

**Gnocci Holdings Pty Ltd as trustee for The Gnocci
Charitable Trust trading as Aurum Catering
Management Services**

ABN 96 137 829 488

Annual Report - 30 June 2016

| Contents | Page |
|--|-------------|
| Statement of profit or loss and other comprehensive income | 3 |
| Statement of financial position | 4 |
| Statement of changes in equity | 5 |
| Statement of cash flows | 6 |
| Notes to the financial statements | 7 |
| Director's declaration | 14 |

General information

The financial report covers Gnocci Holdings Pty Ltd as trustee for the Gnocci Charitable Trust ('Charitable Trust') as an individual entity domiciled in Australia. The financial report is presented in Australian dollars, which is the functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the Directors' declaration.

The financial report was authorised for issue by the Directors on 27 October 2016.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2016

**Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016**

| | Note | 2016 \$ | 2015 \$ |
|--|------|---------------------|---------------------|
| Revenue | | 8,712,833 | 12,576,074 |
| Cost of Sales | | (8,319,712) | (10,864,693) |
| Gross trading profit | | 393,121 | 1,711,381 |
| Interest | | 6,916 | 26,352 |
| Total Revenue | | 400,037 | 1,737,733 |
| Expenses | | | |
| Administration costs | | (42,720) | (37,536) |
| Advertising and promotion | | (630) | (28) |
| Bank charges | | (250) | (214) |
| Communications | | (22,700) | (20,292) |
| Depreciation and amortisation | 7 | (149,473) | (73,135) |
| Employee benefits expense | 3 | (787,669) | (931,000) |
| Loss on sale of assets | | (308,202) | (35,544) |
| Information technology | | (106,008) | (122,431) |
| Insurance | | (12,347) | (17,831) |
| Loan finance costs | | (56,233) | (168,700) |
| Memberships and subscriptions | | (18,591) | (19,994) |
| Other expenses | | (70,228) | (22,747) |
| Printing, postage and stationery | | (15,703) | (36,885) |
| Professional fees | | (66,953) | (126,214) |
| Property costs | | (53,672) | (65,964) |
| Recruitment and training | | (9,523) | (12,378) |
| Utilities | | (1,499) | (3,319) |
| Vehicle expenses | | (39,032) | (10,900) |
| Impairment of goodwill | | - | (1,661,003) |
| Total expenses | | (1,761,433) | (3,366,115) |
| (Deficit) for the year | | (1,361,396) | (1,628,382) |
| Income tax expense | | - | - |
| (Deficit) for the year attributable to the members of Gnocci Holdings Pty Ltd as trustee for the Gnocci Charitable Trust | | (1,361,396) | (1,628,382) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive (loss)/ income for the year attributable to the members of Gnocci Holdings Pty Ltd as trustee for the Gnocci Charitable Trust | | (1,361,396) | (1,628,382) |

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to these financial statements.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2016

Statement of financial position
As at 30 June 2016

| | Note | 2016 \$ | 2,015 \$ |
|-----------------------------------|-------------|---------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 944,315 | 975,668 |
| Trade receivables | 5 | 1,361,738 | 495,946 |
| Other | 6 | 87,792 | 166,570 |
| Total current assets | | <u>2,393,845</u> | <u>1,638,184</u> |
| Non-current assets | | | |
| Plant and equipment | 7 | 142,051 | 368,701 |
| ICT investment project | | - | 307,038 |
| Trade business investment project | | - | 4,380 |
| Oscar project | | - | 30,475 |
| Total non-current assets | | <u>142,051</u> | <u>710,594</u> |
| Total Assets | | <u>2,535,896</u> | <u>2,348,778</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 8 | 2,610,345 | 1,090,147 |
| Employee benefits | 9 | 212,183 | 183,867 |
| Loans | | <u>1,687,000</u> | <u>1,687,000</u> |
| Total current liabilities | | <u>4,509,528</u> | <u>2,961,014</u> |
| Total Liabilities | | <u>4,509,528</u> | <u>2,961,014</u> |
| Net Liabilities | | <u>(1,973,633)</u> | <u>(612,237)</u> |
| Equity | | | |
| Settled Sum | | 10 | 10 |
| Retained (deficits) | | <u>(1,973,643)</u> | <u>(612,247)</u> |
| Total Equity | | <u>(1,973,633)</u> | <u>(612,237)</u> |

The statement of financial position should be read in conjunction with the accompanying notes to these financial statement

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2016

Statement of changes in equity
For the year ended 30 June 2016

| | Settled sum \$ | Retained surpluses \$ | Total equity \$ |
|---|-------------------------------|--------------------------------------|--------------------------------|
| Balance at 1 July 2014 | 10 | 1,086,145 | 1,086,155 |
| (Deficit) for the year | - | (1,628,382) | (1,628,382) |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive (loss) for the year | - | (1,628,382) | (1,628,382) |
| Distribution to beneficiaries | - | (70,000) | (70,000) |
| Balance at 30 June 2015 | 10 | (612,247) | (612,237) |
| (Deficit) for the year | - | (1,361,396) | (1,361,396) |
| Total comprehensive loss for the year | - | (1,361,396) | (1,361,396) |
| Distribution to beneficiaries | - | - | - |
| Balance at 30 June 2016 | 10 | (1,973,643) | (1,973,633) |

The statement of changes in equity should be read in conjunction with the accompanying notes to these financial statements.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2016

Statement of cash flows
For the year ended 30 June 2016

| | Note | 2016 | 2015 |
|--|-------------|----------------|------------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from income | | 7,925,819 | 13,940,563 |
| Payments to suppliers and employees | | (8,074,956) | (13,659,742) |
| Other income received | | - | - |
| | | <hr/> | <hr/> |
| Net cash from operating activities | | (149,137) | 280,821 |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Interest received | | 6,916 | 26,352 |
| Proceeds from sale of property, plant and equipment | | 291,182 | 461,297 |
| Payments for property, plant and equipment | | (180,314) | (525,033) |
| Payments for project investments | | - | (117,570) |
| | | <hr/> | <hr/> |
| Net cash used in investing activities | | 117,784 | (154,954) |
| | | <hr/> | <hr/> |
| Net increase/(decrease) in cash and cash equivalents | | (31,353) | 125,867 |
| Cash and cash equivalents at the beginning of the financial year | | 975,668 | 849,801 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial year | 4 | 944,315 | 975,668 |
| | | <hr/> | <hr/> |

The statement of cash flows should be read in conjunction with the accompanying notes to these financial statements.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2016

**Notes to the financial statements
For the year ended 30 June 2016**

Note 1. Significant accounting policies

Gnocci Holdings Pty Ltd as trustee for the Gnocci Charitable Trust is a not-for-profit entity. These financial statements are individual financial statements of the Company and are for the year ended 30 June 2016.

In the opinion of the Directors, the Charitable Trust is not publicly accountable. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

The Company's registered office is located at First Floor, Unit 16, 100 Railway Road, SUBIACO WA 6008.

The parent and ultimate parent of the Company is Baptistcare Inc.

The Charitable Trust is primarily involved in the food service industry.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) New, revised or amending Accounting Standards and Interpretations adopted

The Charitable Trust has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any significant impact on the accounting policies of the Charitable Trust from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Charitable Trust.

(b) Basis of preparation and accounting

These Tier 2 general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB').

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

For the year ended 30 June 2016, the Company incurred a loss of \$1,361,396 and incurred net cash outflows of \$31,353. As at 30 June 2016, the Company has cash of \$944,315 and a net working deficit of \$2,115,683. Included in this working capital deficit is a loan owing to Baptistcare Inc of \$1,687,000 and a net working capital payable to Baptistcare of \$533,453. Baptistcare have confirmed they will not seek repayment of any intercompany balances owed as at 30 June 2016 in a manner that will jeopardise the ability of the Company to continue to meet their financial obligations as they fall due.

At the date of this report, the Company has also received from the parent entity (Baptistcare Inc) a letter of financial support for the period of at least 12 months from the date of this report to enable the Company to meet its financial obligations as and when they fall due and payable.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

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

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2016

Notes to the financial statements
For the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

(c) Revenue recognition

Revenue is recognised to the extent services have been performed and when it is probable that the economic benefit will flow to the Charitable Trust and the revenue can be reliably measured.

- (i) *Sales revenue*
Sales revenues are recognised when received or receivable.
- (ii) *Interest*
Interest revenue is recognised as interest becomes receivable.
- (iii) *Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

(d) Income tax

As the Charitable Trust is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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.

(f) Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

(g) Plant and equipment

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

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

| | |
|---------------------|-----------|
| IT equipment | 2-3 years |
| Plant and equipment | 3-7 years |
| Motor vehicles | 5-7 years |
| Office equipment | 3-5 years |

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

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

**Notes to the financial statements
For the year ended 30 June 2016**

Note 1. Significant accounting policies (continued)

(h) Impairment of non-financial assets

At each reporting date, the Charitable Trust reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Statement of profit or loss and other comprehensive income.

At each reporting date, the Charitable Trust reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Statement of profit or loss and other comprehensive income.

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

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Charitable Trust prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 – 60 days of recognition.

(j) Employee benefits

- (i) Short term employee benefits are expensed as the related service is provided.
- (ii) *Wages and salaries and annual leave*
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.
- (iii) A liability is recognised for the amount expected to be paid if the Charitable Trust has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.
- (iv) Amounts recognised as employee benefits are the amount of future benefit that employees have earned in return for their services in the current and prior periods.
- (v) *Long service leave*
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**Notes to the financial statements
For the year ended 30 June 2016**

Note 1. Significant accounting policies (continued)

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

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

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

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

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of useful lives of assets

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

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

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

Long service leave provision

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Employee benefits expense

| | 2016 \$ | 2015 \$ |
|---------------------------|------------|------------|
| Employee benefits expense | 787,669 | 931,000 |

The current year employee benefits expense is representative of the administration wages and associated costs. All other wages have been allocated to the cost of sales.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2016

**Notes to the financial statements
For the year ended 30 June 2016**

Note 4. Current assets - cash and cash equivalents

| | 2016 | 2015 |
|--------------------|----------------|----------------|
| | \$ | \$ |
| Cash On Hand | | |
| Cash at Bank | 943,579 | 213,848 |
| Cash On Investment | 726 | 761,810 |
| Trust Cash on Hand | 10 | 10 |
| | <u>944,315</u> | <u>975,668</u> |

Note 5: Current Assets - Trade & Other Receivables

| | 2016 | 2015 |
|-------------------------------------|------------------|----------------|
| | \$ | \$ |
| Trade Receivables - related parties | 1,361,738 | 441,659 |
| Trade Receivables | - | 54,287 |
| Total Trade and Other Receivables | <u>1,361,738</u> | <u>495,946</u> |

Note 6. Current assets – other

| | 2016 | 2015 |
|-------------------|---------------|----------------|
| | \$ | \$ |
| Prepayments | 1,558 | 51,606 |
| Stock On Hand | 86,234 | 105,849 |
| Security Deposits | - | 9,115 |
| | <u>87,792</u> | <u>166,570</u> |

Note 7. Non current assets – Plant and Equipment

| | 2016 | 2015 |
|----------------------------------|-----------------|-----------------|
| | \$ | \$ |
| Furniture and Fittings - at Cost | - | 34,072 |
| Less: Accumulated Depreciation | <u>-</u> | <u>(10,584)</u> |
| | <u>-</u> | <u>23,488</u> |
| IT and Communication - at cost | - | 165,424 |
| Less: Accumulated Depreciation | <u>-</u> | <u>(93,321)</u> |
| | <u>-</u> | <u>72,103</u> |
| Motor Vehicles - at cost | 160,954 | 297,541 |
| Less: Accumulated Depreciation | <u>(18,903)</u> | <u>(25,153)</u> |
| | <u>142,051</u> | <u>272,388</u> |
| Plant and Equipment - at cost | - | 907 |
| Less: Accumulated Depreciation | <u>-</u> | <u>(185)</u> |
| | <u>-</u> | <u>722</u> |
| | <u>142,051</u> | <u>368,701</u> |

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2016

Notes to the financial statements
For the year ended 30 June 2016

Reconciliations

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

| | Furniture and Fittings | IT and Communication | Motor Vehicles | Plant and Equipment | Total |
|--------------------------|-----------------------------------|---------------------------------|-----------------------|--------------------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1st July 2015 | 23,489 | 72,103 | 272,388 | 722 | 368,702 |
| Additions | - | 349,613 | 182,473 | - | 532,085 |
| Disposals | (19,520) | (294,277) | (295,467) | - | (609,264) |
| Depreciation Expense | (3,969) | (127,438) | (17,344) | (722) | (149,473) |
| Balance at 30 June 2016 | - | - | 142,050 | - | 142,050 |

Note 8. Current liabilities – trade and other payables

| | 2016 | 2015 |
|------------------------------------|------------------|------------------|
| | \$ | \$ |
| Trade Payable | 9,938 | 520,852 |
| Accrued Expenses | 42,411 | 69,728 |
| GST Payable | 392,240 | 224,726 |
| PAYG Payable and Wages Accrual | 221,479 | 208,730 |
| Superannuation Payable | 29,086 | 73,584 |
| Reimbursable expense - Baptistcare | 1,915,191 | (7,472) |
| | <u>2,610,345</u> | <u>1,090,148</u> |

Note 9. Current liabilities – employee provisions

| | 2016 | 2015 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Annual Leave Provision | 153,374 | 155,195 |
| Long Service Leave Provision | 58,809 | 28,672 |
| | <u>212,183</u> | <u>183,867</u> |

Note 10. Key Management Personnel Disclosures

| | 2016 | 2015 |
|--|----------------|----------------|
| | \$ | \$ |
| The aggregate compensation made to Directors and other members of key management personnel of the Charitable Trust is set out below: | | |
| Aggregate Compensation | <u>130,053</u> | <u>354,728</u> |

Note 11. Contingent liabilities

The Charitable Trust had no contingent liabilities as at 30 June 2016.

Note 12. Commitments

The Charitable Trust had no commitments for expenditure as at 30 June 2016.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2016

**Notes to the financial statements
For the year ended 30 June 2016**

Note 13. Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 10.

(b) Transactions to related parties

There were no significant transactions with related parties during the current financial year outside of the Charitable Trust commercial operations.

(c) Receivable from and payable to related parties

The Charitable Trust had the following receivables and payables with Baptistcare:

| | 2016 | 2015 |
|-------------------|-------------|-------------|
| | \$ | \$ |
| Trade receivables | 1,361,738 | 441,659 |
| Trade payables | 1,915,191 | - |

(d) Loans from related parties

The Charitable Trust has a loan payable to Baptistcare of \$1,687,000 as at 30 June 2016 (2015: \$1,687,000). The loan is unsecured and non-interest bearing. The loan is payable on demand.

Note 14. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Charitable Trust's operations, the results of those operations, or the Charitable Trust's state of affairs in future financial years.

Gnocci Holdings Pty Ltd as trustee for The Gnocci Charitable Trust
Financial report
30 June 2016

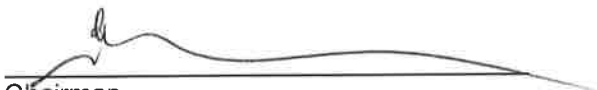
Director's declaration

In the opinion of the Directors':

- a) the Company is not publicly accountable;
- b) the financial statements and notes that are set out on pages 4 to 15 are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 201⁶ and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-Profits Regulation 2013; and
- c) As per Note 1 (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Dated at BELMON Perth 27th day of OCTOBER 2016


Chairman