAGE</b>
Report of the Responsible Entity	3 - 5
Auditor's Independence Declaration	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 22
Responsible Entity's Directors' Declaration	23
Independent Auditor's Report	24 - 25
Unaudited Detailed Statement of Profit or Loss	26

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**REPORT OF THE RESPONSIBLE ENTITY**

The Directors of the Responsible Entity, Primary Securities Ltd A.B.N. 96 089 812 635 (**Primary**), submit the financial report of Phillip Island Resort Scheme (the Scheme) for the year ended 31 December 2016.

**Directors**

The Directors of the Responsible Entity at any time during or since the end of the financial year are:

David Sydney Butterfield	Chairman
Robert Garton Smith	Director
Ian Mackenzie Murchison	Director
Anthony Wamsteker	Director (appointed 1st January 2017)

Directors have been in office for the duration of the financial period, unless otherwise stated.

**Principal Activities**

During the financial year the principal continuing activities of the Scheme consisted of conducting a hotel letting pool for the benefit of the Scheme members. This letting pool is managed by Resort Management by Wyndham Pty Ltd (**the Manager**) as agent for the Responsible Entity.

**Review and Results of Operations**

The Scheme was registered on 12 February 2012 and commenced operation of its principal activities on 30 May 2012. The Scheme now comprises 125 Villas (2015: 125 Villas) within the entire complex of 211 Villas, with an assigned 782 Villa entitlements (2015: 782) of a total 1,338 Villa entitlements as at 31 December 2016.

Performance of the resort operations for the year ended 31 December 2016 improved with revenue increasing year on year. Excluding Scheme Administration costs, the underlying profit also improved significantly against prior years.

For the financial year ended 31 December 2016, the Scheme recorded a loss from continuing operations of \$76,427 (2015: profit of \$126,662) which was impacted by an increase in Scheme Administration costs by \$645,530 from \$32,136 in 2015 to \$677,666 in 2016. Average occupancy during the year was 62.0% (2015: 51.3%) at an average rate of \$154 (2015: \$142) resulting in total revenues of \$5,110,606 (2015: \$4,245,371). Gross Operating Profit (GOP) was \$2,286,122 (2015: \$1,783,481) with a GOP margin of 44.7% (2015: 42.0%). The Scheme manages and services 52 rooms on behalf of Worldmark South Pacific Club and received a total of \$708,665 (2015: \$537,565) in housekeeping and management fees during the year. Also the Scheme paid the Manager management, marketing and royalty fees of \$657,666 (2015: \$563,772).

As at 31 December 2015, the value of the total assets was \$1,877,619 (2015: \$1,581,684). The valuation method for these is disclosed in Note 1 to the financial statements.

**Distributions**

Subject to clause 13.4 and 25 in the constitution, distribution entitlements will be calculated at the end of a distribution period and remitted to Scheme Members. The amount approved for distribution at 31 December 2016 is Nil (2015: Nil). At 31 December 2016, the Scheme had over distributed to owners by \$203,845 (2015: \$55,670). This amount will be recouped in 2017.

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**REPORT OF THE RESPONSIBLE ENTITY**

**Termination of the Manager**

On 30 June 2016, the Responsible Entity served a termination notice on the Manager, Resort Management by Wyndham Pty Ltd (**RMbW**) terminating the Management Agreement. RMbW subsequently commenced proceedings against the Responsible Entity and Primary Managers Pty Ltd for a declaration that the termination notice is invalid, and an injunction restraining the Responsible Entity from acting upon the termination notice and appointing Primary Managers Pty Ltd as manager.

On 7 February 2017, a commercial agreement was reached between the parties which is subject to approval of Villa Owners, details of which are still confidential. Otherwise the proceedings are ongoing.

In the opinion of the Directors of the Responsible Entity, there were no other significant events impacting upon the state of affairs of the Scheme that occurred during the financial year.

**Responsible Entity Fees**

During the financial year, the Scheme incurred fees of \$319,373 (2015: \$32,136) from Primary Securities for acting as the Responsible Entity. This amount includes \$52,468 that was previously reported as a contingent liability at 31 December 2015. The Responsible Entity made the decision to invoice the Scheme for all unbilled work after reaching a proposed agreement with the Manager which is projected to result in significantly improved distributions to Villa Owners in future years (based on 2016 calendar year figures) and at the same time provide for upgrading of villas. The increase in fees by Primary Securities from the previous reporting period represents the work undertaken to achieve this outcome. As at 31 December 2016, the Responsible Entity does not hold any direct interest in the Scheme.

**Events Subsequent to Balance Date**

Refer to Termination of the Manager above. Otherwise, the Directors confirm that there have been no events subsequent to the balance date which have had a material effect on the 2016 result.

**Options**

The Scheme has no powers to, and has not, at any time granted to a Director or Officer of the Responsible Entity an option to have issued to them any Authorised but Unissued Scheme Interests.

**Interests of the Responsible Entity and Associates**

The current Responsible Entity and its associates did not hold any interests in the Scheme as at 31 December 2016.

**Likely Developments**

The Scheme will continue to perform its present functions for the foreseeable future.

**Environmental Issues**

The Scheme's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory legislation.

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**REPORT OF THE RESPONSIBLE ENTITY**

**Indemnities and Insurance Premiums for Officers or Auditors**

During or since the end of the financial period no insurance premiums have been paid out of the Scheme's assets in relation to insurance cover for the past or present Responsible Entities, their officers and employees, the Compliance Committee or auditors of the Scheme.

Both the past and present Responsible Entities have made agreements to indemnify all respective directors and executive officers for liabilities incurred as an officer or director. The respective insurance contracts specifically prohibit disclosure of the nature of the insured liabilities and of the premium in respect of this policy.

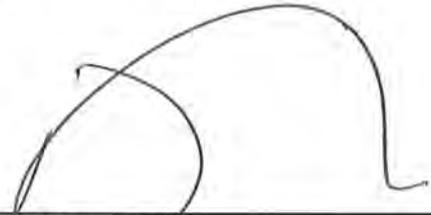
**Leave of Proceedings**

No person has applied for leave of Court to bring proceedings on behalf of the Scheme or intervened in any proceedings to which the Scheme is a party for the purpose of taking responsibility on behalf of the Scheme for all or any part of those proceedings.

**Auditor's Independence Declaration**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the financial year ended 31 December 2016.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity - Primary Securities Ltd.



---

Robert Garton Smith  
Managing Director  
For and on behalf of Primary Securities Ltd

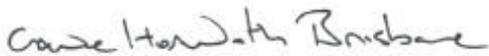
Date: 13 March 2017

## Auditor's Independence Declaration

As auditor of Phillip Island Resort Scheme for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Phillip Island Resort Scheme.



**Crowe Horwath Brisbane**



**Brendan Worrall**

Partner

Signed at Brisbane, 10 March 2017

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
<b>REVENUE</b>			
Resort Income	2(a)	4,379,172	3,668,352
Other Income	2(a)	731,434	577,019
<b>TOTAL REVENUE</b>		<u>5,110,606</u>	<u>4,245,371</u>
<b>EXPENDITURE</b>			
Resort Operation Costs		(3,766,257)	(3,402,243)
Administration Costs		(1,420,776)	(716,466)
<b>TOTAL EXPENDITURE</b>		<u>(5,187,033)</u>	<u>(4,118,709)</u>
(Loss)/Profit for the year	2(b)	(76,427)	126,662
Income tax expense		-	-
(Loss)/Profit attributable to Unitholders		(76,427)	126,662
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO UNITHOLDERS</b>		<u>(76,427)</u>	<u>126,662</u>

*Notes to and forming part of the financial statements are attached*

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	736,909	551,268
Trade and other receivables	4	240,863	201,851
Inventories	5	6,638	3,811
Other current assets	6	893,209	824,754
<b>TOTAL CURRENT ASSETS</b>		<u>1,877,619</u>	<u>1,581,684</u>
<b>TOTAL ASSETS</b>		<u>1,877,619</u>	<u>1,581,684</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	1,585,818	1,227,841
Other current liabilities	9	176,528	178,454
Employee benefit	10	18,835	9,761
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,781,181</u>	<u>1,416,056</u>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit	10	14,460	7,223
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>14,460</u>	<u>7,223</u>
<b>TOTAL LIABILITIES</b>		<u>1,795,641</u>	<u>1,423,279</u>
<b>NET ASSETS</b>		<u>81,978</u>	<u>158,405</u>
<b>EQUITY</b>			
Unitholders funds		(203,845)	(55,670)
Refurbishment reserve	11	285,823	214,075
		<u>81,978</u>	<u>158,405</u>

*Notes to and forming part of the financial statements are attached*

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Unitholders Funds \$	Refurbishment Reserve \$	Total \$
<b>Opening balance at start of period</b>		(54,578)	162,946	108,368
<b>Total comprehensive income for the financial period</b>		126,662	-	126,662
<b>Transactions with Unitholders in their capacity as Unitholders:</b>				
Distributions paid	8	(76,625)	-	(76,625)
Transfers between reserves		(73,187)	73,187	-
Amounts paid from Refurbishment Reserve		22,057	(22,057)	
<b>Closing balance 31 December 2015</b>		<u>(55,670)</u>	<u>214,075</u>	<u>158,405</u>
<b>Total comprehensive loss for the financial year</b>		(76,427)	-	(76,427)
<b>Transactions with Unitholders in their capacity as Unitholders:</b>				
Distributions paid	8	-	-	-
Transfers between reserves		(87,672)	87,672	-
Amounts paid from Refurbishment Reserve		15,924	(15,924)	
<b>Closing balance 31 December 2016</b>		<u>(203,845)</u>	<u>285,823</u>	<u>81,978</u>

*Notes to and forming part of the financial statements are attached*

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		5,611,067	4,645,105
Interest received		460	48
Payments to suppliers and employees		(5,248,025)	(4,483,664)
GST paid		(177,861)	(188,227)
Net cash provided by/(used in) operating activities	12(a)	185,641	(26,738)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distributions paid		-	(76,625)
Net cash used in financing activities		-	(76,625)
Net increase/(decrease) in cash and cash equivalents held		185,641	(103,363)
Cash and cash equivalents at the beginning of the financial year		551,268	654,631
Cash and cash equivalents at the end of the financial year	12(b)	736,909	551,268

*Notes to and forming part of the financial statements are attached*

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Accounting**

The financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements cover the economic entity of Phillip Island Resort Scheme (the Scheme) as an individual entity. The Scheme is a registered managed investment scheme and is domiciled in Australia.

The following is a summary of the significant accounting policies adopted by the Scheme in the preparation of the financial statements. The accounting policies have been consistently applied unless otherwise stated.

The financial statements comply with all International Financial Reporting Standards (IFRS) in their entirety.

The Scheme commenced on 12 February 2012 with an initial term of fifteen years from the Commencement Date of the Scheme. The term can be extended in increments of five years, provided the term of the Scheme does not ultimately exceed 80 years.

This financial report was authorised for issue by the Board of Directors of the Responsible Entity on 13 March 2017.

**(b) Distribution and Taxation**

Under current legislation the Scheme is not subject to income tax as its taxable income (including realised capital gains) is distributed in full to the unitholders. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme constitution and applicable legislation, to the unitholders who are presently entitled to the income under the constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

**(c) Villa entitlements**

The Villa entitlement is the factor assigned to each Villa that determines its participation in the Scheme as outlined in the Scheme's Constitution and Product Disclosure Statements.

**(d) Distributions Paid and Payable**

Distributions paid and payable are recognised in the Statement of Financial Position as a liability until paid. Distributions paid are included in the cash flows from financing activities in the Statement of Cash Flows.

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisitions of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST payable to the ATO is included as a current liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to the ATO, are classified as operating cash flows.

**(f) Revenue**

Revenue is measured at the fair value of the consideration received or receivable, net of returns, discounts and rebates.

Interest revenue is recognised on a proportionate basis taking into account the interest rates applicable to the financial assets.

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Other revenue is recognised when the right to receive the revenue has been established.

**(g) Trade and Other Payables**

A liability is recorded for goods and services received prior to balance date, whether invoiced or not. Trade creditors are settled in accordance with supplier payment terms.

**(h) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, 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, and cash reserves for future refurbishment.

**(i) Financial Instruments**

**Recognition**

Financial instruments are initially measured at fair value 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.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Financial Instruments (Continued)**

**Impairment**

At each reporting date, the Scheme assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**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.

**(j) Critical Accounting Estimates and Judgments**

The Directors of the Responsible Entity evaluate estimates and judgments incorporated into the financial report 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 Scheme. There were no key adjustments during the year which required accounting estimates and judgments.

**Key Estimates - Impairment**

The Scheme assesses impairment at each reporting date by evaluating conditions specific to the Scheme 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

**PHILLIP ISLAND RESORT SCHEME**  
**A.R.S.N. 155 658 307**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Date of Registration**

The Scheme was registered by the Australian Securities & Investments Commission on 12 February 2012.

**(l) Employee Benefits**

**(i) Short-term obligations**

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

**(ii) Other long-term employee benefit obligations**

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**(m) Comparatives**

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

**(n) New Accounting Standards and Interpretations (Continued)**

**Adoption of new and revised Accounting Standards and Interpretations**

In the current period, the Scheme has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the entity's accounting policies. Also, the adoption of these new and revised Standards and interpretations did not result in any changes to the reported results or financial position for the current or prior year.

PHILLIP ISLAND RESORT SCHEME  
A.R.S.N. 155 658 307  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) New Accounting Standards and Interpretations (Continued)**

At the date of authorisation of the financial report, the Standards and Interpretations listed below were issued but not yet effective.

Standard/Interpretation	Operative Date	Expected to be initially applied
AASB 9 'Financial Instruments' (December 2009) and AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' AASB 2012-6 'Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 8 and Transition Disclosure' AASB 2013-9 'Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments'	01-Jan-17	31-Dec-18
AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' AASB 2012-6 'Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 8 and Transition Disclosure' AASB 2013-9 'Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments'	01-Jan-17	31-Dec-18
IFRS 15 'Revenue from Contracts from Customers'	01-Jan-17	31-Dec-18
AASB 16 'Leases'	01-Jan-19	31-Dec-19

The potential effect of the revised Standards/Interpretations on the Scheme's financial statements has not yet been determined.

PHILLIP ISLAND RESORT SCHEME  
A.R.S.N. 155 658 307  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$	\$

**NOTE 2 (a) - RESORT AND OTHER INCOME**

Resort Income		
- Accommodation income - Short Term	4,379,172	3,668,352
<hr/>		
Other Income		
- Income from sale of goods and services	527,705	402,033
- Management fee	185,263	139,727
- Interest income	460	48
- Other	18,006	35,211
	<hr/>	<hr/>
	731,434	577,019

**NOTE 2 (b) - PROFIT/LOSS BEFORE INCOME TAX**

The profit/loss before income tax was arrived at after crediting and charging the following specific items:

**Charging as Expense:**

- Compliance committee fees	-	16,000
- Employee benefit expense	1,563,337	1,370,072
- Legal fees	358,294	-
- Merchant fees	41,512	40,693
- Responsible Entity fees	319,373	32,136
- Resort Rules levies	819,337	850,201
- Superannuation	135,096	116,502
- Utilities	184,994	199,951

**NOTE 3 - CASH AND CASH EQUIVALENTS**

Cash at bank - Operations	455,010	346,320
Cash at bank - Furniture, Fixtures & Equipment Refurbishment Reserve	279,899	202,948
Cash held in floats	2,000	2,000
	<hr/>	<hr/>
	736,909	551,268

It is the Scheme's policy to accumulate in a separate bank account, sufficient funds to enable the future refurbishment of the Scheme's furniture and fixtures.

PHILLIP ISLAND RESORT SCHEME  
A.R.S.N. 155 658 307  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$	2015 \$
<b>NOTE 4 - TRADE AND OTHER RECEIVABLES</b>		
Resort receivables	209,375	200,003
GST receivable	31,488	-
	<u>240,863</u>	<u>200,003</u>
<i>Related party receivables (up to 24 September 2015):</i>		
<i>WorldMark South Pacific Club</i>	-	1,848
	<u>-</u>	<u>1,848</u>
Total current receivables	<u>240,863</u>	<u>201,851</u>
<b>NOTE 5 - INVENTORIES</b>		
Resort inventories	<u>6,638</u>	<u>3,811</u>
<b>NOTE 6 - OTHER CURRENT ASSETS</b>		
Deferred levies expense *	878,533	819,338
Prepayments	14,676	5,416
Total other current assets	<u>893,209</u>	<u>824,754</u>

\* Phillip Island Resort Rules invoices levies annually in advance in December each year. Accordingly the current year balance represents levies in respect of the 2017 financial year.

**NOTE 7 - TRADE AND OTHER PAYABLES**

**Current**

Trade payables	147,845	25,684
Other payables	15,872	23,077
Accrued expenses*	1,422,101	176,901
GST payable	-	13,871
	<u>1,585,818</u>	<u>239,533</u>
<i>Related party payables (up to 24 September 2015):</i>		
<i>Phillip Island Resort Rules *</i>	-	897,924
<i>Resort Management by Wyndham Pty Ltd</i>	-	90,384
	<u>-</u>	<u>988,308</u>
Total current liabilities	<u>1,585,818</u>	<u>1,227,841</u>

All trade and other payables are current and settled within normal supplier terms and conditions. These accounts are non-interest bearing.

\* Includes an amount payable to Phillip Island Resort Rules in respect of the annual levies which are invoiced annually in December and are due on 1 January. The Resort Rules Manager however has allowed Villa Owners to pay their levies monthly in advance if they elect to do so.

PHILLIP ISLAND RESORT SCHEME  
A.R.S.N. 155 658 307  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	\$	\$
<b>NOTE 8 - DISTRIBUTIONS PAID AND PAYABLE</b>		
Distributions paid	-	76,625
Final distribution payable	-	-
<b>Dollars per entitlement</b>		
Distributions paid	-	82.04
Final distribution payable	-	-
	-	82.04
<b>NOTE 9 - OTHER CURRENT LIABILITIES</b>		
Accommodation advance deposits	176,528	178,454
<b>NOTE 10 - PROVISIONS</b>		
<b>Current</b>		
Provision for annual leave	18,835	9,761
<b>Non Current</b>		
Provision for long service leave	14,460	7,223
	33,295	16,984
<b>NOTE 11 - REFURBISHMENT RESERVE</b>		
<b>Refurbishment Reserve</b>	285,823	214,075
The Scheme maintains a Refurbishment Reserve Account for the purpose of replacement and or refurbishment of the Villas furniture, fittings and equipment.		
<b>NOTE 12 - CASH FLOW INFORMATION</b>		
<b>(a) Reconciliation of Cash Flow from Operating activities with profit/(loss) after income tax</b>		
(Loss)/Profit after income tax	(76,427)	126,662
Changes in assets and liabilities: <i>(Increase)/Decrease in:</i>		
Trade receivables	(9,372)	4,535
Other	1,848	7,890
Inventories	(2,827)	(692)
Prepayments	(68,455)	105,216
<i>Increase/(Decrease) in:</i>		
Trade creditors	122,161	7,738
Other creditors and accruals	249,687	(243,086)
Advance deposits	(1,926)	(27,905)
Provision for employee entitlements	16,311	(11,155)
GST recovered/paid	(45,359)	4,059
Net cash provided by/(used in) operating activities	185,641	(26,738)

PHILLIP ISLAND RESORT SCHEME  
A.R.S.N. 155 658 307  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

**NOTE 12 - CASH FLOW INFORMATION (CONTINUED)**

	2016	2015
	\$	\$

**(b) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and bank deposits in highly liquid investments at call net of bank overdrafts. Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents per Note 3	736,909	551,268
Cash per Statement of Cash Flows	736,909	551,268

**(c) Financing Facilities**

The Scheme has no financing facilities with its bankers.

**NOTE 13 - FINANCIAL REPORTING BY SEGMENTS**

The Scheme operates solely in Australia and is domiciled in Australia. Its principal activity is that of a Resort operator.

The members of the Scheme mainly reside in Australia.

**NOTE 14 - FINANCIAL RISK MANAGEMENT**

The Scheme's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The Scheme does not have any derivative instruments at 31 December 2016 (2015: Nil).

**Significant accounting policies**

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability instruments are disclosed in Note 1 to the financial statements.

**Financial risk management**

The main risks the Scheme is exposed to through its financial assets and liabilities are interest rate risk, liquidity risk and credit risk. The Scheme's risk management program focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects of the financial performance of the Scheme, by way of various measures detailed below.

Senior management analyse interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Risk management is carried out by the Board of Directors (the Directors) of the Responsible Entity and key management personnel.

**Capital risk management**

The Scheme manages its capital to ensure that it will be able to continue as a going concern through the optimisation of debt to equity ratios.

Its capital structure consists of cash and cash equivalents and equity comprising Unitholders funds, Undistributed income and Refurbishment reserve as disclosed in the Statement of Changes in Equity.

The Directors of the Responsible Entity review the capital structure on a regular basis. As a part of the review the board considers the cost of capital and the risks associated with each class of capital.

The Scheme's overall strategy remains unchanged from the year ended 31 December 2015.

PHILLIP ISLAND RESORT SCHEME  
A.R.S.N. 155 658 307  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 14 - FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

Interest rate risk

The Scheme is not exposed to any significant interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

The sensitivity analyses have been determined based on the exposure to variable interest rates for non-derivative financial instruments at the reporting date at the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 1% increase or decrease is used when reporting interest rates internally to key management personnel and represents management's assessment of the possible change in interest rates.

At 31 December 2016, if the interest rates had changed by 1% from the year end rates with all other variables held constant, post-tax profit for the year for the Scheme would have been \$7,349 lower/higher mainly as a result lower/ higher interest income earned on cash and cash equivalents (2015: \$4,430).

The following table summarises the sensitivity of the Scheme's financial assets and financial liabilities to interest rate risk.

	Carrying amount at 31 Dec 16	Carrying amount at 31 Dec 15	Profit	1% Equity	Profit	-1% Equity
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash and cash equivalents	736,909	551,268	7,349	7,349	(7,349)	(7,349)
Total increase / (decrease)			7,349	7,349	(7,349)	(7,349)

PHILLIP ISLAND RESORT SCHEME  
A.R.S.N. 155 658 307  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

**NOTE 14 - FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Market risk (Continued)**  
**Price risk**

The Scheme is not exposed to any commodity price risk.

**Foreign currency risk**

The Scheme is not exposed to any foreign currency risk.

**(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. The Scheme's credit risk is mitigated by ensuring compliance with the Scheme's credit policy. The Scheme does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Scheme maximum exposure to credit risk without taking account of the value of any collateral obtained.

The ageing of the Scheme's trade and other receivables at the reporting date was:

	2016		2015	
	Gross \$	Impairment \$	Gross \$	Impairment \$
Not past due (current)	215,079	-	148,441	-
Past due 30-59 days (30 day ageing)	20,872	-	34,491	-
Past due 60-89 days (60 day ageing)	4,478	-	14,871	-
Past due more than 90 days (+90 day ageing)	434	-	4,048	-
	<u>240,863</u>	<u>-</u>	<u>201,851</u>	<u>-</u>

The remaining balance of the past due receivables at 31 December was not impaired because it is expected that these amounts will be received in full through various recovery actions in the normal course of business.

**(c) Liquidity risk**

The Scheme manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and ensuring that adequate funds are maintained.

Trade payables are short-term in nature.

The Scheme is not exposed to any significant liquidity risk.

The following are contractual maturities of financial liabilities:

**31 December 2016**

	Carrying amount \$	Contractual cash flows \$	Less than one year \$	1-5 years \$
Trade and other payables	1,585,818	1,585,818	1,585,818	-
	<u>1,585,818</u>	<u>1,585,818</u>	<u>1,585,818</u>	<u>-</u>

**31 December 2015**

	Carrying amount \$	Contractual cash flows \$	Less than one year \$	1-5 years \$
Trade and other payables	1,227,841	1,227,841	1,227,841	-
	<u>1,227,841</u>	<u>1,227,841</u>	<u>1,227,841</u>	<u>-</u>

PHILLIP ISLAND RESORT SCHEME  
A.R.S.N. 155 658 307  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

**NOTE 15 - KEY MANAGEMENT PERSONNEL**

**(a) Key Management Personnel's Names**

The key management personnel of the Responsible Entity (Primary Securities Ltd) who held office to the date of this report were as follows:

David Sydney Butterfield	Chairman
Robert Garton Smith	Director
Ian Mackenzie Murchison	Director
Anthony Wamsteker	Director (appointed 1st January 2017)

Key management personnel have been in office for the duration of the financial period, unless otherwise stated.

**(b) Key Management Personnel's Remuneration**

The key management personnel of Primary Securities Ltd were not remunerated for their role as key management personnel of the Responsible Entity in relation to the Scheme.

**(c) Transactions with Other Related Entities**

There were no transactions with other related parties of Primary Securities Ltd in relation to the Scheme.

**NOTE 16 - AUDITORS' REMUNERATION**

	2016	2015
	\$	\$
Remuneration of the auditor for:		
- auditing or reviewing the financial statements	17,800	25,000
- non audit fees	14,772	18,301
	<u>32,572</u>	<u>43,301</u>

**NOTE 17 - COMPANY DETAILS**

The registered office and principal place of business of the Responsible Entity is 3 Shuffrey Street, Fremantle, Western Australia.

**NOTE 18 - CONTINGENT LIABILITIES**

The Directors confirm that there are no contingent liabilities as at the date of this report other than an order for costs in the legal proceedings if they are not successful.

**NOTE 19 - SUBSEQUENT EVENTS**

On 30 June 2016, the Responsible Entity served a termination notice on the Manager, Resort Management by Wyndham Pty Ltd (RMbW) terminating the Management Agreement. RMbW subsequently commenced proceedings against the Responsible Entity and Primary Managers Pty Ltd for a declaration that the termination notice is invalid, and an injunction restraining the Responsible Entity from acting upon the termination notice and appointing Primary Managers Pty Ltd as manager.

On 7 February 2017, a commercial agreement was reached between the parties which is subject to approval of Villa Owners, details of which are still confidential. Otherwise the proceedings are ongoing.

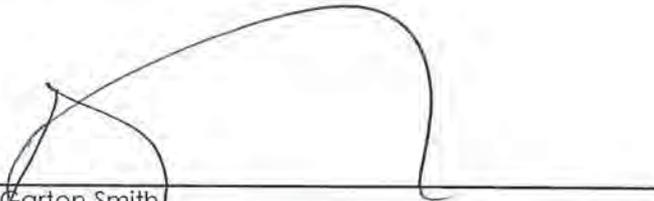
Otherwise, The Directors confirm that there have been no events subsequent to the balance date which have had a material effect on the 2016 result.

**PHILLIP ISLAND RESORT SCHEME**  
A.R.S.N. 155 658 307  
**"RESPONSIBLE ENTITY" DIRECTORS' DECLARATION**

The Directors of the Responsible Entity declare that:

- (a) the financial statements and notes of Phillip Island Resort Scheme set out on pages 7 to 22 are in accordance with the Corporations Act 2001, which:
  - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the financial position of the Scheme as at 31 December 2016 and its performance for the year ended on that date; and
- (b) The financial statements also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) in the Directors' opinion:
  - (i) at the date of this declaration, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity at Fremantle, 13 March 2017.

  
\_\_\_\_\_  
Robert Garton Smith  
Managing Director  
For and on behalf of Primary Securities Ltd

\_\_\_\_\_  
Date 13 March 2017

## Phillip Island Resort Scheme

### Independent Auditor's Report to the Members of Phillip Island Resort Scheme

#### Opinion

We have audited the accompanying financial report of Phillip Island Resort Scheme ("the Scheme") which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- (a) The accompanying financial report of the Scheme is in accordance with the *Corporations Act 2001*, including:
  - i. Giving a true and fair view of the Scheme's financial position as at 31 December 2016 and of its financial performance for the year then ended.
  - ii. Complying with Australian Accounting Standards – and the *Corporations Regulations 2001*.
- (b) The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

#### 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 Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Scheme, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Responsibilities of the directors for the financial report

The directors of the Responsible Entity of the registered scheme, Primary Securities Limited, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

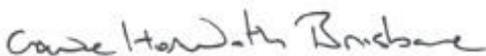
### Auditor's responsibilities for the audit of the financial report

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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Scheme to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Scheme audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Crowe Horwath Brisbane**



**Brendan Worrall**

Partner

Dated at Brisbane, 13 March 2017

**PHILLIP ISLAND RESORT SCHEME**  
A.R.S.N. 155 658 307  
**UNAUDITED DETAILED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	\$	\$
<b>Revenue</b>		
Rental Income	4,379,171	3,657,555
Housekeeping Revenue	527,705	402,033
Management Fees - Club & Associate	180,960	135,532
Other Revenue	22,309	50,203
Interest Income	460	48
<b>Total Revenue</b>	<u>5,110,605</u>	<u>4,245,371</u>
<b>Expenses</b>		
Annual Leave Expense	27,745	16,491
Bank Service Charges	1,711	1,830
Brochures & Handouts	9,845	8,919
Cleaning Supplies	15,974	7,562
Credit Card Fees	41,512	40,693
Equipment Rental	56,237	33,488
General Supplies	4,194	3,376
Guest Supplies	85,277	87,708
IT Costs	11,421	12,998
Laundry & Linen Service	294,582	249,168
Long Service Leave	7,174	6,525
Memberships & Dues	3,514	1,993
Miscellaneous Expense	40,198	45,249
Payroll Taxes	74,943	66,731
Plumbing	632	3,002
Printing & Postage	9,835	16,766
R&M - Buildings	3,741	7,415
R&M - Electrical	4,012	1,872
R&M - Equipment & Furniture	106,266	64,731
R&M - Other	11,093	22,073
Salaries & Wages	1,393,762	1,243,839
Sales & Marketing Costs	72,000	72,000
Sponsorship	3,300	6,055
Superannuation Expense	135,096	116,502
Tax, Audit & Professional Fees	32,572	59,301
Telephone	12,734	18,392
Travel Agent Fees	290,515	172,578
Uniforms	5,472	6,966
Vehicle Rental	25,403	23,482
Web Advertising	14,041	24,115
Workcover Premiums	29,683	20,073
<b>Sub Total Operating Expenses</b>	<u>2,824,483</u>	<u>2,461,890</u>
<b>Gross Operating Profit</b>	<u>2,286,122</u>	<u>1,783,481</u>
<i>GOP Margin %</i>	44.7%	42.0%
<b>Fixed Charges</b>		
Body Corporate Expense (Resort Rules)	819,337	850,201
Capital reserve expenditure	15,924	17,169
General Insurance	6,961	6,722
Group Sales & Marketing & Royalty Fee	109,631	91,439
Management Fees	548,035	457,195
Utilities - Electricity	81,078	106,577
Utilities - Gas	103,916	95,380
<b>Sub Total Fixed Charges</b>	<u>1,684,882</u>	<u>1,624,683</u>
<b>Scheme Administration Fees</b>		
Responsible Entity Fees	319,373	32,136
Legal Fees	358,294	-
<b>Sub Total Scheme Administration Fees</b>	<u>677,666</u>	<u>32,136</u>
<b>(Loss)/Profit for the year</b>	<u>(76,427)</u>	<u>126,662</u>