


2021 Annual Report

Barwon Heads Community Enterprise Limited

ABN 68 149 465 396

Community Bank · Barwon Heads

Contents

Chair's report

For year ending 30 June 2021

It's a pleasure to submit the Chair's report for financial year 2020/21, a year that has been incredibly challenging for many, with the unexpected becoming the new norm.

The twists and turns in the COVID-19 road continue for our community and society more broadly, with many people experiencing a range of challenges such as lockdowns, isolation, testing, home-schooling and the constant flow information and changes to settings in the media. Once again many local community groups have had to be very agile, and its been pleasing that in Victoria we have seen community sport able to resume to an extent, with the main sporting codes for Summer 2020 and Winter 2021 being able to play almost a full season (with some minor interruptions and breaks!). Some other community groups have not been quite as lucky with events and gatherings on hold for now and others operating under considerable complications.

Community Bank Barwon Heads has fortunately been able to remain fully open to service our customers through all lockdown periods and has also continued to deliver sound financial results, despite record low interest rates and margin challenges which are derived from those. Residents continue to support the Bank well and have again used some of their time at home to re-evaluate their banking requirements, the result being a steady stream of loan applications, new accounts and term deposits.

To provide some further insight to the results, and a quick comparison to 2020, the overall book of business increased by around $40 million during the year. Whilst footings increased substantially, the income able to be generated has fallen slightly compared to financial year 2019/20 (-$8.378 to $889,208 in financial year 2020/21), impacted as I said earlier by low interest rates. Operating expenses were all held relatively steady, with employment costs, occupancy, depreciation, and financing costs all comparable to last year. Our contributions to the community are a good news story once again, with total contributions to community projects, groups and Community Enterprise Foundation™ up to 195,000, an increase of $58,000 on financial year 2019/20. The net result of all that is a declared profit before income tax of $75,000 this year, which is -$83,000 to last year, however factoring in the additional $58,000 to the community, and the relative drop in margins, a credible result.

At this point it's worth mentioning our Community Legacy projects, as a key reason the contribution to the Community Enterprise Foundation™ was larger this year is a focus on building cash reserves to fund larger and more impactful projects in Barwon Heads and surrounds. During this financial year, the school Solar project was completed at Barwon Heads Primary School, which was the winner from our first round of Legacy Projects back in 2019. In 2021, we are aiming to throw open the application process again and ask our community to put forward projects that benefit the entire community and will have a lasting impact on its amenity.

In the marketing space, our Sub Committee has been active despite lockdowns and managed to deliver some LEN talks which provide great exposure to the Community Bank celebrating our community and positioning us as not just a bank, but as a facilitator of community engagement, thought leadership and networking. We certainly thank everyone who attended and presented at these events.

Its great to once again be able to acknowledge the experience and enthusiasm of the branch team, ably led by Kevin Hannam. The team have persisted through lockdowns and continued to provide a friendly and prompt service to our customers. Thanks to Kevin, Nick, Kyla, Racheal, Penny, Cassie and Chloe for their efforts once again.

I'd also like to thank our shareholders for their feedback and engagement over the course of the year. The continued positive results from the Community Bank are in no small part to your support and I'm pleased to confirm that the business is looking to pay a dividend once again.

Last (but not least), thanks to my fellow Board members who volunteer their time for the business, our customers for their ongoing support and the people of Barwon Heads for their commitment to the Community Bank model. One of the key business objectives in our strategy is to be "your bank...Community driven" and its clear that with the ongoing support of all stakeholders in Barwon Heads, the branch will continue to thrive and return benefits to the local community.

Ross Walter
Chair

Manager's report

For year ending 30 June 2021

In last year's Manager's report for Barwon Heads Community Enterprise Limited, I reported that 2019/20 had been, possibly, the most challenging year for us as a Community Bank, the local Barwon Heads community, and the country as a whole. Little did I know then, that 2020/21 would throw up a whole new set of challenges. The COVID-19 pandemic, continuing record low interest rates and accelerating house prices would normally result in a slowdown in growth for a Community Bank such as Barwon Heads. I am happy to announce this is not what eventuated. Your branch has again performed exceptionally well. Our customer numbers grew by 5.1% showing the local community continues to support their local Bank. We are judged on the growth of our business on the books (deposits and lending). The 2020/21 financial year saw unprecedented growth, with loans increasing by 6% ($4.3 million) and deposits by 65.2% ($33.7 million). Our overall growth for the year was 31.5% or $40.5 million. The total Business on the Books at 30 June 2021 was $169.1 million. This can only be achieved by a strong team effort of dedicated loyal staff, business bankers and the support of our partners at the Bendigo and Adelaide Bank Limited.

Our staff deservedly benefited from this strong year with Nick being promoted to Customer Relationship Manager, Rachael and Kyla to Customer Relationship Officers, and our Trainee Chloe getting a full-time role as Customer Service Officer. Cassie continued to provide excellent customer service as part-time Customer Service Officer and Penny returned from Maternity leave into her previous position. Kyla is soon going on maternity leave to have her second baby. I would like to express my thanks to our team for their resilience during the pandemic, and their continued efforts in building a profitable well regarded Community Bank.

Highlights achieved during the financial year

- $962,000 of income being generated enabling us to give out over $60,000 in grants and sponsorships, and another $125,000 put aside in the Community Enterprise Foundation™ to be used for our next Legacy Project.
- This year we gave out two new scholarships, to two very deserving young people who are both studying nursing at Deakin University. We also provided the second-year scholarship to last year's recipient, taking our contribution this year to $15,000.
- Unprecedented growth in our Home Loan and Deposit books, which will see our profits grow strongly once we get back to a 'normal' interest rate environment that will see us earn better margins resulting in more income and larger profits.
- Opened our 3,000th account.
- Shareholders continuing to benefit via franked credits.

I would like to thank Ross Walter, Chair of Barwon Heads Community Enterprise Limited, the Board of Directors, and Ewa, our Board Secretary, for their support during the year. It was a tough year for the Directors, with the majority of Board meetings having to be done virtually, and the impact to their work arrangements and families by the pandemic. Being volunteers, this year has certainly tested their resolve, but each one has contributed their time to make Barwon Heads an even better place to live.

The next twelve months will be a challenge with no end of the pandemic in sight. Businesses will continue to be disrupted, school children having to be home tutored and restrictions on people movements all making our lives disruptive. I hope all our customers, staff, Directors and shareholders can find the resilience to get through this tough time with their health intact. The staff of the Community Bank Barwon Heads will be there to assist in any way we can.

Kevin Hannam
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each another and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.

Collin Brady
Head of Community Development

Directors' report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

Directors

The directors of the company who held office during the financial year and to the date of this report are:

Ross Kenneth Walter
Chair
Occupation: Food / Operations - General Manager
Qualifications, experience and expertise: Holding a Bachelor of Business in Supply Chain Management, Ross has over 25 years' experience in operations, logistics, retailing, supply chain management, procurement and systems. He has held a number of General Management positions with logistics, liquor, healthcare, food wholesaling and FMCG companies with a key focus on business processes, business efficiency, integration of systems and holistic leadership. He has also held a range of positions in sporting and community groups including senior coaching roles, committee and chair. This included a position as a Board Director of Victorian Water polo Inc. Ross is involved in many local sporting clubs and groups including social AFL football, basketball, and supporting men's' health causes and charities. Ross has been a member of the Board since 2016.
Special responsibilities: Chair / Executive Committee
Interest in shares: nil share interest held

David John Halliday
Treasurer & Secretary
Occupation: Financial Services
Qualifications, experience and expertise: David was previously a Chartered Accountant and partner in a Melbourne firm before moving to Echuca in 1986 to work in his own business. He semi-retired and moved to Barwon Heads 8 years ago. He now runs a number of small businesses from home focusing on the administration with operational managers based in Echuca. Until recently David was a Board Member of Echuca Community for the Aged. David has been a member of the Board since May 2016.
Special responsibilities: Treasurer, Secretary and Member Executive Committee
Interest in shares: 15,000 ordinary shares

Damien Patrick O'Malley
Non-executive director
Occupation: Consultant
Qualifications, experience and expertise: Founder and Senior Consultant of strategic HR consulting business and co-founder of strategic off-sites consulting business. Clients include commercial / non-for-profit organisations in health, hospitality, infrastructure, financial services, legal services & retail. Previous experience as senior HR practitioner in leading national business in financial services, directories, gambling & entertainment, aviation and retail. Masters of Human Resources Development (UTS), Bachelor of Arts (Adelaide University), accredited as Executive Coach and number of leadership, team and cultural diagnostics.
Special responsibilities: Business Development Committee
Interest in shares: nil share interest held

Jason Anthony Hutton
Non-executive director
Occupation: Consultant
Qualifications, experience and expertise: Jason is currently a consultant IT Technical Architect and has over 25 years in the IT industry from system support and design to management. He moved to Barwon Heads ten years ago and has since been involved with various local community groups and is currently on the Barwon Heads Tennis Club committee. Jason has been a member of the board since July 2018.
Special responsibilities: Business Development Committee
Interest in shares: nil share interest held

Directors *(continued)*

Lindy Brooke Mills
Non-executive director
Occupation: Project Lead
Qualifications, experience and expertise: Lindy is an accomplished project manager with a passion for improving health, education and the environment. She has delivered innovative programs, including Jamie's Ministry of Food, Stephanie Alexander's Kitchen Garden Program and Skilling the Bay. Currently, Lindy works to improve educational and employment outcomes among vulnerable students and community members. She is very committed to building a strong and sustainable local community and is passionate about our environment. Lindy holds a Bachelor of Arts, Bachelor of Science and a Masters of Wine Business.
Special responsibilities: Chair of Community Development and Grants Committee
Interest in shares: nil share interest held

Edmund Jepson McCabe
Non-executive director
Occupation: Retired Lawyer and VCAT Member
Qualifications, experience and expertise: Retired sessional member of Victorian Civil & Administrative Tribunal(21 years). Previously a partner in the legal firm of Brown & Proudfoot, Horsham for 40 years, a Director of GWM Water and a Board member and President of Wimmera Health Care Group, Life Governor of Wimmera Health Care Group, Life member of Horsham Apex Club and Life Member of Wimmera Football League.
Special responsibilities: Executive Committee
Interest in shares: 1,000 ordinary shares

Nishantha Lakshman Paranavitana
Non-executive director (appointed 24 August 2020)
Occupation: Photographer
Qualifications, experience and expertise: Nishantha has been a freelance photographer for the past 8 years, running a photography business. Prior to that, Nishantha was a Financial Planner and worked in the Banking and Finance industry for 23 years. Qualifications include an Advanced Diploma in Photography and a Diploma in Financial Planning.
Special responsibilities: Business Development and Marketing Committee
Interest in shares: nil share interest held

Alexander Gordon Scott Gemmell
Non-executive director (appointed 19 October 2020)
Occupation: Consultant
Qualifications, experience and expertise: Member Institute of Chartered Accountants of Scotland. Bachelor in Accounting from Edinburgh University. Qualified with one of the Big Four accounting practices then held senior roles in financial, logistics and general management across international engineering and food businesses. Thereafter CEO of a major Not-for-Profit operating in aged care, retirement living, disability, youth and children's services. Latterly a consultant to the aged care and retirement sectors. Currently a regular volunteer at Feed Me Bellarine in Ocean Grove.
Special responsibilities: Business Development and Marketing Committee
Interest in shares: nil share interest held

Christine Mary McDonald
Non-executive director (appointed 23 November 2020)
Occupation: Finance and Administration Manager
Qualifications, experience and expertise: Bachelor of Science, Diploma of Education, Finance Manager, RAN Officer, Maths and Computer Science teacher.
Special responsibilities: Community Development Committee and Grants Committee
Interest in shares: nil share interest held

Directors *(continued)*

Alastair Robert Lawrence Thomson
Non-executive director (appointed 23 November 2020)
Occupation: Real Estate Agent
Qualifications, experience and expertise: Licensed Real Estate Agent for 10 years. Director/Owner of a local Real Estate business. Previously 10 years as the Owner Operator of a retail garden centre. Bachelor of Applied Sciences (Horticulture). Over 20 years experience operating small business. Secretary Barwon Heads Cricket Club, Under 9's coach Barwon Heads Soccer Club. Resident of Barwon Heads for 16 years, still not classified as a local.
Special responsibilities: Business Development and Marketing Committee
Interest in shares: 6,250 ordinary shares

Bruce Anthony Symons
Non-executive director (resigned 26 October 2020)
Occupation: Business Owner
Qualifications, experience and expertise: B Agr.Sc (Melb) 2003, Masters (Swinburne) 2013, AICD 2013. Established his own Organic Dairy business in early 2017. Previously spent five years as a CEO and prior to that performed with distinction in senior marketing and sales roles in the food industry in Australia and Asia. Roles have varied from running a very successful Dairy Co-operative to launching a new retail product into the Japanese market to managing the turn-around of a Pacific Island subsidiary. Bruce joined the Board at the end of 2015.
Special responsibilities: Community Development Committee and Grants Committee
Interest in shares: 10,000 ordinary shares

Peter Alexander MacMillan
Non-executive director (resigned 26 October 2020)
Occupation: Financial Planner and Tax / Accounting Consultant
Qualifications, experience and expertise: Fellow Chartered Accountants Australia & New Zealand. Post Grad Diploma- Financial Planning, Specialist Financial Planning. Established an Accounting Firm in Geelong 30 years ago and still is a consult to that firm as well as manages his own Financial Planning business. Previously worked for one of the now Big Four accounting practices for many years. Has resided in Barwon Heads for over 25 years. Peter's public roles include being on the board at Bethany and the former Brotherhood of St Laurence – Barwon Region as well as being Treasurer. Keen bike rider and part time golfer at BHGC. Peter joined the board in 2016.
Special responsibilities: Company Secretary and Executive Committee
Interest in shares: 5,000 ordinary shares

Directors were in office for this entire year unless otherwise stated.

No directors have material interest in contracts or proposed contracts with the company.

Company Secretary

There have been two company secretaries holding the position during the financial year:

- Peter MacMillan was appointed company secretary on 1 July 2017 and ceased on 26 October 2020.
- David Halliday was appointed company secretary on 26 October 2020.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of these activities during the financial year.

Operating results

The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June 2021 $	Year ended 30 June 2020 $
	57,648	120,495

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Ross Kenneth Walter	-	-	-
David John Halliday	15,000	-	15,000
Damien Patrick O'Malley	-	-	-
Jason Anthony Hutton	-	-	-
Lindy Brooke Mills	-	-	-
Edmund Jepson McCabe	-	1,000	1,000
Nishantha Lakshman Paranavitana	-	-	-
Alexander Gordon Scott Gemmell	-	-	-
Christine Mary McDonald	-	-	-
Alastair Robert Lawrence Thomson	4,750	1,500	6,250
Bruce Anthony Symons	10,000	-	10,000
Peter Alexander MacMillan	5,000	-	5,000

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount $
Final fully franked dividend	7.00	57,222

Significant changes in the state of affairs

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the companies financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

The company will continue its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) attended by each of the directors of the company during the financial year were:

E - eligible to attend *A - number attended*	Board Meetings Attended		Committee Meetings Attended: Community Development		Committee Meetings Attended: Business Development & Marketing		Committee Meetings Attended: Executive	
	E	*A*	*E*	*A*	*E*	*A*	*E*	*A*
Ross Kenneth Walter	12	12	5	5	-	-	8	8
David John Halliday	12	12	-	-	-	-	12	12
Damien Patrick O'Malley	12	12	-	-	11	11	-	-
Jason Anthony Hutton	12	11	8	8	5	5	-	-
Lindy Brooke Mills	12	10	12	12	-	-	-	-
Edmund Jepson McCabe	12	9	-	-	-	-	7	7
Nishantha Lakshman Paranavitana	11	9	-	-	7	6	-	-
Alexander Gordon Scott Gemmell	10	10	-	-	8	8	-	-
Christine Mary McDonald	8	6	7	7	-	-	-	-
Alastair Robert Lawrence Thomson	8	6	-	-	6	5	-	-
Bruce Anthony Symons	4	4	-	-	-	-	4	4
Peter Alexander MacMillan	4	3	-	-	-	-	4	4

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of the directors at Barwon Heads, Victoria.

Ross Kenneth Walter, Chair

Dated this 26th day of August 2021

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Barwon Heads Community Enterprise Limited

As lead auditor for the audit of Barwon Heads Community Enterprise Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 26 August 2021

Adrian Downing
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	889,208	897,586
Other revenue	9	60,966	81,987
Finance income	10	5,207	12,204
Employee benefit expenses	11c)	(429,291)	(430,548)
Charitable donations, sponsorship, advertising and promotion		(195,962)	(137,022)
Occupancy and associated costs		(26,507)	(26,629)
Systems costs		(33,974)	(33,634)
Depreciation and amortisation expense	11a)	(112,738)	(134,230)
Finance costs	11b)	(21,245)	(11,163)
General administration expenses		(59,834)	(59,775)
Profit before income tax expense		75,830	158,776
Income tax expense	12a)	(18,182)	(38,281)
Profit after income tax expense		57,648	120,495
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		57,648	120,495
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	7.05	14.74

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	986,149	964,171
Trade and other receivables	15a)	59,844	58,039
Total current assets		1,045,993	1,022,210
Non-current assets			
Investment property	14a)	16,185	109,285
Property, plant and equipment	16a)	65,933	80,310
Right-of-use assets	17a)	417,324	396,475
Intangible assets	18a)	48,257	74,368
Deferred tax asset	19b)	10,878	3,579
Total non-current assets		558,577	664,017
Total assets		1,604,570	1,686,227
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	18,972	35,161
Current tax liabilities	19a)	4,106	17,067
Lease liabilities	21a)	66,678	63,821
Employee benefits	23a)	17,952	11,776
Total current liabilities		107,708	127,825
Non-current liabilities			
Lease liabilities	21b)	380,965	447,644
Employee benefits	23b)	9,545	4,899
Provisions	22a)	1,538	1,471
Total non-current liabilities		392,048	454,014
Total liabilities		499,756	581,839
Net assets		1,104,814	1,104,388
EQUITY			
Issued capital	24a)	789,491	789,491
Retained earnings	25	315,323	314,897
Total equity		1,104,814	1,104,388

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2019		789,491	251,624	1,041,115
Total comprehensive income for the year		-	120,495	120,495
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(57,222)	(57,222)
Balance at 30 June 2020		789,491	314,897	1,104,388
Balance at 1 July 2020		789,491	314,897	1,104,388
Total comprehensive income for the year		-	57,648	57,648
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(57,222)	(57,222)
Balance at 30 June 2021		789,491	315,323	1,104,814

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,026,500	1,077,508
Payments to suppliers and employees		(801,812)	(763,037)
Interest received		6,384	10,505
Interest paid		-	(68)
Lease payments (interest component)	11b)	(21,179)	(11,095)
Lease payments not included in the measurement of lease liabilities	11d)	(14,815)	(14,673)
Income taxes paid		(38,442)	(21,427)
Net cash provided by operating activities	26	156,636	277,713
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,625)
Payments for intangible assets		(13,614)	(13,614)
Net cash used in investing activities		(13,614)	(15,239)
Cash flows from financing activities			
Lease payments (principal component)		(63,822)	(86,339)
Dividends paid	30a)	(57,222)	(57,222)
Net cash used in financing activities		(121,044)	(143,561)
Net cash increase in cash held		21,978	118,913
Cash and cash equivalents at the beginning of the financial year		964,171	845,258
Cash and cash equivalents at the end of the financial year	13	986,149	964,171

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Barwon Heads Community Enterprise Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
70 Hitchcock Avenue Barwon Heads VIC 3227	70 Hitchcock Avenue Barwon Heads VIC 3227

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 29.

Note 2 Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.* The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 26 August 2021.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Core banking products

Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service.

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term.
Sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Note 4 Summary of significant accounting policies *(continued)*

b) Other revenue *(continued)*

Cash flow boost

In response to the COVID-19 outbreak, Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020 (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

The company operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

Note 4 Summary of significant accounting policies *(continued)*

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company 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 reliably estimated. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Note 4 Summary of significant accounting policies *(continued)*

e) Taxes *(continued)*

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

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 taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 10 years
Plant and equipment	Straight-line	2 to 10 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise. The company has also acquired a customer list from Bendigo Bank.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company and domiciled customer accounts acquired are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset class	Method	Useful life
Franchise establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled customer accounts	Straight-line	5 years

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if required.

Note 4 Summary of significant accounting policies *(continued)*

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade and other debtors and creditors, cash and cash equivalents and lease liabilities.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Impairment

Non-derivative financial assets

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

k) Issued capital

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Note 4 Summary of significant accounting policies *(continued)*

m) Leases

At inception of a contract, the company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset.

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

As a lessor

When the company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. Given the term of the sublease is less than the head lease term, the sublease does not meet the definition of a finance sublease and as such is an operating lease.

During the sublease term the company recognises sublease income in other revenue when earned. Depreciation on the right-of-use asset and interest on the lease liability is recognised under the head lease. The company recognise the sublease portion of the right-of-use asset within investment property. The portion calculated based on the sublease term and size of subleased area as a percentage of the head lease term and area.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note	Judgement
- Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to control the use of the identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.
d) sublease classification	d) judgement is required to determine the classification of the sublease as either an operating or a finance sublease.

Note 5 Significant accounting judgements, estimates, and assumptions *(continued)*

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
- Note 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 11a) - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

The company has exposure to credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

Risk management is carried out directly by the board of directors.

a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	509,999	84,999	340,000	85,000
Trade and other payables	18,972	18,972	-	-
	528,971	103,971	340,000	85,000

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

Exposure to liquidity risk (continued)

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	600,728	90,728	340,000	170,000
Trade and other payables	35,161	35,161	-	-
	635,889	125,889	340,000	170,000

c) Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of $986,149 at 30 June 2021 (2020: $964,171). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

The distribution limit is the greater of:

(a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	768,716	753,581
- Fee income	50,729	49,807
- Commission income	69,763	94,198
	889,208	897,586

Note 9 Other revenue

	2021 $	2020 $
- Sub-leasing income	19,994	19,505
- Market development fund income	13,125	25,000
- Cash flow boost	20,253	33,755
- Other income	7,594	3,727
	60,966	81,987

Note 10 Finance income

	2021 $	2020 $
- Term deposits	5,207	12,204

Note 11 Expenses

a) Depreciation and amortisation expense	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	12,666	12,665
- Plant and equipment	1,709	2,007
	14,375	14,672
Depreciation of right-of-use assets		
- Leased land and buildings	72,252	93,447
	72,252	93,447
Amortisation of intangible assets:		
- Franchise fee	2,232	2,232
- Franchise renewal process fee	11,196	11,196
- Domiciled customer accounts	12,683	12,683
	26,111	26,111
Total depreciation and amortisation expense	112,738	134,230

Note 11 Expenses *(continued)*

b) Finance costs

	2021 $	2020 $
- Lease interest expense	21,179	11,095
- Unwinding of make-good provision	66	68
	21,245	11,163

Finance costs are recognised as expenses when incurred using the effective interest rate.

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	366,886	367,434
Contributions to defined contribution plans	37,091	32,160
Expenses related to long service leave	5,698	11,163
Other expenses	19,616	19,791
	429,291	430,548

d) Recognition exemption

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

	2021 $	2020 $
Expenses relating to low-value leases	14,815	14,673

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense/(credit)		
- Current tax	25,481	44,934
- Movement in deferred tax	(7,734)	(6,859)
- Reduction in company tax rate	435	206
	18,182	38,281

b) *Prima facie* income tax reconciliation

	2021 $	2020 $
Operating profit before taxation	75,830	158,776
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	19,716	43,663
Tax effect of:		
- Other deductible expenses	3,297	3,694
- Temporary differences	7,734	6,860
- Other assessable income	(5,266)	(9,283)
- Movement in deferred tax	(7,734)	(6,859)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	435	206
	18,182	38,281

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	329,517	312,302
- Term deposits	656,632	651,869
	986,149	964,171

Note 14 Investment property

The company subleases some of its property. The company initially measures the head lease in accordance with AASB 16 before separately identifying the sublease portion under AASB 140 Investment Property. The investment property is initially measured at cost under AASB 16 and subsequently measured at cost less accumulated depreciation under AASB 140.

a) Carrying amounts

	2021 $	2020 $
Investment properties - sublease		
At cost	48,554	129,477
Less: accumulated depreciation	(32,369)	(20,192)
Total written down amount	16,185	109,285

b) Reconciliation of carrying amounts

	2021 $	2020 $
Investment properties - sublease		
Initial recognition on transition - at cost	109,285	68,147
Remeasurement adjustments	(80,923)	61,330
Depreciation	(12,177)	(20,192)
Total written down amount	16,185	109,285

c) Maturity analysis

The operating sublease is a three year lease which commenced June 2019. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 $	2020 $
- Within 12 months	20,288	19,994
- Between one and two years	-	20,288
Total undiscounted lease receivable	20,288	40,282

Note 15 Trade and other receivables

a) Current assets

	2021 $	2020 $
Trade receivables	55,490	52,878
Prepayments	4,354	3,984
Other receivables and accruals	-	1,177
	59,844	58,039

Note 16 Property, plant and equipment

a) Carrying amounts

	2021 $	2020 $
Leasehold improvements		
At cost	144,378	144,378
Less: accumulated depreciation	(86,462)	(73,796)
	57,916	70,582
Plant and equipment		
At cost	41,250	41,250
Less: accumulated depreciation	(33,233)	(31,522)
	8,017	9,728
Total written down amount	65,933	80,310

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leasehold improvements		
Carrying amount at beginning	70,582	83,247
Depreciation	(12,666)	(12,665)
	57,916	70,582
Plant and equipment		
Carrying amount at beginning	9,728	10,110
Additions	-	1,625
Depreciation	(1,711)	(2,007)
	8,017	9,728
Total written down amount	65,933	80,310

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

Note 17 Right-of-use assets

a) Carrying amounts

	2021 $	2020 $
Leased land and buildings		
At cost	550,653	469,730
Less: accumulated depreciation	(133,329)	(73,255)
Total written down amount	417,324	396,475

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leased land and buildings		
Carrying amount at beginning	396,475	-
Initial recognition on transition	-	233,870
Remeasurement adjustments	80,924	235,860
Depreciation	(60,075)	(73,255)
Total written down amount	417,324	396,475

Note 18 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	21,192	21,192
Less: accumulated amortisation	(20,296)	(18,064)
	896	3,128
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise renewal process fee		
At cost	55,961	55,961
Less: accumulated amortisation	(46,649)	(35,453)
	9,312	20,508
Cash-generating unit - domiciled accounts		
At cost	63,415	63,415
Less: accumulated amortisation	(25,366)	(12,683)
	38,049	50,732
Total written down amount	48,257	74,368

b) Reconciliation of carrying amounts

	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	3,128	5,360
Amortisation	(2,232)	(2,232)
	896	3,128
Franchise renewal process fee		
Carrying amount at beginning	20,508	31,704
Amortisation	(11,196)	(11,196)
	9,312	20,508
Cash-generating unit - domiciled accounts		
Carrying amount at beginning	50,732	63,415
Amortisation	(12,683)	(12,683)
	38,049	50,732
Total written down amount	48,257	74,368

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Note 19 Tax assets and liabilities

a) Current tax

	2021 $	2020 $
Income tax payable	4,106	17,067

b) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- expense accruals	-	780
- employee provisions	6,874	4,336
- make-good provision	385	383
- lease liability	111,911	132,981
- property, plant and equipment	85	-
Total deferred tax assets	119,255	138,480
Deferred tax liabilities		
- income accruals	-	306
- property, plant and equipment	-	3,097
- right-of-use assets	108,377	131,498
Total deferred tax liabilities	108,377	134,901
Net deferred tax assets (liabilities)	10,878	3,579
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(7,299)	6,653

Note 20 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

a) Current liabilities

	2021 $	2020 $
Other creditors and accruals	18,972	35,161

Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%. Subsequent lease modifications were discounted at 3.80%.

The company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

The company's lease portfolio includes:

- Barwon Heads Branch — The lease agreement commenced in September 2017. A 7 year lease term was exercised in July 2020. As such, the lease term end date used in the calculation of the lease liability is June 2027.

Note 21 Lease liabilities *(continued)*

a) Current lease liabilities	2021 $	2020 $
Property lease liabilities	84,999	90,728
Unexpired interest	(18,321)	(26,907)
	66,678	63,821

b) Non-current lease liabilities		
Property lease liabilities	425,000	510,000
Unexpired interest	(44,035)	(62,356)
	380,965	447,644

c) Reconciliation of lease liabilities		
Balance at the beginning	511,465	-
Initial recognition on AASB 16 transition	-	300,243
Remeasurement adjustments	-	297,561
Lease interest expense	21,179	11,095
Lease payments - total cash outflow	(85,001)	(97,434)
	447,643	511,465

d) Maturity analysis		
- Not later than 12 months	84,999	90,728
- Between 12 months and 5 years	340,000	340,000
- Greater than 5 years	85,000	170,000
Total undiscounted lease payments	509,999	600,728
Unexpired interest	(62,356)	(89,263)
Present value of lease liabilities	447,643	511,465

Note 22 Provisions

a) Non-current liabilities	2021 $	2020 $
Make-good on leased premises	1,538	1,471

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $2,000 based on experience and consideration of the expected future costs to remove all fittings as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 June 2027 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23 Employee benefits

a) Current liabilities

	2021 $	2020 $
Provision for annual leave	17,952	11,776

b) Non-current liabilities

Provision for long service leave	9,545	4,899

c) Key judgement and assumptions

The company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Note 24 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	817,464	817,464	817,464	817,464
Less: equity raising costs	-	(27,973)	-	(27,973)
	817,464	789,491	817,464	789,491

b) Rights attached to issued capital

Ordinary shares

Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the company.

Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Note 24 Issued capital *(continued)*

b) Rights attached to issued capital

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 241. As at the date of this report, the company had 266 shareholders (2020: 267 shareholders).

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 25 Retained earnings

	Note	2021 $	2020 $
Balance at beginning of reporting period		314,897	251,624
Net profit after tax from ordinary activities		57,648	120,495
Dividends provided for or paid	30a)	(57,222)	(57,222)
Balance at end of reporting period		315,323	314,897

Note 26 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	57,648	120,495
Adjustments for:		
- Depreciation	86,627	108,119
- Amortisation	26,111	26,111
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(15,773)	10,059
- (Increase)/decrease in other assets	6,315	(3,578)
- Increase/(decrease) in trade and other payables	(2,219)	(6,066)
- Increase/(decrease) in employee benefits	10,822	2,141
- Increase/(decrease) in provisions	66	-
- Increase/(decrease) in tax liabilities	(12,961)	20,432
Net cash flows provided by operating activities	156,636	277,713

Note 27 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	329,517	312,302
Term deposits	13	656,632	651,869
Trade and other receivables	15	55,490	54,055
		1,041,639	1,018,226
Financial liabilities			
Trade and other payables	20	18,972	35,161
Lease liabilities	21	447,643	511,465
		466,615	546,626

Note 28 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,960	2,780
- Share registry services	3,346	3,548
Total auditor's remuneration	11,906	11,728

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Ross Kenneth Walter
David John Halliday
Damien Patrick O'Malley
Jason Anthony Hutton
Lindy Brooke Mills
Edmund Jepson McCabe
Nishantha Lakshman Paranavitana
Alexander Gordon Scott Gemmell
Christine Mary McDonald
Alastair Robert Lawrence Thomson
Bruce Anthony Symons
Peter Alexander MacMillan

b) Key management personnel compensation

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

c) Related party transactions

No director or related entity has entered into a material contract with the company.

Note 30 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	7.00	57,222	7.00	57,222

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

Note 30 Dividends provided for or paid *(continued)*

b) Franking account balance

	2021 $	2020 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	140,567	140,845
Franking transactions during the financial year:		
- Franking credits arising from income taxes paid	30,664	41,810
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	7,778	(20,383)
- Franking debits from the payment of franked distributions	(20,105)	(21,705)
Franking account balance at the end of the financial year	158,904	140,567
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits that will arise from payment of income tax	4,106	17,067
Franking credits available for future reporting periods	163,010	157,634

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Note 31 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021 $	2020 $
Profit attributable to ordinary shareholders	57,648	120,495
	Number	Number
Weighted-average number of ordinary shares	817,464	817,464
	Cents	Cents
Basic and diluted earnings per share	7.05	14.74

Note 32 Commitments

The company has no other commitments contracted for which would be provided for in future reporting periods.

Note 33 Contingencies

There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

Note 34 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

Directors' declaration

In accordance with a resolution of the directors of Barwon Heads Community Enterprise Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are 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 2021 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(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.

This declaration is made in accordance with a resolution of the board of directors.

Ross Kenneth Walter, Chair

Dated this 26th day of August 2021

Independent audit report

AFS
Partners in success
Chartered Accountants

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Independent auditor's report to the Directors of Barwon Heads Community Enterprise Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Barwon Heads Community Enterprise Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Barwon Heads Community Enterprise 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 2021 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

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

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Other Information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that it 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.

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

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. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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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 Company'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 Company'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 Company 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.

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.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 26 August 2021

Adrian Downing
Lead Auditor

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