# 2021

# Annual Report





## Inverloch & District Financial Enterprises Limited

ABN 13 117 672 590

# Contents

# Chairman’s report

## For year ending 30 June 2021

On behalf of Inverloch & District Financial Enterprises Limited I’m pleased to present our report for 2020/21. Whilst it has been a very challenging year for the business there have also been many highlights; including the ongoing support of many community groups, some new team members, and record funds under management.

**Financial performance**

The company’s profitability reduced this year with a Net Loss after Tax result of $42,321. The company continues with a strong balance sheet, ending with net assets of $650,582 with cash and cash equivalents position of the company at the year-end of $593,911.

The results have been driven by a year-on-year revenue from customers decline of $96,386 or 18%. Net interest margin returns under the revenue share arrangement have decreased following a further three official cash rate cuts by the Reserve Bank of Australia with the last eight months being a record low. The net effect of RBA interest rate cuts has seen income per million dollars of business footings[1] fall from averages of approximately $6,000 per annum in Financial Year 2019 with an RBA rate of 1.50% to approximately $4,000 per annum in Financial Year 2021 with an RBA rate of 0.10%. That is a 33% fall in income for the similar products two years ago.

Positively, the branch business footings continued to grow closing at the highest level in the branch’s history at $109 million up from $93 million last year. This is a great result from the branch team which also includes above target growth in Insurance and Wealth products.

Containment of costs during this period of lower margins remains a strong focus, with a reduction of 15% in total expenses. Looking forward, the Board, with the assistance of the staff, have introduced measures for further administrative savings this year, including the previously announced move to the Low Volume Market and changes to staffing roster. Additionally, we will continue to seek further growth in business footing to position the branch well for a return to higher interest rates.

The Board has determined not to pay a dividend.

**Community contribution**

We are first and foremost a Community Bank and in discussion with several shareholders it was clear an increased focus on community contributions would be welcomed. We are very pleased this year to have provided almost $17,000 in community contributions through donations and sponsorships. This amount would have been higher without the cancellation of some many great community activities from COVID-19 restrictions.

Sponsorship was also provided to; Bass Coast Health’s new cancer centre, Lyrebird Arts Council, Venus Bay Surf Lifesaving Club, Inverloch Inter-church Council Corals in the Glade, Anderson Inlet Angling Club and Inverloch Primary School.

**Personnel**

I want to acknowledge the efforts of our staff; Penelope, Tracey, Dianne, Sasha, Nicky and Siobain, in adjusting to some difficult times. Noting Penelope who has stepped up from acting Branch Manager to full time Branch Manager. Their combined efforts in growing the business and identifying cost savings is very much appreciated.

The health and safety of our staff and customers is a primary concern with the COVID-19 virus causing changes in the way we operate. There have been restrictions in accessing relief staff, adjustments in childcare and home schooling and limits to numbers in the branch. Our staff have managed for the majority of time to keep the branch open and servicing customers, we are very grateful for their support.

You may be aware that the Community Bank is supported by volunteer Directors who, in addition to attending Board meetings, support the work of two sub-committees which operate at a more detailed level. I would like to acknowledge the contribution of all our Directors. We are pleased to announce the appointment of Josh DeGroot to the Board.

**Philip Clark**
**Chairman**

1 This is a non IFRS measure of the business domiciled to the company from the franchisor. The footings are the underlying business which generates revenue under the Franchise Agreement. Business footings include loans, deposits, wealth products, and other business.

# Manager's report

For year ending 30 June 2021

This year, Community Bank Inverloch & District celebrated our 15th year of trading and finished the financial year with our footings at $109 million. Our year ended with 3,497 accounts and a total of 2,278 customers. The year was again filled with unpredictable times and changes however, our team kept a strong focus on supporting each other, our customers and community to which contributed to our success.

A huge thank you and acknowledgement to our volunteer Board members who have guided, supported and mentored myself and the staff through some challenging times during the year. The countless hours of time you all dedicate and give up to assist us running our Community Bank Inverloch & District and assisting us to help achieve positive community outcomes is greatly appreciated.

Our faces have changes, we farewelled Eva Bobe and welcomed Dianne Clark, Tracey Simpson and Siobain Lilleyman. If you haven't met them yet, make a point of coming in and saying hello to the new faces and the familiar ones.

Our contribution to the community reached a total of $570,210. This year we again contributed to numerous groups including Inverloch Kongwak Primary School, Inverloch Surf Life Saving Club, Andersons Inlet Angling Club, Bass Coast Health, Lyrebird Arts Council and Venus Bay Surf Life Saving Club. Our customers are crucial to our success and if you (shareholders) refer any new customers or community groups to us, this assists us to have the ability to continue to contribute funds back into our community.

Thank you to my staff and how well you all came together to get through what was a tumultuous year for all. Your customer engagement, the excellent service I witnessed and the willingness to go that extra mile for our customers has been outstanding.

We ask that you continue to support us with your banking business and recommend us to family, friends and community groups so we can continue to make a difference for our community. Every time people bank with our local Community Bank, we achieve profit and can maintain our contribution of funds back into our community.

Remember, your banking is building a better community and the more we grow, the more we can make a difference.

Our plan for this year is to connect with our shareholders, customers and community groups to work together for the best outcomes for our community. We, Community Bank Inverloch & District want to be our communities bank of choice.

**Penelope Lyttle**
**Branch Manager**

# Look what we've been up to!









**SUMMER AT THE BEACH, INVERLOCH - circa 1950** Many families had caravans or camped in their tents amongst the trees along the foreshore. The beach during summer has always been a very popular attraction for the whole family to enjoy.

**INVERLOCH TO WONTHAGGI BUS - MILL'S STORE, WILLIAM ST.** Proudly standing in front of his International Bus, the driver with hat that all men traditionally wore, either awaits passengers, or has just completed a trip, Wonthaggi was the nearest station to which the bus connected.

**A'BECKETT STREET, INVERLOCH - 1950's** Yet another classic view of old Inverloch, in habited by some classic vehicles such as an original Holden, a Morris Oxford, a Ford Prefect and...well you guess and name them! We know it's the 1950's. The building on the left is the old Mechanics Institute, and to it's right is a 1954-55 Ford Consul/Zephyr. The only two buldings that still exist are the hotel in its original form and Bill Ramsey's "Premier Store" at the end of the street, in one of its many painted signs form.

**LOOKING UP A'BECKETT STREET, INVERLOCH 1962** From William "Bill" Jenner's garage on the corner of William Street, not far from The Arcade of shops. Opposite is the re-built Esplanade Hotel, originally built about 1896. Further up is the General Store owned by Mr.Cross, and butchers owned by Mr.Banks next to the Community Centre built 1897. At the top of the street, Two Views Guest House, till 1952 but demolished in 1968.

**ON THE DECK OF KETCH RIPPLE** This delightful photo with ladies and gentlemen dressed in all their Edwardian glory, is taken on the deck of the ketch Ripple, so famous to Inverloch's history. The Edwardians were noted for their hats, and the people here do not disappoint.

**OUTTRIM PRIVATE COAL MINE AND RAIL YARDS - 1895** Outtrim, and the area between Wonthaggi and Korumburra had many private coal mines. The rail line serviced these mines but never came as far as Inverloch.

**TWO VIEWS GUEST HOUSE, INVERLOCH. circa 1925** The Two Views Guest house, situated on Sandy Mount Ave., at the top end of A'Beckett Street. Originally Neil's Inverloch Hotel, was built in 1908, until de-licensed in 1922. It then became The Two Views Guest House. Was finally demolished in 1968.

**NELSONS PALAIS CAFE AND TARAX BAR - INVERLOCH** Owned by Arthur (Sammy) Nelson and wife Myrtle and situated on The Esplanade near todays Inlet Hotel. You could purchase ice creams, Tarax drinks, and a pot of tea with jam and scones. Weddings, birthdays, and footy-final nights for Inverloch-Kongwak. The billiard table was very popular, many games of cards played infront of the living room fire.

**LOADING COAL AT INVERLOCH PIER - 1910** This photo shows S.S. Manawatu, in days when coal was carted to Inverloch, loaded onto a boat, shipped to Melbourne. This prior to the rail from Nyora to Wonthaggi. Days of Inverloch being described by developers as the 'Newcastle of the South' never came to fulfillment.

**KETCH RIPPLE ALONGSIDE INVERLOCH PEIR, - 1890** The original image is from State Library Victoria, photographed by W.H.Ferguson on a half-plate glass negative. Ketch Ripple was the main supply line for the people of Inverloch and Tarwin Lower from Western Port Bay.




# 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:

Philip David Clark
Chair
Occupation: Company Director
Qualifications, experience and expertise: Phil was appointed Chair on 29th June 2019 and is also Chair of Westernport Water. He also has experience as a Non-Executive Director of City West Water Limited, as a Non-Executive Director and Chair of the Finance & Audit and Remuneration Committees of ASX Listed African Energy Resources Limited, ATEC International, a start-up social enterprise providing bio-digesters to rural Cambodians and Chair of Engineers Without Borders. Phil is a previous Chair of the Australasian Institute of Mining & Metallurgy, Melbourne Branch. Phil's earlier engineering and executive management career with BHP and Australian Iron and Steel, spans almost four decades, including extensive international experience. He holds a Bachelor of Engineering, a Master of Business Administration and is a Graduate of the Australian Institute of Company Directors.
Other directorships: Westernport Water
Special responsibilities: Finance & Risk Committee
Interest in shares: 7,000 ordinary shares

Tristan Andrew Creed
Treasurer
Occupation: Accountant
Qualifications, experience and expertise: Chartered Accountant & Tax Agent. Director of Feathertop Pty Ltd. Director of Imporex Pty Ltd. Bachelor of Business (Accountancy). Graduate Diploma (CA).
Special responsibilities: Finance & Risk and Business Development, Marketing & Sponsorship Committees
Interest in shares: 5,001 ordinary shares

Susan Joy Ruffin
Non-executive director
Occupation: Legal Practitioner
Qualifications, experience and expertise: BA (Honours) LLB.
Special responsibilities: Nil
Interest in shares: nil share interest held

Kerralie Joy Shaw
Non-executive director
Occupation: Research Director
Qualifications, experience and expertise: Bachelor of Arts, Graduate Diploma Market Modelling, Graduate Australian Institute of Company Directors. Kerralie has over 25 years experience consulting to large corporations about customer experience (CX) and marketing strategy. Expertise in consumer buyer behaviour in B2C. Held senior positons client and agency side. Full member The Research Society. Active member Inverloch Lifesaving Club.
Special responsibilities: Chair of Business Development, Marketing & Sponsorship Committee
Interest in shares: nil share interest held

Mark Gerard McCormack
Secretary
Occupation: Retired
Qualifications, experience and expertise: Bachelor of Civil Engineering, Fellow Institute of Engineers Australia (Eng Exec), Chartered Professional Engineer (CPEng), Engineer of Water Supply, Graduate Australian Institute of Company Directors. Over 30 years of experience in engineering and management roles in South East Water and Utility Services. Life member of Forest Hill Cricket Club. Previous committee and association roles in Little Athletics and local football clubs.
Special responsibilities: Finance & Risk Committee
Interest in shares: nil share interest held

## Directors *(continued)*

Graham Fitton
Non-executive director
Occupation: Business Coach
Qualifications, experience and expertise: Bachelor of Science, Graduate Diploma in Business Administration, Graduate Diploma of Business (Labour/ Management Relations). Corporate Director Diploma. Previous executive positions Metropolitan Ambulance Service. Program manager, consultant, mentor and business coach, currently operating as S2X based in Inverloch. Member of Inverloch Rotary Club. Past-President Wonthaggi Business and Tourism Association.
Special responsibilities: Chair of Finance & Risk Committee
Interest in shares: nil share interest held

Thomas James McQualter
Non-executive director (appointed 29 July 2020)
Occupation: Public Servant
Qualifications, experience and expertise: Bachelor of Laws / Bachelor of Arts. Masters of Organisations Leadership. Has held senior management positions within local government, water industry and private industry. His skills are in the field of governance, finance, risk, organisational development and leadership. Current member of Inverloch Kongwak Football Netball Club and Inverloch Cricket Club.
Special responsibilities: Finance & Risk Committee
Interest in shares: nil share interest held

Johan de Groot
Non-executive director (appointed 25 February 2021)
Occupation: Retired
Qualifications, experience and expertise: Skills Plus board member for 4 years, RMIT School of Printing and Graphic Arts Board Member 3 years. Dipolma of Computer programming & Systems Analysis. Managing Director of Longbeach Printing 30 yrs. Board Member Rotary Club of South Launceston. President of Rotary Club of Inverloch. Board Member Mount Hotham Race Club.
Special responsibilities: nil
Interest in shares: nil share interest held

Domenic Anthony Brusamarello
Non-executive director (resigned 12 November 2020)
Occupation: Self Employed Manager
Qualifications, experience and expertise: Fourteen Years State Electricity Commission, Two Years Restaurateur, Ten Years President Inverloch Tourism Association, Four Years President Inverloch Food & Wine Fest, Four Years Leadership Group Member Inverloch Community Planning, twenty-one Years Owner Operator Inverloch Supermarket.
Special responsibilities: Finance & Risk and Business Development, Marketing & Sponsorship Committees
Interest in shares: 5,000 ordinary shares

Alisha Dee Gilliland
Non-executive director (resigned 12 November 2020)
Occupation: Local Government
Qualifications, experience and expertise: Graduate Diploma Management (Technology Management) - Deakin University. Bachelor Health Science (Complementary Medicine) - Charles Sturt University. Bachelor Applied Science (Environmental Health) - Swinburne University.
Special responsibilities: nil
Interest in shares: nil share interest held

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

The company secretary is Mark McCormack. Mark was appointed to the position of secretary on 5 December 2018.

## 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

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

| Year ended 30 June 2021 $ | Year ended 30 June 2020 $ |
|---|---|
| (42,321) | (35,372) |

## Directors' interests

| | Fully paid ordinary shares | | |
|---|---|---|---|
| | Balance at start of the year | Changes during the year | Balance at end of the year |
| Philip David Clark | - | 7,000 | 7,000 |
| Tristan Andrew Creed | 5,001 | - | 5,001 |
| Susan Joy Ruffin | - | - | - |
| Kerralie Joy Shaw | - | - | - |
| Mark Gerard McCormack | - | - | - |
| Graham Fitton | - | - | - |
| Thomas James McQualter | - | - | - |
| Johan de Groot | - | - | - |
| Domenic Anthony Brusamarello | 5,000 | - | 5,000 |
| Alisha Dee Gilliland | - | - | - |

## 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 | 3.5 | 26,250 |

## 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 company's 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 except as disclosed in note 26 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## 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:

| | Board Meetings Attended | | Committee Meetings | | | |
|---|---|---|---|---|---|---|
| *E - eligible to attend*<br>*A - number attended* | | | Finance & Risk | | Business Development, Marketing and Sponsorship | |
| | E | A | E | A | E | A |
| Philip David Clark | 13 | 13 | 3 | 3 | 9 | 8 |
| Tristan Andrew Creed | 13 | 13 | 3 | 3 | 9 | 9 |
| Susan Joy Ruffin | 13 | 8 | 3 | - | - | - |
| Kerralie Joy Shaw | 13 | 13 | - | - | 9 | 9 |
| Mark Gerard McCormack | 13 | 13 | 3 | 3 | - | - |
| Graham Fitton | 13 | 8 | 3 | 2 | - | - |
| Thomas James McQualter | 13 | 9 | 3 | 2 | - | - |
| Johan de Groot | 5 | 3 | - | - | 4 | 1 |
| Domenic Anthony Brusamarello | 5 | 2 | 2 | - | 2 | - |
| Alisha Dee Gilliland | 5 | 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 25 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Finance & Risk Committee, 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 Finance & Risk Committee 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 Inverloch, Victoria.

Philip David Clark, Chair

Dated this 24th day of August 2021

# Auditor's independence declaration

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 Inverloch & District Financial Enterprises Limited**

As lead auditor for the audit of Inverloch & District Financial Enterprises 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: 24th August 2021

**Joshua Griffin**
**Lead Auditor**



Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337

# 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 | 426,606 | 522,992 |
| Other revenue | 9 | 24,583 | 39,545 |
| Finance income | 10 | 11,864 | 13,425 |
| Employee benefit expenses | 11d) | (287,490) | (302,382) |
| Charitable donations, sponsorship, advertising and promotion | | (16,916) | (55,689) |
| Occupancy and associated costs | | (28,921) | (23,579) |
| Systems costs | | (18,650) | (18,660) |
| Depreciation and amortisation expense | 11a) | (61,634) | (63,225) |
| Impairment losses | 11b) | - | (35,500) |
| Finance costs | 11c) | (4,198) | (2,277) |
| General administration expenses | | (102,149) | (109,822) |
| Loss before income tax (expense)/credit | | (56,905) | (35,172) |
| Income tax (expense)/credit | 12a) | 14,584 | (200) |
| Loss after income tax (expense)/credit | | (42,321) | (35,372) |
| Total comprehensive income for the year attributable to the ordinary shareholders of the company: | | (42,321) | (35,372) |
| Earnings per share | | ¢ | ¢ |
| - Basic and diluted loss per share: | 28a) | (5.64) | (4.72) |

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 | 593,911 | 630,869 |
| Trade and other receivables | 14a) | 11,904 | 47,067 |
| Current tax assets | 18a) | 8,896 | - |
| Total current assets | | 614,711 | 677,936 |
| Non-current assets | | | |
| Property, plant and equipment | 15a) | 46,964 | 52,340 |
| Right-of-use assets | 16a) | 195,821 | 29,453 |
| Intangible assets | 17a) | 60,016 | 9,892 |
| Total non-current assets | | 302,801 | 91,685 |
| Total assets | | 917,512 | 769,621 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 19a) | 24,547 | 12,677 |
| Lease liabilities | 20a) | 39,676 | 30,146 |
| Total current liabilities | | 64,223 | 42,823 |
| Non-current liabilities | | | |
| Trade and other payables | 19a) | 42,699 | - |
| Lease liabilities | 20b) | 158,052 | - |
| Deferred tax liability | 18b) | 1,956 | 7,645 |
| Total non-current liabilities | | 202,707 | 7,645 |
| Total liabilities | | 266,930 | 50,468 |
| Net assets | | 650,582 | 719,153 |
| EQUITY | | | |
| Issued capital | 21a) | 729,547 | 729,547 |
| Accumulated losses | 22 | (78,965) | (10,394) |
| Total equity | | 650,582 | 719,153 |

The accompanying notes form part of these financial statements

# Statement of Changes in Equity

for the year ended 30 June 2021

| | Notes | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2019 | | 729,547 | 73,729 | 803,276 |
| Total comprehensive income for the year | | - | (35,372) | (35,372) |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 27a) | - | (48,751) | (48,751) |
| **Balance at 30 June 2020** | | **729,547** | **(10,394)** | **719,153** |
| Balance at 1 July 2020 | | 729,547 | (10,394) | 719,153 |
| Total comprehensive income for the year | | - | (42,321) | (42,321) |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 27a) | - | (26,250) | (26,250) |
| **Balance at 30 June 2021** | | **729,547** | **(78,965)** | **650,582** |

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 | | 512,773 | 612,778 |
| Payments to suppliers and employees | | (482,188) | (573,249) |
| Interest received | | 24,928 | 2,762 |
| Lease payments (interest component) | 11c) | (4,198) | (2,277) |
| Lease payments not included in the measurement of lease liabilities | 11e) | (8,612) | (8,062) |
| Income taxes paid | | - | (16,437) |
| **Net cash provided by operating activities** | 23 | **42,703** | **15,515** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | - | (2,685) |
| Payments for intangible assets | | (11,564) | - |
| **Net cash used in investing activities** | | **(11,564)** | **(2,685)** |
| **Cash flows from financing activities** | | | |
| Lease payments (principal component) | | (41,847) | (43,165) |
| Dividends paid | 27a) | (26,250) | (48,751) |
| **Net cash used in financing activities** | | **(68,097)** | **(91,916)** |
| **Net cash decrease in cash held** | | **(36,958)** | **(79,086)** |
| Cash and cash equivalents at the beginning of the financial year | | 630,869 | 709,955 |
| **Cash and cash equivalents at the end of the financial year** | 13 | **593,911** | **630,869** |

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 Inverloch & District Financial Enterprises 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 |
|---|---|
| 16C Williams Street<br>Inverloch VIC 3996 | 16C Williams Street<br>Inverloch VIC 3996 |

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 26.

## 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, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period. 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 24 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.

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:

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

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

| 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.

*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.

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

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

*Ability to change financial return (continued)*

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 |
|---|---|
| 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. |
| 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.

### 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.

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

c) Economic dependency - Bendigo Bank *(continued)*

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.

d) Employee benefits

Bendigo Bank seconds employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

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.

*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.

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

e) Taxes *(continued)*

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, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

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

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 and/or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

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 | 6 to 40 years |
| Plant and equipment | Straight-line and diminishing value | 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 an agency/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. Domiciled customer accounts acquired are recognised at cost at the date of acquisition and are assessed as having indefinite useful life. They are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

| Asset class | Method | Useful life |
|---|---|---|
| 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 | Assessed for impairment | Finite |

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 debtors and creditors, cash and cash equivalents.

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) 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.

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

### l) Leases *(continued)*

*As a lessee (continued)*

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 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.

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

### 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 20 - 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. |

### 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 18 - recognition of deferred tax assets | availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised; |
| - Note 15 - estimation of useful lives of assets | key assumptions on historical experience and the condition of the asset; |

## 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.

## Note 6 Financial risk management *(continued)*

### b) Liquidity risk *(continued)*

*Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2021

| Non-derivative financial liability | Carrying amount | Contractual cash flows<br>Not later than 12 months | Between 12 months and five years | Greater than five years |
|---|---|---|---|---|
| Lease liabilities | 197,728 | 46,034 | 168,792 | - |
| Trade payables | 67,246 | 24,547 | 42,699 | - |
| | 264,974 | 70,581 | 211,491 | - |

30 June 2020

| Non-derivative financial liability | Carrying amount | Contractual cash flows<br>Not later than 12 months | Between 12 months and five years | Greater than five years |
|---|---|---|---|---|
| Lease liabilities | 30,146 | 30,690 | - | - |
| Trade payables | 12,677 | 12,677 | - | - |
| | 42,823 | 43,367 | - | - |

### c) Market risk

*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 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 $593,911 at 30 June 2021 (2020: $630,869). 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<br>$ | 2020<br>$ |
|---|---|---|
| - Margin income | 353,120 | 442,666 |
| - Fee income | 29,513 | 32,915 |
| - Commission income | 39,465 | 41,628 |
| - ATM income | 4,508 | 5,783 |
| | 426,606 | 522,992 |

## Note 9 Other revenue

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| - Market development fund income | 24,583 | 35,000 |
| - Other income | - | 4,545 |
| | 24,583 | 39,545 |

## Note 10 Finance income

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| - Term deposits | 11,864 | 13,425 |

Finance income is recognised when earned using the effective interest rate method.

## Note 11 Expenses

### a) Depreciation and amortisation expense

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Depreciation of non-current assets:* | | |
| - Leasehold improvements | 3,284 | 3,285 |
| - Plant and equipment | 2,092 | 2,496 |
| | 5,376 | 5,781 |
| *Depreciation of right-of-use assets* | | |
| - Leased land and buildings | 43,061 | 43,858 |
| *Amortisation of intangible assets:* | | |
| - Franchise fee | 2,199 | 2,264 |
| - Franchise renewal process fee | 10,998 | 11,322 |
| | 13,197 | 13,586 |
| Total depreciation and amortisation expense | 61,634 | 63,225 |

### b) Impairment expense

| | | |
|---|---|---|
| *Impairment of property, plant and equipment and intangible assets:* | | |
| - Domiciled customer accounts | - | 35,500 |

In the previous financial year the company re-assessed the useful life of its cash-generating unit for business domiciled from Bendigo Bank to the company. This was based on new information from Bendigo Bank relating to the customer product life cycle. As a result of the reassessment, the carrying amount was found to exceed the recoverable amount indicating the asset was fully impaired. As such, an impairment loss of $35,500 was recognised for the financial year ending 30 June 2020.

### c) Finance costs

| | | |
|---|---|---|
| - Lease interest expense | 4,198 | 2,277 |

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

### d) Employee benefit expenses

| | | |
|---|---|---|
| Wages and salaries | 233,408 | 233,011 |
| Contributions to defined contribution plans | 21,971 | 22,954 |
| Expenses related to long service leave | 7,917 | 5,737 |
| Other expenses | 24,194 | 40,680 |
| | 287,490 | 302,382 |

## Note 11 Expenses *(continued)*

### e) 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.

The company pays for the right to use a self-storage unit. The lease continues on existing terms on a month-by-month basis with no significant penalty for termination. As such the lease has been assessed as short term and exempted from recognition under AASB 16 accounting. Expenses relating to short term exempt leases are included in occupancy and associated costs expenses.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Expenses relating to low-value leases | 6,447 | 6,316 |
| Expenses relating to short-term leases | 2,165 | 1,746 |
| | 8,612 | 8,062 |

## Note 12 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

| a) Amounts recognised in profit or loss | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Current tax credit* | | |
| - Future income tax benefit attributable to losses | (9,806) | (1,494) |
| - Movement in deferred tax | (4,280) | 2,135 |
| - Reduction in company tax rate | (78) | (441) |
| - Tax rate mismatch on losses carried back | (420) | - |
| | (14,584) | 200 |

### b) *Prima facie* income tax reconciliation

| | | |
|---|---|---|
| Operating loss before taxation | (56,905) | (35,172) |
| Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%) | (14,795) | (9,672) |
| Tax effect of: | | |
| - Non-deductible expenses | 367 | 10,314 |
| - Temporary differences | 4,622 | (2,136) |
| - Movement in deferred tax | (4,280) | 2,135 |
| - Reduction in company tax rate | (78) | (441) |
| - Tax rate mismatch on losses carried back | (420) | - |
| | (14,584) | 200 |

## Note 13 Cash and cash equivalents

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| - Cash at bank and on hand | 28,911 | 60,869 |
| - Term deposits | 565,000 | 570,000 |
| | 593,911 | 630,869 |

## Note 14 Trade and other receivables

| a) Current assets | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Trade receivables | 5,915 | 15,524 |
| Prepayments | 5,921 | 5,845 |
| Other receivables and accruals | 68 | 25,698 |
| | 11,904 | 47,067 |

## Note 15 Property, plant and equipment

| a) Carrying amounts | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Leasehold improvements* | | |
| At cost | 114,583 | 114,583 |
| Less: accumulated depreciation | (78,016) | (74,732) |
| | 36,567 | 39,851 |
| *Plant and equipment* | | |
| At cost | 58,904 | 58,904 |
| Less: accumulated depreciation | (48,507) | (46,415) |
| | 10,397 | 12,489 |
| Total written down amount | 46,964 | 52,340 |

### b) Reconciliation of carrying amounts

| | | |
|---|---|---|
| *Leasehold improvements* | | |
| Carrying amount at beginning | 39,851 | 43,136 |
| Depreciation | (3,284) | (3,285) |
| | 36,567 | 39,851 |
| *Plant and equipment* | | |
| Carrying amount at beginning | 12,489 | 12,300 |
| Additions | - | 2,685 |
| Depreciation | (2,092) | (2,496) |
| | 10,397 | 12,489 |
| Total written down amount | 46,964 | 52,340 |

### 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 16 Right-of-use assets

| a) Carrying amounts | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Leased land and buildings* | | |
| At cost | 282,454 | 73,311 |
| Less: accumulated depreciation | (86,633) | (43,858) |
| Total written down amount | 195,821 | 29,453 |

## Note 16 Right-of-use assets *(continued)*

### b) Reconciliation of carrying amounts

| | 2021 $ | 2020 $ |
|---|---|---|
| *Leased land and buildings* | | |
| Carrying amount at beginning | 29,453 | - |
| Initial recognition on transition | - | 72,562 |
| Remeasurement adjustments | 209,429 | 749 |
| Depreciation | (43,061) | (43,858) |
| Total written down amount | 195,821 | 29,453 |

## Note 17 Intangible assets

### a) Carrying amounts

| | 2021 $ | 2020 $ |
|---|---|---|
| *Franchise fee* | | |
| At cost | 43,421 | 32,867 |
| Less: accumulated amortisation | (33,418) | (31,218) |
| | 10,003 | 1,649 |
| *Franchise renewal process fee* | | |
| At cost | 167,105 | 114,337 |
| Less: accumulated amortisation | (117,092) | (106,094) |
| | 50,013 | 8,243 |
| Total written down amount | 60,016 | 9,892 |

### b) Reconciliation of carrying amounts

| | 2021 $ | 2020 $ |
|---|---|---|
| *Franchise fee* | | |
| Carrying amount at beginning | 1,649 | 3,913 |
| Additions | 10,553 | - |
| Amortisation | (2,199) | (2,264) |
| | 10,003 | 1,649 |
| *Franchise renewal process fee* | | |
| Carrying amount at beginning | 8,243 | 19,565 |
| Additions | 52,768 | - |
| Amortisation | (10,998) | (11,322) |
| | 50,013 | 8,243 |
| *Cash-generating unit - domiciled customer accounts* | | |
| Carrying amount at beginning | - | 35,500 |
| Impairment | - | (35,500) |
| | - | - |
| Total written down amount | 60,016 | 9,892 |

### c) Changes in estimates

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

## Note 18 Tax assets and liabilities

| a) Current tax | 2021 $ | 2020 $ |
|---|---|---|
| Income tax payable/(refundable) | (8,896) | - |

| b) Deferred tax | 2021 $ | 2020 $ |
|---|---|---|
| *Deferred tax assets* | | |
| - expense accruals | 775 | 1,039 |
| - lease liability | 49,432 | 7,838 |
| - carried-forward tax losses | 2,312 | 1,413 |
| Total deferred tax assets | 52,519 | 10,290 |
| *Deferred tax liabilities* | | |
| - income accruals | 17 | 3,414 |
| - property, plant and equipment | 5,503 | 6,863 |
| - right-of-use assets | 48,955 | 7,658 |
| Total deferred tax liabilities | 54,475 | 17,935 |
| Net deferred tax assets (liabilities) | (1,956) | (7,645) |
| Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income | (4,280) | (200) |

## Note 19 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 $ |
|---|---|---|
| Trade creditors | 3,595 | 2,311 |
| Other creditors and accruals | 20,952 | 10,366 |
| | 24,547 | 12,677 |

| b) Non-current liabilities | | |
|---|---|---|
| Other creditors and accruals | 42,699 | - |

## Note 20 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 3.54%.

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:

- Inverloch Branch — The lease agreement commenced in March 2006. The company exercised their last 5 year renewal option available within the current lease agreement in March 2021. The current lease term is due to expire in February 2026.

## Note 20 Lease liabilities *(continued)*

### a) Current lease liabilities

| | 2021 $ | 2020 $ |
|---|---|---|
| Property lease liabilities | 46,034 | 30,690 |
| Unexpired interest | (6,358) | (544) |
| | 39,676 | 30,146 |

### b) Non-current lease liabilities

| | 2021 $ | 2020 $ |
|---|---|---|
| Property lease liabilities | 168,792 | - |
| Unexpired interest | (10,740) | - |
| | 158,052 | - |

### c) Reconciliation of lease liabilities

| | 2021 $ | 2020 $ |
|---|---|---|
| Balance at the beginning | 30,146 | - |
| Initial recognition on AASB 16 transition | - | 72,562 |
| Additional lease liabilities recognised | 209,429 | - |
| Remeasurement adjustments | - | 749 |
| Lease interest expense | 4,198 | 2,277 |
| Lease payments - total cash outflow | (46,045) | (45,442) |
| | 197,728 | 30,146 |

### d) Maturity analysis

| | 2021 $ | 2020 $ |
|---|---|---|
| - Not later than 12 months | 46,034 | 30,690 |
| - Between 12 months and 5 years | 168,792 | - |
| Total undiscounted lease payments | 214,826 | 30,690 |
| Unexpired interest | (17,098) | (544) |
| Present value of lease liabilities | 197,728 | 30,146 |

## Note 21 Issued capital

### a) Issued capital

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number | $ | Number | $ |
| Ordinary shares - fully paid | 750,010 | 750,010 | 750,010 | 750,010 |
| Less: equity raising costs | - | (20,463) | - | (20,463) |
| | 750,010 | 729,547 | 750,010 | 729,547 |

### 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.

## Note 21 Issued capital *(continued)*

### b) Rights attached to issued capital *(continued)*

*Ordinary shares (continued)*

Voting rights *(continued)*

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.*

*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 187. As at the date of this report, the company had 196 shareholders (2020: 197 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 22 Retained earnings (accumulated losses)

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Balance at beginning of reporting period | (10,394) | 73,729 |
| Net loss after tax from ordinary activities | (42,321) | (35,372) |
| Dividends provided for or paid | (26,250) | (48,751) |
| Balance at end of reporting period | (78,965) | (10,394) |

## Note 23 Reconciliation of cash flows from operating activities

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Net loss after tax from ordinary activities | (42,321) | (35,372) |
| Adjustments for: | | |
| - Depreciation | 48,437 | 49,639 |
| - Amortisation | 13,197 | 13,586 |
| - Impairment losses on intangible assets | - | 35,500 |
| Changes in assets and liabilities: | | |
| - (Increase)/decrease in trade and other receivables | 35,164 | (27,358) |
| - (Increase)/decrease in other assets | (8,896) | - |
| - Increase/(decrease) in trade and other payables | 2,811 | (4,242) |
| - Increase/(decrease) in tax liabilities | (5,864) | (16,238) |
| Net cash flows provided by operating activities | 42,528 | 15,515 |
| | (175) | |

## Note 24 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<br>$ | 2020<br>$ |
|---|---|---|---|
| **Financial assets** | | | |
| Trade and other receivables | 14 | 5,983 | 41,222 |
| Cash and cash equivalents | 13 | 28,911 | 60,869 |
| Term deposits | 13 | 565,000 | 570,000 |
| | | 599,894 | 672,091 |
| **Financial liabilities** | | | |
| Trade and other payables | 19 | 67,246 | 12,677 |

## Note 25 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 | 6,000 | 5,900 |
| *Non audit services* | | |
| - Taxation advice and tax compliance services | 600 | 600 |
| - General advisory services | 2,617 | 2,900 |
| - Share registry services | 3,309 | 3,051 |
| Total auditor's remuneration | 12,526 | 12,451 |

## Note 26 Related parties

### a) Details of key management personnel

The directors of the company during the financial year were:

Philip David Clark
Tristan Andrew Creed
Susan Joy Ruffin
Kerralie Joy Shaw
Mark Gerard McCormack
Graham Fitton
Thomas James McQualter
Johan de Groot
Domenic Anthony Brusamarello
Alisha Dee Gilliland

### 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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| *Transactions with related parties* | 2021 $ | 2020 $ |
|---|---|---|
| - Tristan Andrew Creed received remuneration for accounting services carried out by Feathertop Business Services. The total benefit received was: | 15,545 | 15,545 |

## Note 27 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 | 3.50 | 26,250 | 6.50 | 48,751 |

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

## Note 27 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 | 18,119 | 20,174 |
| Franking transactions during the financial year: | | |
| - Franking credits (debits) arising from income taxes paid (refunded) | - | 16,437 |
| - Franking debits from the payment of franked distributions | (9,223) | (18,492) |
| Franking account balance at the end of the financial year | 8,896 | 18,119 |
| Franking transactions that will arise subsequent to the financial year end: | | |
| - Franking credits (debits) that will arise from payment (refund) of income tax | (8,896) | - |
| Franking credits available for future reporting periods | - | 18,119 |

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 28 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 $ |
|---|---|---|
| Loss attributable to ordinary shareholders | (42,321) | (35,372) |
| | Number | Number |
| Weighted-average number of ordinary shares | 750,010 | 750,010 |
| | Cents | Cents |
| Basic and diluted loss per share | (5.64) | (4.72) |

## Note 29 Commitments

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

## Note 30 Contingencies

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

## Note 31 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 Inverloch & District Financial Enterprises 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.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

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

PClark

Philip David Clark, Chair

Dated this 24th day of August 2021

# Independent audit report

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## Independent auditor's report to the Directors of Inverloch & District Financial Enterprises Limited

### Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Inverloch & District Financial Enterprises 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 Inverloch & District Financial Enterprises 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.


Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337

AFS
Partners in success
Chartered Accountants

61 Bull Street
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03 5443 0344

## 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: 24th August 2021

**Joshua Griffin**
**Lead Auditor**



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