

SANCTUARY LAKES RESORT SERVICES LIMITED

ANNUAL REPORT 2015-16



Resident Owned, Resident Run



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CORPORATE INFORMATION

DIRECTORS

John Anderson
(Chairman)

Edward Boucaut

Craig Pitts

Graeme Young
(Vice Chairman)

Theo Krug

David Rava

Joseph Matina

Garry Sleeman

Warrick Stapleton

(resigned 30th September 2015)

COMPANY SECRETARY

Susan Quill

REGISTERED OFFICE & MAIN BUSINESS ADDRESS

72 Greg Norman Drive
Sanctuary Lakes Victoria 3030

SUBSIDIARIES

SLR Security Pty Ltd
ACN 604 300 549

Sanctuary Lakes Residents
Association Pty Ltd
ACN 137 881 906

AUDITORS

COLLINS & CO
Certified Practising Accountants
127 Paisley Street, Footscray,
Victoria 3011

KEY PERSONNEL

CHIEF EXECUTIVE OFFICER

Tony Ferreri

OPERATIONS MANAGER

Trent Curwood

COMMUNITY MANAGER

Garry Theobald

RESORT FACILITIES MANAGER

John Pollard

RESORT PRESENTATION MANAGER

Greg Fryer

COMMUNITY DEVELOPMENT MANAGER

Kevin Birtles

ARCHITECTURAL REVIEW COMMITTEE MANAGER

George Phua

RECREATION CLUB MANAGER

Dan Tipples

TOTAL NUMBER OF EMPLOYEES

45 (including part-time & casual
employees)

INTRODUCTION

Sanctuary Lakes Resort Services Limited (SLRS) is a licensed owners corporation management company established by the original owners corporations of Sanctuary Lakes Resort. All new owners corporations are entitled to, and receive, membership of SLRS upon being registered.

The objective of SLRS is to act on behalf of Sanctuary Lakes Resort owners corporations in all matters delegated under the management contract, ensure that all services are delivered equally to each lot owner in each owners corporation, ensure lot owners rights are protected by ensuring that all owners corporations meet their legal requirements, and to provide best practice advice to all members.

Separately, SLRS has the responsibility of managing and maintaining assets, such as

the lake, community centre, security hut, tennis courts, wharves and piers, which were handed over by the developers to SLRS, in trust for all lot owners within Sanctuary Lakes Resort.

The unique additional role for our management company is a wide brief to interface with external entities to ensure that Sanctuary Lakes Resort receives appropriate support and services.

All of the directors of SLRS are residents and lot owners.

**SLRS IS A NON PROFIT
ORGANISATION WHICH IS
RESIDENT OWNED AND
RESIDENT RUN.**

MISSION STATEMENT

To maintain a high quality residential lifestyle through:

- Protecting and developing the community assets;
- Providing efficient and cost effective services to owners corporations and residents;
- Valuing our staff and volunteers for their contribution; and
- Developing and encouraging a strong community spirit.

The strategic planning and actions undertaken by the Board of Directors of SLRS are directed at the delivery of the Mission Statement. The inputs of members directly, and via Residents Satisfaction Surveys, assist in determining priorities and timings.



CHAIRMAN'S REVIEW

THE YEAR IN REVIEW

On behalf of the Board of Directors, it is my pleasure to report that the year under review has been one of consolidation after the many initiatives of the previous year. Since transition from control by the Developer was substantially achieved in June 2013, each of the major operating sectors of SLRS has been reviewed and updated to reflect the ongoing needs of residents. FY2016 saw the benefits of those changes delivered not only in the maturing of the operating sectors but also in better control on costs as reflected in lower incremental fee increases.

As the trees mature in the older sections, we see continuing improvement in the parks and streetscapes. The newer areas will gradually take on a greener look over time.

Regular water tests show the quality of water in the lake continues to improve with some of our best results ever delivered in the 2016 calendar year. Our contractual agreement with Melbourne Water, City of Wyndham and City West Water places great emphasis on the water quality, especially as it is discharged

into Port Phillip Bay. On a recent visit to Sanctuary Lakes, the Commissioner for Environmental Sustainability, Dr Gillian Sparkes, commended the work that SLRS has done, especially when compared with many of the problems in Port Phillip Bay with the quality of water entering the Bay. While the water quality must remain our prime priority with the lake, we continue to work on presentation as well while weather and wind remind us that we are dealing with an ever changing challenge. The Board has ordered a second Truxor (small harvester) for delivery in late 2016 which,



along with some changes to crewing, will improve our ability to respond to these challenges.

The Board is in legal discussions with Developer to have the boardwalk west of the Community Centre constructed as per the Transition Agreement. As well as looking untidy and being potentially dangerous, it prevents residents from walking along the lake to the Community Centre and Clubhouse. More importantly, it is an item that is well overdue for completion.

Our pursuit of Sanctuary Lakes being recognised as a suburb has strong support from lot owners but is frustratingly slow to achieve. A petition with 2307 accepted signatures was presented to the Legislative Assembly on 24th November 2015 by our local member, the Hon. Jill Hennessy. A copy of the petition was forwarded to the City of Wyndham. The Office of Geographic Names does not normally name suburbs after a development name but there are exceptions. Sanctuary Lakes has been known as a locality for around 20 years, with the name being used outside the Resort by Sanctuary Lakes Shopping Centre, Sanctuary Lakes Hotel, Sanctuary Lakes Golf Club and many businesses and

clubs in the area. The proposal is for the suburb to follow the original boundaries, including the wetlands between Sanctuary Lakes Resort and Port Phillip Bay, Sanctuary Lakes Resort, the subdivisions of The Address and Esperance to the south as well as Sanctuary Lakes Shopping Centre, Sanctuary Lakes Hotel and Lumen Christi Primary School. As the developer sold the last land in 2013, there is no longer a benefit for the developer in recognising the development name as a suburb. At its meeting on 12th September 2016, City of Wyndham agreed to progress the issue of Sanctuary Lakes as a suburb by seeking community input about proposed suburb boundaries.

After some years of negotiation and planning, City West Water has implemented significant changes to reduce the load on the vacuum sections of the sewerage system at Sanctuary Lakes. The changes have removed the need for regular night pumping into tankers and appear to have successfully solved the problems, much to the appreciation of residents in the areas previously affected.

Before transition, the developer promised SLRA Advisory Council (as it was then) a gift of \$500,000 for Residents if the

CHAIRMAN'S
REVIEW

Continued on
next page.

CHAIRMAN'S REVIEW (CONT.)

Advisory Council could successfully resolve a series of legacy development issues around access and easements. The problems were resolved by the SLRA Advisory Council, but instead of providing the funds to Residents, the developer chose to lend the funds at Transition to Sanctuary Lakes Club Ltd (SLCL) to address their cash flow issues at the time with this interest free loan to be re-paid to SLRS at 30 June 2016. The developer assigned the loan to SLRS in June 2016. As SLCL was unable to repay the loan at the due date, SLRS agreed to extend the loan to SLCL with interest now payable, taking a mortgage over the Maintenance Compound as security. It should be noted that the loan amount was funded by the developer and was not funded by owners corporation fees. The gift of \$500,000 from the developer appears in this year's financial accounts as does the loan to SLCL.

Subsequent to 30th June 2016, SLRS has agreed to accept an invitation from SLCL to purchase the Sanctuary Lakes Maintenance Compound from SLCL to protect the ongoing operations of SLRS. See details later in this Annual Report.

The Board of Directors of SLRS believes that the acquisition of the Maintenance Compound

secures the network of assets needed for the long term delivery of the expectations of lot owners at Sanctuary Lakes Resort.

As I said last year, while Annual Reports focus on dollars and fixed assets, the greatest asset of SLRS is its people. The success of Sanctuary Lakes Resort has been built on the contribution of many people - both staff and volunteers - who bring many and different skills to their roles. Again the year in review has not been an exception.

On behalf of the Board and residents, I thank Chief Executive Officer Tony Ferreri for another outstanding year in leading the management of SLRS through some quite significant changes. Tony has been ably assisted by Trent Curwood, Greg Fryer, John Pollard and Garry Theobald along with their teams.

The Board has shown considerable expertise in addressing the broad range of activities that SLRS must address. I have no doubt that the directors will continue to successfully guide the operations and effectiveness of activities at Sanctuary Lakes Resort.



JOHN AF ANDERSON
Chairman

Sanctuary Lakes Resort Services Ltd

THE SUCCESS OF SANCTUARY
LAKES RESORT HAS BEEN BUILT
ON THE CONTRIBUTION OF
MANY PEOPLE - BOTH STAFF
AND VOLUNTEERS



CHIEF EXECUTIVE OFFICER'S REVIEW

"I wrote last year about the potential benefits of having the large majority of our operations in house – better delivery of services, the ability to respond quickly and potential cost savings.

I also wrote about the upgrade of the Community Centre indicating that the upgrade would have little impact on Owners Corporation fees.

Finally I commented "it is satisfying to report that, with all the changes and the Community Centre upgrade, the Owners Corporation Fees increased only by around CPI at 1.8% in the current year."

A year down the track and with all of the changes of the past three years bedded down, it was very satisfying in May/June this year to present to the Directors and the Owners Corporation Legal Representatives, a budget for Y2016/17 that required an Owners Corporation Fee increase again at CPI, but this time at 1.3%.

The past year has been another very busy one but our activities have, for the large part, been more in the background than in the past:

- Settling outstanding Transition items such as the Golf Club Loan (see below), the tennis courts land title, the missing boardwalk, etc.,
- Progressing our request for Sanctuary Lakes to be proclaimed a separate Suburb,
- Dealing with issues relating to the adjacent residential development, The Address, and
- Objecting to the application for a 5 storey development adjacent to the Golf Club car park.



– WHAT DOES SLRS DO? –

Sanctuary Lakes Resort Services Limited (SLRS) is the licensed manager of over 40 owners corporations that make up the Sanctuary Lakes Resort. There are presently around 2,950 lots sold with around 30 remaining to complete the Resort – and there are close to 10,000 residents.

SLRS is a company limited by guarantee and therefore has members rather than shareholders – the members of SLRS are the owners corporations mentioned above. SLRS operates only within Sanctuary Lakes Resort and solely for the benefit of the lot owners of Sanctuary Lakes Resort.

Our Management Team reports to our resident Board of Directors who are elected by the Legal Representatives of each of the Owners Corporations.

SLRS is responsible for the following activities within Sanctuary Lakes Resort:

OWNERS CORPORATION MANAGEMENT

Working with the OC Committees to manage the OCs, resident/neighbour disputes, billing and collection of fees, oversight of the Architectural Review Committee (ARC), enforcement of OC and Building Code rules,

SECURITY

Delivery of the Security service and co-ordination of the work of the Security service with other services such as the ARC and OC and Building Code rules compliance,

RECREATION

Oversight of the Recreation Club management and maintenance of the Recreation Club facility including the tennis courts,

RESORT AND LAKE MAINTENANCE

Presentation of the boulevard, parks and gardens, maintenance of the recycled water irrigation system to our parks, gardens and all street trees, management of the lake to standards agreed with Melbourne Water, and

ADMINISTRATION

Management of Sanctuary Lakes Resort Services Limited, its people, its contracts with third parties, and its assets which include our Lake (with 2 wharves and our fleet of lake management equipment), the Community Centre (including the Recreation Club, Waterstone Café and SLRS office), the Security Building and the Tennis Courts.

SLRS is required to operate to service standards set in consultation with the resident Board of Directors.

CEO'S
REVIEW

Continued on
next page.

CEO'S REVIEW (CONT.)

– THE WIDER COMMUNITY –

Management deals with a range of authorities on an ongoing basis with a view to ensuring that Sanctuary Lakes Resort remains the premier residential estate in the west of Melbourne.

During this year we completed negotiations with City West Water relating to the delivery of recycled water which resulted in reduced costs for both SLRS and the Golf Club.

We also settled arrangements between City West Water and the Golf Club so that an upgrade of parts of the Sanctuary Lakes sewerage system could be completed.

Negotiations with City of Wyndham and the State Government for recognition of Sanctuary Lakes as a suburb are continuing with the Wyndham City Council passing a resolution in September, 2016 to continue down the path to that recognition.

We have continued to press the City of Wyndham for completion of the major playground facility at Regatta Cove Reserve which is now significantly behind schedule.

– BUDGET FOR Y2016/17 –

As mentioned earlier, it was very pleasing to be able to limit our fee increase to 1.3% for the current year. In fact, it has been the long term

aim of the Board of Directors and Management to limit fee increases, whenever possible, to CPI and this has been achieved in the last two Budgets.



– FINANCE –

SLRS recorded an audited after tax operating surplus for the year ended 30th June, 2015 of \$1,031,536 which underpins the required level of operating cash required to run the business. On a cash flow basis there was a net outflow of \$217,304. Nevertheless we had adequate funds at 30th June to provide for our cash flow requirements until the current year's fees were received in late August. It is critical that SLRS continues to successfully collect all Owners Corporation fees as and when they fall due and it is pleasing to note that in the year just ended, SLRS collected 97.8% of all current year fees, up from 95.9% in the previous year.

Operating Result was dramatically better than budget because of a gift of \$500,000 received from the Developer as part of the Transition

Agreements (see below). Such gifts must be reported as income under accounting conventions even though, in this case, no money changed hands and we received the gift by way of assignment of a debt owed by Sanctuary Lakes Club Limited to the developer and we must wait for repayment of that debt by Sanctuary Lakes Club Limited to see any cash.

In addition, we were able to achieve some operational savings during the year.

The formal audited financial accounts follow later in this Annual Report.



CEO'S REVIEW (CONT.)

– OUR BALANCE SHEET –

SLRS is holding significant assets, received from the developer, on behalf of the Owners Corporations that comprise the Sanctuary Lakes Resort:

- The Community Centre including Recreation Club, Waterstone Café and SLRS office,
- The Security Building,
- The Lake, Canal and Regatta Beach,
- Two pier/wharf areas, and
- The Tennis Courts.

As a result, our Balance Sheet is very strong and we are in great shape to meet any eventuality.

As contemplated in the Transition Agreements, in late June 2016, we received a gift from the developer of \$500,000 by way of the assignment of a debt owed by Sanctuary Lakes Club Limited (SLCL) to the Developer with that loan becoming

repayable to SLRS. That loan was repayable on 30th June, 2016 but, as SLCL was not in a position to repay it on that date, SLRS agreed to extend the loan, on a secured and interest bearing basis, with repayments over 5 years.

Subsequent to 30th June, negotiations took place between the Boards of SLRS and SLCL, and SLRS has offered to purchase the Sanctuary Lakes Maintenance Compound from SLCL for \$1,674,000, which is its market valuation. As the deposit on this transaction, the \$500,000 loan above will be forgiven, and the balance of the purchase price will be paid in four instalments over three years. The compound is used by both SLRS and SLCL for their maintenance operations and SLRS has been leasing the area it uses. In future, SLCL will lease the area it uses, from SLRS on a commercial basis.



– CLOSING –

I would like to take this opportunity to thank our Chairman, John Anderson, and all of the directors for their support during the year together with the Chairs and Committees of all Owners Corporations for their hard work, dedication and support and look forward to working with them in the year ahead.

Finally I want to thank my team leaders, Trent Curwood, Garry Theobald, John Pollard and Greg Fryer, and their teams for a fantastic job during another extremely busy year.



TONY FERRERI
Chief Executive Officer

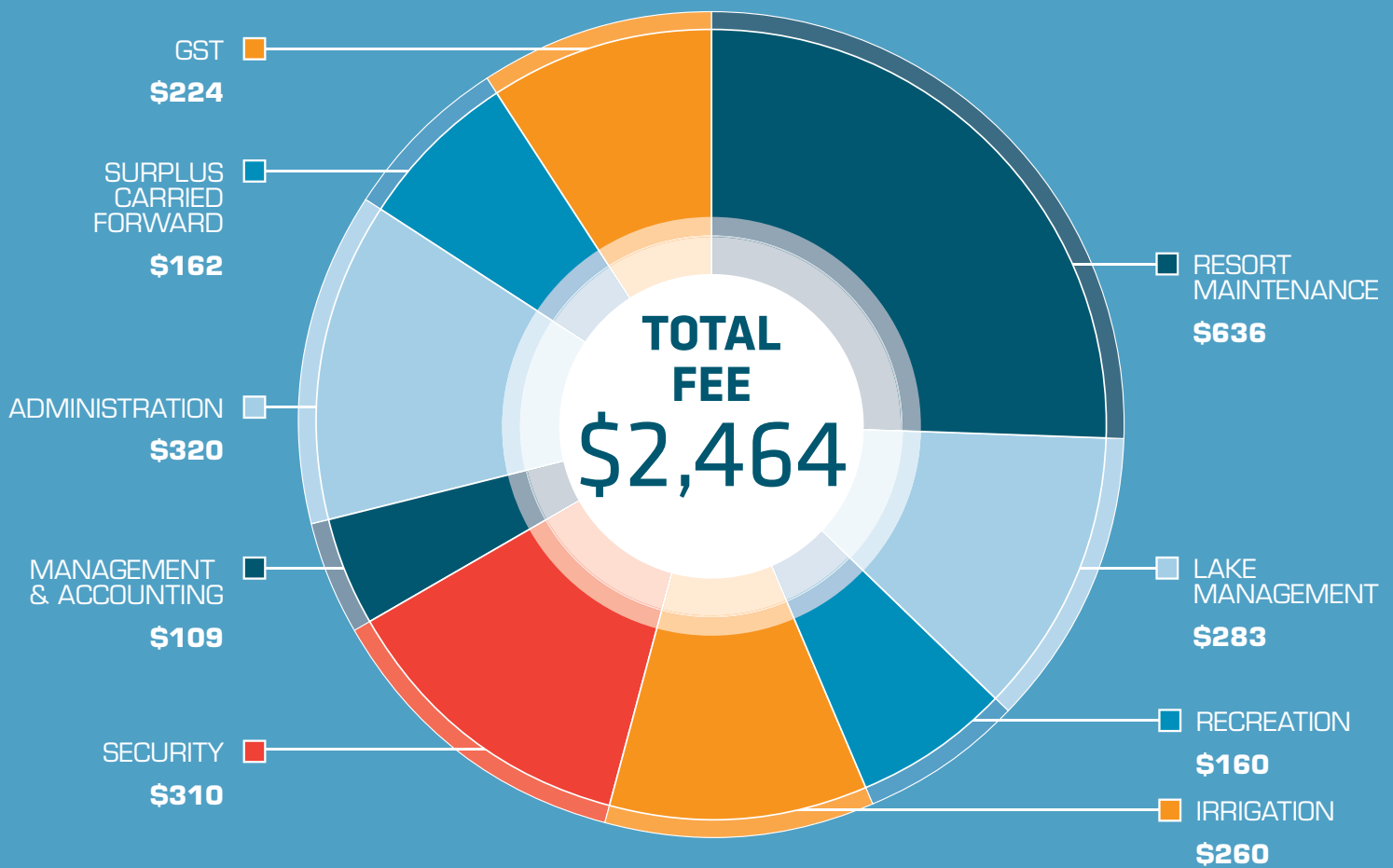
Sanctuary Lakes Resort Services Ltd



SANCTUARY LAKES RESORT SERVICES LIMITED

FEE BREAKDOWN

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016



NOTE:

Under the Terms of the Maintenance Contract between Sanctuary Lakes Resort Services Ltd and the City of Wyndham, lot owners received a Sanctuary Lakes Rebate of \$196 for Y2016-17 (\$191 in Y2015-16).

AUDITED ACCOUNTS

CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016

SANCTUARY LAKES RESORT
SERVICES LIMITED

ACN 092 610 449

SLR SECURITY PTY LTD (THE SUBSIDIARY)

ACN 604 300 549



DIRECTORS' REPORT

The Directors of Sanctuary Lakes Resort Services Limited submit herewith their report together with the accounts of the Company for the year ended 30 June 2016.

The following persons were directors of the Company during the year and to the date of this report:

- John Anderson
- Edward Boucaut
- Theo Krug
- Joseph Matina
- Craig Pitts
- David Rava
- Garry Sleeman
- Warrick Stapleton (resigned 30 September 2015)
- Graeme Young

RESULTS

The net surplus of the Company for the financial year was \$1,031,536 (2015: surplus \$428,830).

PRINCIPAL ACTIVITIES

The Company acts as manager of each of the Owners Corporations (OC) contained

within Sanctuary Lakes Resort with the exception of the Quest apartments that are managed independently. Pursuant to the management agreements with each Owners Corporation, the Company provides management, administration and maintenance services throughout Sanctuary Lakes Resort. Members' funds from each Owners Corporation are pooled to provide economies of scale throughout the Sanctuary Lakes residential community, with any surpluses generated being carried forward to reduce the financial impost to member's in subsequent financial years.

DIVIDENDS

Pursuant to Clause 4.1 of the Company's Constitution, the Company cannot pay or declare dividends.

STATE OF AFFAIRS

On June the 6th 2013, the initial Directors resigned and control of the Company was transferred to a Board of Directors that is representative of the Community. This process known as transition was pursuant to a number of agreements between Sanctuary Lakes Developments Pty Ltd, the Company and Sanctuary Lakes Club Ltd.

DIRECTORS' REPORT (CONT.)

As a result the property & buildings described below were transferred to the Company on the 17th of January 2014 and as such have been recognised in the following report based on an independent valuation undertaken by Charter Keck Kramer.

The assets transferred to date are as follows:

- THE COMMUNITY CENTRE - Lot AQ on Plan of Subdivision 645360;
- THE LAKE CANAL - Lot V on Plan of Subdivision 417942;
- THE REMAINING AREAS OF THE LAKE - Lots W, C, G, AF & AB on Plans of Subdivision 420273, 428866, 423642 and 511700;
- THE REGATTA BEACH WALKWAY - Lot AA on Plan of Subdivision 511700; and
- THE WHARF NO.2 - Lot S46 on Plan of Subdivision 511700; and
- THE SECURITY HUT - Lot AL on Plan of Subdivision 645360.

Furthermore the following assets have also been recognised at valuation despite the appropriate titles not as yet being registered:

- THE WHARF AND BOAT RAMP - Lot AP on Plan of Subdivision 645360; and
- THE TENNIS COURTS - Lot AT on Plan of Subdivision 725974.

The titles for these assets are expected to be registered in the near future and such assets have been recognised as the Company can demonstrate control and ownership despite the titles not being registered.

LIKELY DEVELOPMENTS

In the opinion of the Directors, disclosure of information regarding likely developments in the Company's operations and the expected results of its operations in future financial years would prejudice its interests.

SUBSEQUENT EVENTS

The company has entered into a purchase contract with Sanctuary Lakes Club Ltd ("SLCL") to purchase the Sanctuary Lakes Maintenance Compound for \$1,674,000 which is its market valuation. As the deposit for the transaction, the \$500,000 (see Note 4) loan will be forgiven and the balance of the purchase price will be paid in four instalments over three years. Interest payment is offset by a rental free period up to 1 July 2019 and after this period, SLCL will lease the area it currently uses, from the company on a commercial basis.

DIRECTORS'
REPORT

Continued on
next page.

DIRECTORS' REPORT (CONT.)

DIRECTORS' INTERESTS AND BENEFITS

No Director of the Company has received or become entitled to receive any benefit (because of a contract made by the Company or a related body corporate with the director, a firm of which the Director is a member or a company in which the Director has a substantial financial interest) other than:

- (i) a benefit included in the aggregate amount of remuneration received or due and receivable by Directors; or
- (ii) amounts paid or payable as disclosed in the notes to the accounts.

DIRECTORS' MEETINGS

The number of Directors' meetings held and attended by each Director of the Company during the financial period are set out below.

The Directors also meet on a monthly basis as a committee.

	Number of Meetings attended	Number of Meetings held whilst in office
John Anderson	1	1
Edward Boucaut	1	1
Theo Krug	1	1
Joseph Matina	0	1
Craig Pitts	1	1
David Rava	1	1
Garry Sleeman	1	1
Graeme Young	1	1
Warrick Stapleton	1	1

DIRECTORS' REPORT (CONT.)

OTHER MATTERS

There are no unissued shares under option as at the date of this report.

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company:-

- (i) indemnified them or made any relevant agreement for indemnifying them against a liability including costs and expenses in successfully defending legal proceedings; or
- (ii) paid or agreed to pay a premium for them in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.



JOHN ANDERSON

Chairman

Sanctuary Lakes Resort
Services Limited

Dated: 20 October 2016

CONTROLLED ENTITY

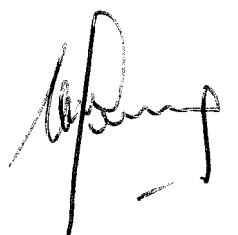
The Company owns the Share Capital of Sanctuary Lakes Residents Association Pty Ltd which has been dormant since its incorporation.

SLR Security Pty Ltd commenced operation on 1 July 2015. As this subsidiary is wholly owned these operations are consolidated in this report.

ENVIRONMENTAL ISSUES

The Company's operations are believed to be in accordance with all significant environmental regulations under a law of the Commonwealth or of a State or Territory.

Signed in accordance with a resolution of the Directors made pursuant to the Corporations Act.



GRAEME YOUNG

Vice Chairman

Sanctuary Lakes Resort
Services Limited

Dated: 20 October 2016

SANCTUARY LAKES RESORT SERVICES LIMITED

DIRECTORS' DECLARATION

As detailed in Note 1 to the financial report the Company is not a reporting entity because in the Directors' opinion, it is unlikely there are users who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. This financial report is therefore a "Special Purpose Financial Report" that has been prepared solely for the Directors and Members of the Company.

The Directors of the Company declare that:

- (i) The financial statements and notes present fairly the Company's financial position as at 30 June 2016 and its performance for the year ended on that date in accordance with the Corporations Act 2001 and Accounting Standards as detailed in Note 1; and
- (ii) The Directors are satisfied that the entity is a going concern, and can pay its debts as and when they fall due.

On behalf of the Board

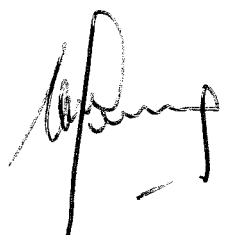


JOHN ANDERSON

Chairman

Sanctuary Lakes Resort
Services Limited

Dated: 20 October 2016



GRAEME YOUNG

Vice Chairman

Sanctuary Lakes Resort
Services Limited

Dated: 20 October 2016

SANCTUARY LAKES RESORT SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
Revenue from Ordinary Activities	7,193,952	7,046,702
	7,193,952	7,046,702
Employment Expenses	(2,523,603)	(2,489,135)
Administration / Waterfront Expenses	(1,035,106)	(1,155,932)
Resort Maintenance / Irrigation Expenses	(1,269,932)	(1,256,423)
Lake Maintenance Expenses	(572,158)	(553,102)
Security Monitoring & Patrolling Expenses	(881,797)	(914,791)
Recreation Club Expenses	(359,313)	(213,093)
	(6,641,909)	(6,582,476)
Operating Surplus before Income Tax	552,043	464,226
Income Tax Expense / (Benefit)	20,507	35,396
Net Surplus for the year	531,536	428,830
Other Comprehensive Income for the year	-	-
Assets Transferred from Developer at Valuation	500,000	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,031,536	428,830

Note: The Statement of Comprehensive Income should be read in conjunction with the notes to and forming part of the accounts and the auditor's report.



STATEMENT
OF FINANCIAL
POSITION

Continued on
next page.

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
SANCTUARY LAKES RESORT SERVICES LIMITED
ACN 092 610 449**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 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.



Name of Auditor: Frederik R.L. Eksteen

Date: 25 October 2016

Address: Collins & Co
127 Paisley Street
Footscray VIC 3011

SANCTUARY LAKES RESORT SERVICES LIMITED
ACN 092 610 449
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

ABN 15 893 818 045

127 Paisley Street,
Footscray Vic 3011
Australia

Phone (03)9680 1000
Fax (03)9689 6605

www.collinsco.com.au

Report on the Financial Report

I have audited the accompanying special purpose financial report of Sanctuary Lakes Resort Services Limited (the company), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the Directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting our audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of the company would be in the same terms if provided to the Directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the financial report of Sanctuary Lakes Resort Services Limited is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance and cash flows for the year ended on 30 June 2016; and
- ii. complying with Australian Accounting Standards and the Corporations Act 2001.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.



Name of Auditor: Frederik R.L. Eksteen
Collins & Co
127 Paisley Street
Footscray VIC 3011

Date: 25 October 2016

SANCTUARY LAKES RESORT SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	2016 \$	2015 \$
CURRENT ASSETS		
Cash & Cash Equivalents	780,518	997,822
Trade & Other Receivables	1,038,614	1,260,089
Inventory	35,438	30,544
Total Current Assets	1,854,570	2,288,455
NON CURRENT ASSETS		
Trade & Other Receivables	511,559	-
Property, Plant & Equipment	4,095,828	3,613,457
Improvements at Cost	104,944	88,023
Total Non Current Assets	4,712,331	3,701,480
TOTAL ASSETS	6,566,901	5,989,935
CURRENT LIABILITIES		
Trade & Other Payables	1,429,666	1,770,400
Provisions	292,575	197,837
Financial Liabilities	143,208	210,267
TOTAL CURRENT LIABILITIES	1,865,449	2,178,504
NON CURRENT LIABILITIES		
Provisions	22,356	20,662
Financial Liabilities	152,761	295,969
Total Non Current Liabilities	175,117	316,631
TOTAL LIABILITIES	2,040,566	2,495,135
NET ASSETS	4,526,336	3,494,800
MEMBERS' EQUITY		
Members' Surplus	2,591,241	1,559,705
Members' Reserve	1,935,095	1,935,095
TOTAL MEMBERS' EQUITY	4,526,336	3,494,800

Note: The Statement of Financial Position should be read in conjunction with the notes to and forming part of the accounts and the auditor's report.



STATEMENT
OF CHANGES IN
MEMBERS' EQUITY
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SANCTUARY LAKES RESORT SERVICES LIMITED

STATEMENT OF CHANGES ON MEMBERS' EQUITY

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

	Members' SURPLUS \$	Members' RESERVE \$	Total EQUITY \$
Balance at 30 June 2014	1,130,875	1,935,095	3,065,970
Assets Transferred from Developer at Valuation	-	-	-
Surplus / (Deficit) attributable to Members	428,830	-	428,830
Balance at 30 June 2015	1,559,705	1,935,095	3,494,800
Surplus / (Deficit) attributable to Members	531,536	-	531,536
Gift from Developer	500,000	-	500,000
Balance at 30 June 2016	2,591,241	1,935,095	4,526,336

Note: The Statement of Changes in Members' Equity should be read in conjunction with the notes to and forming part of the accounts and the auditor's report.



STATEMENT
OF CASHFLOW
Continued on
next page.

SANCTUARY LAKES RESORT SERVICES LIMITED

STATEMENT OF CASH FLOW

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	7,347,090	6,952,544
Payments to Suppliers and Employees	(7,035,780)	(6,262,172)
Interest Received	100,967	117,988
NET CASH FROM OPERATING ACTIVITIES	412,277	808,360
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant and Equipment (Net of Lease Financed Assets)	(850,581)	(1,406,829)
Proceeds from the Disposal of Assets	37,500	45,000
NET CASH (USED IN) INVESTING ACTIVITIES	(813,081)	(1,361,829)
CASH FLOWS FROM FINANCING ACTIVITIES		
Equipment Finance Repayments	183,500	171,782
NET CASH (USED IN) FINANCING ACTIVITIES	183,500	171,782
Net Increase / (Decrease) in Cash	(217,304)	(381,687)
CASH HELD AT THE BEGINNING OF THE FINANCIAL YEAR	997,822	1,379,509
CASH HELD AT THE END OF THE FINANCIAL YEAR	780,518	997,822

Note: The Statement of Cash Flows should be read in conjunction with the notes to and forming part of the accounts and the auditor's report.



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ACCOUNTS**
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next page.

NOTES TO AND FORMING PART OF ACCOUNTS

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

1. SUMMARY OF ACCOUNTING POLICIES

FINANCIAL REPORTING FRAMEWORK

This financial report is a special purpose financial report prepared for use by the Directors and Members of the Company. The Directors have determined that the Company is not a reporting entity, and therefore there is no requirement to apply all applicable accounting standards or other mandatory professional reporting requirements in the preparation and presentation of this report. The Company is limited by guarantee, incorporated and domiciled in Australia.

The report has been prepared in accordance with the requirements of the Corporations Act 2001, and the following applicable Australian Accounting Standards and Accounting Interpretations:

AASB 107	Cash Flow Statements;
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors;
AASB 110	Events after the Balance Sheet Date;

AASB 117	Leases;
AASB 1031	Materiality;
AASB 1048	Interpretation and Applicable Standards.

No other Accounting Standards, Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

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ACCOUNTS
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next page.

SANCTUARY LAKES RESORT SERVICES LIMITED

NOTES TO AND FORMING PART OF ACCOUNTS (CONT.)

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

1. SUMMARY OF ACCOUNTING POLICIES

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the Directors anticipate that the

adoption of AASB 9 may have an impact on the company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable to annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the company's financial statements.

Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the company's financial statements.

AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

NOTES ON
ACCOUNTS
Continued on
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SANCTUARY LAKES RESORT SERVICES LIMITED

NOTES TO AND FORMING PART OF ACCOUNTS (CONT.)

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

1. SUMMARY OF ACCOUNTING POLICIES

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company's financial statements.

AASB 2013-4: Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the company's financial statements.

AASB 2013-5: Amendments to Australian Accounting Standards - Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also

required. As the company does not meet the definition of an investment entity, this Standard is not expected to significantly impact the company's financial statements.

REPORTING BASIS AND CONVENTIONS

The report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The following is a summary of the material policies adopted by the Company in the preparation of the financial report.

TAXATION

The Directors of the Company believe that the Company is largely exempt from income tax based on the principal of mutuality. Income tax is payable on any non-mutual income earned in a financial year less any non-mutual deductible expenses incurred in deriving such income.

NOTES ON
ACCOUNTS
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SANCTUARY LAKES RESORT SERVICES LIMITED

NOTES TO AND FORMING PART OF ACCOUNTS (CONT.)

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

1. SUMMARY OF ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (applicable to annual reporting periods commencing on or after 1 January 2014).

RECOGNITION

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

A financial asset is classified in this category if acquired principally for the purpose of settling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as

hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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.

HELD TO MATURITY INVESTMENTS

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held to maturity investments are stated at amortised cost using the effective interest rate method.

AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets include any financial assets not included in the above categories. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to Member's equity.

NOTES ON
ACCOUNTS
Continued on
next page.

SANCTUARY LAKES RESORT SERVICES LIMITED

NOTES TO AND FORMING PART OF ACCOUNTS (CONT.)

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

2. DIRECTORS REMUNERATION

The Directors of the Company received the following remuneration during the year.

2016	2015
\$	\$
29,068	26,523

3. RELATED PARTIES

The Directors of the Company are named in the Directors' Report.

During the year, the Company did not have transactions with related entities.

4. SHARE CAPITAL

The Company is limited by guarantee. Each member is entitled to one vote at members meetings. On winding up of the Company, any surplus assets (after all debts are settled) will be distributed to a company with similar objects and similar constitutional restrictions.

SANCTUARY LAKES RESORT SERVICES LIMITED

DEPARTMENTAL OVERVIEW OF INCOME & EXPENSES

TRADING PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Owners Corporation Management		Administration		Resort Maintenance	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
REVENUE						
Owners Corporation Management Fees	6,527,802	6,332,904	-	-	-	-
Maintenance & Admin Levies	382,073	388,200	-	-	-	-
Interest	100,796	87,033	171	30,955	-	-
Other Revenue	95,917	101,176	46,518	53,352	35,659	53,082
TOTAL REVENUE	7,106,588	6,909,313	46,689	84,307	35,659	53,082
EXPENSES						
Employee Benefits	421,635	386,980	554,477	515,778	1,077,532	1,029,797
Management / Contractor Fees	-	-	-	-	-	-
Insurance	-	-	34,632	34,632	14,447	14,447
Occupancy Expenses	27,685	27,878	29,744	28,274	49,581	60,330
Materials & Landscaping Expenses	-	-	-	-	401,537	408,698
Equipment Maintenance & Depreciations	-	-	-	-	143,913	124,252
Recycled Water	-	-	-	-	-	-
Other Expenses	449,072	538,175	362,351	417,590	170,338	161,833
TOTAL EXPENSES	898,392	953,033	981,204	996,274	1,857,348	1,799,357

Note: These allocations are arbitrary, detailed allocations are not presented due the complex nature of indirect expenditure items.

SANCTUARY LAKES RESORT SERVICES LIMITED

DEPARTMENTAL OVERVIEW OF INCOME & EXPENSES (CONT.)

TRADING PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

Lake Management		Irrigation		Security		Recreation		TOTAL	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	-	-	-	-	-	-	6,527,802	6,332,904
-	-	-	-	-	-	-	-	382,073	388,200
-	-	-	-	-	-	-	-	100,967	117,988
-	-	-	-	32,630	26,035	5,016	-	215,740	233,645
-	-	-	-	32,630	26,035	5,016	-	7,226,582	7,072,737
255,914	247,983	222,878	287,192	616,002	-	-	-	3,148,438	2,467,730
-	22,696	-	-	288,477	933,351	230,597	145,996	519,074	1,102,043
24,752	24,752	-	-	-	-	-	-	73,831	73,831
25,579	15,915	24,675	8,297	-	-	106,947	101,086	264,211	241,780
38,887	27,077	217,490	210,375	-	-	-	-	657,914	646,150
297,161	292,440	4,045	3,968	216	7,475	128,716	67,097	574,051	495,232
-	-	289,987	293,925	-	-	-	-	289,987	293,925
185,779	170,222	-	-	-	-	-	-	1,167,540	1,287,820
828,072	801,085	759,075	803,757	904,695	940,826	466,260	314,179	6,695,046	6,608,511



SANCTUARY LAKES RESORT SERVICES LIMITED

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Resident Owned, Resident Run

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