

2021

Annual Report

**Lara District Community
Enterprise Limited**

ABN 67 134 347 087



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Chair's report

For year ending 30 June 2020

It is again my pleasure to provide this report for our shareholders. It is a little tricky to know how to open a report from what has again been another year of many challenges for our community. Our Lara, Little River and Anakie communities have all been subjected to lockdowns and various restrictions that have challenged residents and put many businesses under unprecedented stress. In these circumstances it is incredibly important to have a supportive community and in the main, my observation is that members of our community have supported those around them.

From a business perspective this year, our customer base has grown to in excess of 5,000 individual customers, as well as an increase in products per customer. It is very important that we continue to grow our business to support the rapid growth of groups in this region as our population expands.

Our net profit (after tax, donations, grants etc) was \$230,267. Our total banking business (deposits and loans) grew to \$221 million, which was a \$48 million increase on last year's result. This is an outstanding result in what has been a challenging year on many fronts; a huge thanks to those customers who have joined us during the year as well as those who have brought more of their banking business to us.

This growth in a low interest and low margin environment has allowed us to pay out a dividend of 8 cents per share to our shareholders.

From a grants, donations and sponsorship perspective, this year we paid out in excess of \$205,000 (including payments from the Community Enterprise Foundation™ who hold retained funds on our behalf), supporting a total of 34 different organisations across our Lara, Little River and Anakie communities. During the year we also committed to fund a number of other projects which have yet to be finalised.

In terms of our staff, I would like to pass on the Board's appreciation for one of our founding staff members, Michelle Duncan who left us in May to take up a role with Bendigo Bank. Michelle was well known to many of our customers and was an instrumental part of our success.

I am truly appreciative for the support I have received from the other Directors who have given so much of their time and expertise to support our company. The Board would like also to thank Bendigo and Adelaide Bank Limited regional staff led by Geelong Regional Manager David Tudor for their support during the year.

Our staff have continued to be great ambassadors for our company and have been instrumental in maintaining and growing our customer base. The positive feedback both myself and other Directors receive is great to hear. Thank you to all our staff.

I made comment last year on how important it is for us to keep growing our business to enable us to continue the same and greater levels of support for our Lara, Anakie and Little River communities. It has been really gratifying to see that growth in the last year as with reduced margins, due to lower interest rates, it is only that growth that has allowed us to maintain our level of support. The reality is that this next year will be more of the same.

Banking is our business; Community is our purpose.



Andrew Hilliard
Chair

Manager's report

For year ending 30 June 2020

It is with much honour that I present my second Manager's report for the Lara District Community Enterprise Limited Annual Report, in what was a great year for our business.

We celebrated two major milestones in the past financial year. We surpassed \$200 million in branch footings and exceeded over 5,000 customers banking with Community Bank Lara District. These are significant achievements and all staff, Board members and customers should be very proud of their contribution to what was a successful 2020/21 financial year.

As of 30 June 2021, our overall footings were at \$221.1 million, a considerable increase of \$47.8 million on this figure at the same time as last year. This marks one of our largest single growth years since inception; most notably growing our loans book by \$16.9 million which is the highest lending growth of any branch in regional Victoria for the recent financial year.

In summary, as at the end of 2021 financial year, the combined branch's business is noted as:

- Total loans \$89.6 million
- Total deposits \$121.4 million
- Wealth products \$9.7 million
- Other business \$0.4 million
- Total business \$221.1 million

This impressive result was achieved in a low interest rate environment where customers are traditionally paying off debt, and term deposit rates being less attractive than what we have been accustomed to in the past 10 years. With decreasing net interest margins throughout the industry, our non-margin income items were also a highlight.

Last financial year brought many challenges, from devastating bushfires to the Coronavirus pandemic, our people, businesses, and communities have all been impacted in varying ways. We have sought to play our part as a key community partner. I would like to personally thank our extraordinary staff for their passion, versatility and teamwork in supporting our broader community's needs and requirements throughout these times and beyond.

We are excited about the challenge ahead. The next twelve months will present many hurdles; through economic recovery and health precautions, our business is rapidly adapting in new ways. We will focus on continued lending activity and retention and providing a market-leading level of banking services to ensure our sustainable growth allows our Community Bank Lara District to continue to contribute much-needed community investment through grants, sponsorships and donations.

Our team recently said goodbye to our wonderful Customer Relationship Manager, Michelle Duncan – whom many of you will know for her amazing customer service, warm personality and great banking knowledge – as she has taken on an exciting new opportunity with Bendigo Bank in our Loan Support Team. Michelle joined our branch team when we first opened in 2009 and has been a huge asset to our branch and community in this time. Whilst we miss her friendly face each day, I'd like to personally thank Michelle for her support, contribution and friendship and wish her all the very best in her new position.

Our Customer Service Officer, Daina Howard also transferred to the Waurn Ponds branch in May, nearing the end of her contract period. On the back of this, we welcomed back Customer Relationship Officer, Kyna Woodford from maternity leave to complement Senior Customer Service Officer, Dianne Van Doren and our new Customer Relationship Manager, Jesse Church, in what is an experienced, professional and knowledgeable team that go above and beyond for our customers every day. I am very grateful for the team we have here and am excited to continue to see each staff member grow.

Manager's report (continued)

I would also like to thank the Board of Directors for their vital role in advocating our business in the community and supporting us with governance, strategic direction and idea sharing. This is in conjunction with thanking Regional Manager David Tudor; Business Bankers Samara Sweeney, Hayden Baker and Kaushik Luhar for their pivotal part in growing and sustaining our business.

Finally, it's a big thank you to our valued shareholders and customers for your amazing and ongoing contribution to our success. Your banking is very powerful and makes a difference in our community. To date, it has enabled us to contribute well over \$1.4 million back into Lara and surrounds.

If you are new to how our business model works, I like to explain it like this; when you bank with us, you have the unique opportunity to bank with one of Australia's largest retail banks, however the profits from your banking goes straight back to your community.

If you haven't compared your personal or business banking with our innovative and competitive range of products, there's no better time than the present. In closing, I wish you, your families and friends all the very best in these times and thank you for your ongoing support.



Galen Munari
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2021

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

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

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


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

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

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

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

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



Collin Brady
Head of Community Development

ORGANISATION	PROJECT
COMMUNITY	
TLC Group	Tree planting
Mt Rothwell Landcare Volunteers	Fire fighting equipment
Wandarrah Arts & Crafts Group	Interactive Mural and sewing machines
Friends of Kevin Hoffman Walk	Sponsorship of garden maintenance
Little River Community Landcare Group	Communications upgrade
Little Teapot Café & Play	New mums facilitated sessions
Lara RSL Sub-branch	Outdoor umbrellas
Australia Day Breakfast Committee	Sponsorship of Citizen of the Year morning tea
Children's Tumour Foundation	Donation and raffle prize
Breast Cancer Australia	Lara Cricket Club Pink Stumps Day
Lara CFA	Ultra-Light Tanker fundraiser
Mittagong Girl Guides	Lawn mower and whipper snipper
Lara Heritage & Historical Museum	Museum renovations
Anglican Parish of Lara & Little River	Donation to Food Relief Bank
Lara District Rotary Group	Sponsorship of Annual Golf Day
Barwon Health Foundation	Refurbishment of Palliative Care Centre
SPORT	
Little River and District Pony Club	Show jumps, cross country jump and fencing
Lara Bowling Club	Sponsorship
Lara Cricket Club	Sponsorship, canteen upgrade
Friends of Elcho Park	Fencing
Lara Giants Basketball & Lara Primary School	Adjustable basketball rings
Lara Swimming Club	Carnival sponsorship
Lara Giants Basketball Club	Sponsorship of basketball clinics
Geelong Rams Rugby Club	Uniform sponsorship
North Geelong Warriors Football Club	Pitch re-surfacing
EDUCATION	
Anakie Primary School	Mosaic wall and school scholarship
Lara Secondary College	Breakfast Club, Yr 9 Camp and STEM program
Lara Primary School	Mud kitchens

Jumping for joy!

Little River & District Pony Club – The show jumps at Little River & District Pony Club were in desperate need of replacing. We were delighted to fund their application for a brand new set of show jumps that meet national competition standards. We were also excited



by the prospect of having our very own Community Bank Lara District jump! These jumps will allow the Pony Club to host more show jumping meets and help them to increase their membership numbers.



A 'hidden' gem

Little River Community Landcare Group – This group has been working hard within the Little River community on a variety of environmental projects including beautification of areas, removal of boneseed in the You Yangs National Park and participating in Planet Ark's National Tree Day. We first worked with the Landcare Group to assist them in a communications upgrade, but we were pleased to attend their Little River Weir Open Day. The Weir was originally built by market gardeners to supply water to their farms. Not many people are aware of the weir's existence, but it has now been nominated as a finalist in the Tidy Towns 2021 Sustainability Awards.

Mud pie anyone?

Lara Primary School – Hands up if you made mud pies when you were little? The students at Lara Primary School are loving the ability to get their hands dirty with the new mud kitchens they've had installed. As well as allowing the children to play freely and use their imaginations, the mud kitchens are encouraging the students to improve their vocabulary by verbalising their play time. Thanks to local members of Lara Men's Shed who helped with the construction and installation of these fabulous pieces of play equipment.





Sew for love

Wandarrah Arts and Crafts Group – The Wandarrah Arts and Crafts Group is represented by residents from Gen U’s St Laurence Park. The group regularly meet to socialise over craft and a hot cuppa. Earlier this year they submitted a grant application for two new sewing machines. Galen, Libby and Sheyne met group members at The Heights Sewing Centre to purchase their new machines. The machines were set up and put to work that very same day! The Wandarrah Arts and Crafts Group have used these machines to make clothing, bags and blankets which they donate to Geelong groups such as Cottage by the Sea and Geelong Mums.



A community at work

Lara CFA – Lara District Community Enterprise Limited were pleased to work in partnership with the Lara CFA and the Community Enterprise Foundation™ to help fund the purchase of an Ultra-Light Tanker vehicle. This new vehicle is essential in the CFA’s efforts to prevent and control fires within our district. Due to its size, the vehicle can access areas normal fire tankers are unable too. We were happy to kick start the fundraising campaign with an initial donation of \$20,000 to the fund and then contributed another \$30,000 through the Community Enterprise Foundation™ under a dollar matching scheme. Along with donations from local businesses and community members, the CFA were able to raise the funds in a few short months with the vehicle officially launched in March 2021.

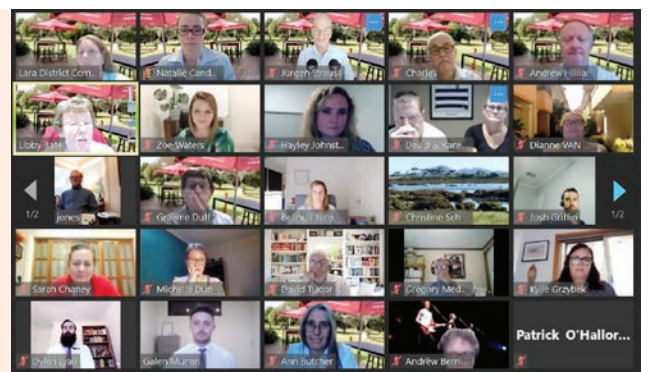
A hit, a giggle and a sausage sizzle!

Twilight at the Range – Community Bank Lara District were excited to sponsor a networking event for our local businesses at Lara Golf Club. Following our successful online networking event for community groups, we wanted to find a way to bring local businesses together after an extremely challenging 2020. Thanks to members of Lara Golf Club and local businesses, we were able to put together an evening of golfing competitions and socialising. It was a wonderful night, and we thank everyone who attended. We are looking forward to running a similar event next year!



“You’re on mute!”

Virtual meetings – Due to the COVID-19 pandemic, online meetings became a way of life in 2020 and Zoom meetings became the norm. Our Board moved our monthly meetings to an online format and as it worked so well, we wanted to extend this to our community groups. To help keep people talking, connecting and socialising, we used the Zoom platform to hold a networking evening for our community groups. It was a wonderful way to get together, and we were so proud of the way our groups embraced the online concept! With restrictions also disrupting our plans for our Round 2 Grants Night and AGM, these were also held via Zoom.



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:

Andrew MacKenzie Hilliard
Chairman

Occupation: Semi-Retired Human Resource Consultant

Qualifications, experience and expertise: Andrew holds a Bachelor of Training and Development. He has an extensive experience in the Human Resources profession across a range of industries. Since retiring from full time employment in 2015, a range of short term assignments have been undertaken. Most recently a three-month assignment with the Gold Mining Industry.

Special responsibilities: Governance and Community Investment Program

Interest in shares: 14,500 ordinary shares

Elizabeth Joy Bate

Deputy Chair

Occupation: Retired School Teacher

Qualifications, experience and expertise: A retired school teacher who takes an active role in the Lara Community and beyond.

A founding member of the Lara Chamber of Commerce, a member of the Lara Fire Brigade, on the organising committee of the Lara Food and Wine Festival and President of Cancer After Care Group Geelong.

Special responsibilities: Convenor Community Support Program Committee

Interest in shares: 6,001 ordinary shares

Ann Elizabeth Butcher

Company Secretary

Occupation: Executive Director Community Services and Wellbeing

Qualifications, experience and expertise: Ann Butcher is the Aged Care Quality and Compliance Specialist at genU following 11 years as the Executive General Manager. She has a Masters in Health Management and has studied Foundations for Directors through the AICD. In 2020 Ann has been part of genU COVID 19 response team. Ann was previously a Director for Leading Aged Services Australia, Victorian Branch and now sits on the Victorian Member Advisory Committee. Ann is Vice President of Geelong Society of Operatic and Dramatic Arts Inc.

Special responsibilities: Governance Committee

Interest in shares: nil share interest held

Charles John Saliba

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Charles has operated a small taxation business from home for the past 35 years. He has a strong banking, finance and taxation background. Charles is currently the accountant for the Laverton Catholic Parish.

Special responsibilities: Finance Committee

Interest in shares: 5,001 ordinary shares

Jürgen Ulrich Günther Strauss

Non-executive director

Occupation: Self-employed

Qualifications, experience and expertise: Jürgen is the founder of Innovabiz, specialising in digital marketing, website development and lead generation strategies. He also hosts the InnoBuzz innovation podcast. Jürgen holds B.Sc. (Hons) and PhD in Chemistry, has marketing qualifications from the Wharton Business School and Melbourne Business School. Jürgen has had a 27 year corporate career in chemical R&D, marketing, business management and people management.

Special responsibilities: Major Community Project Committee

Interest in shares: 1,000 ordinary shares

Directors' report (continued)

Directors (continued)

Natalie Grace Salcombe Candy

Non-executive director

Occupation: Employer Relationship Consultant NAB

Qualifications, experience and expertise: Bachelor of Arts - Melbourne University. Business Analyst - Mercer, Ensign Pensions (UK) and Unisuper. Employer Relationship Consultant - NAB. Corporate Superannuation Consultant for MLC and Plum. Team Leader - The Mix Australia. President - Lara Chamber of Commerce (finished 2016).

Special responsibilities: Governance and Community Investment Program, Social Media Editor

Interest in shares: nil share interest held

Ian Graeme Duff

Treasurer

Occupation: Accountant

Qualifications, experience and expertise: Graeme has over 35 years' experience in Banking, Financial Planning and Accounting.

He is self-employed in the accounting industry and has run his own business for over 15 years. Graeme is community focused and has been involved with Give Where You Live for the past 3 years.

Special responsibilities: Finance Committee

Interest in shares: 6,000 ordinary shares

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

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

Company Secretary

The company secretary is Ann Butcher. Ann was appointed to the position of secretary on 1 April 2020.

Principal activity

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

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

Operating results

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

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
230,267	146,344

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Andrew MacKenzie Hilliard	14,500	-	14,500
Elizabeth Joy Bate	6,001	-	6,001
Ann Elizabeth Butcher	-	-	-
Charles John Saliba	5,001	-	5,001
Jürgen Ulrich Günther Strauss	-	1,000	1,000
Natalie Grace Salcombe Candy	-	-	-
Ian Graeme Duff	6,000	-	6,000

Directors' report (continued)

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	8.00	70,401

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Board Meetings Attended	
	<i>E</i>	<i>A</i>
<i>E - eligible to attend</i>		
<i>A - number attended</i>		
Andrew MacKenzie Hilliard	11	11
Elizabeth Joy Bate	11	11
Ann Elizabeth Butcher	11	10
Charles John Saliba	11	11
Jürgen Ulrich Günther Strauss	11	11
Natalie Grace Salcombe Candy	11	9
Ian Graeme Duff	11	11

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 29 to the accounts.

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

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

Auditor's independence declaration

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

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



Andrew MacKenzie Hilliard, Chairman

Dated this 30th day of August 2021

Auditor's independence declaration



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 Lara District Community Enterprise Limited

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

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 30 August 2021

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor



Financial statements

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

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	1,170,733	1,218,666
Other revenue	9	39,301	65,444
Finance income	10	9,184	18,232
Employee benefit expenses	11c)	(576,127)	(525,315)
Charitable donations, sponsorship, advertising and promotion		(237,403)	(266,801)
Occupancy and associated costs		(24,979)	(26,401)
Systems costs		(28,866)	(30,415)
Depreciation and amortisation expense	11a)	(55,600)	(55,679)
Finance costs	11b)	(37,750)	(38,128)
General administration expenses		(104,953)	(130,050)
Fair value gains/(losses) on investments	12	142,441	(45,165)
Profit before income tax expense		295,981	184,388
Income tax expense	13a)	(65,714)	(38,044)
Profit after income tax expense		230,267	146,344
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		230,267	146,344
Earnings per share		¢	¢
- Basic and diluted earnings per share:	32a)	26.17	16.63

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	14a)	1,035,034	988,615
Trade and other receivables	16a)	76,866	78,901
Current tax assets	20a)	21,347	44,282
Total current assets		1,133,247	1,111,798
Non-current assets			
Other investments	15a)	569,714	427,273
Property, plant and equipment	17a)	59,256	69,710
Right-of-use assets	18a)	583,790	606,730
Intangible assets	19a)	39,551	52,735
Deferred tax asset	20b)	15,734	46,761
Total non-current assets		1,268,045	1,203,209
Total assets		2,401,292	2,315,007
LIABILITIES			
Current liabilities			
Trade and other payables	21a)	33,129	84,825
Lease liabilities	22a)	27,781	26,177
Employee benefits	24a)	23,507	19,354
Total current liabilities		84,417	130,356
Non-current liabilities			
Trade and other payables	21b)	14,502	29,004
Lease liabilities	22b)	746,269	765,050
Employee benefits	24b)	10,966	5,719
Provisions	23a)	8,458	8,064
Total non-current liabilities		780,195	807,837
Total liabilities		864,612	938,193
Net assets		1,536,680	1,376,814
EQUITY			
Issued capital	25a)	857,526	857,526
Retained earnings	26	679,154	519,288
Total equity		1,536,680	1,376,814

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2021

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019		857,526	460,945	1,318,471
Total comprehensive income for the year		-	146,344	146,344
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31	-	(88,001)	(88,001)
Balance at 30 June 2020		857,526	519,288	1,376,814
Balance at 1 July 2020		857,526	519,288	1,376,814
Total comprehensive income for the year		-	230,267	230,267
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31	-	(70,401)	(70,401)
Balance at 30 June 2021		857,526	679,154	1,536,680

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,311,505	1,341,559
Payments to suppliers and employees		(1,104,082)	(1,011,707)
Interest received		9,184	18,232
Lease payments (interest component)	11b)	(37,356)	(37,751)
Lease payments not included in the measurement of lease liabilities	11d)	(12,324)	(13,219)
Dividends received		16,786	17,919
Income taxes paid		(27,510)	(75,526)
Net cash provided by operating activities	27	156,203	239,507
Cash flows from investing activities			
Payments for property, plant and equipment		-	(11,019)
Payments for intangible assets		(13,184)	(13,184)
Payments for investments		-	(26,614)
Net cash used in investing activities		(13,184)	(50,817)
Cash flows from financing activities			
Lease payments (principal component)		(26,199)	(24,436)
Dividends paid	31	(70,401)	(88,001)
Net cash used in financing activities		(96,600)	(112,437)
Net cash increase in cash held		46,419	76,253
Cash and cash equivalents at the beginning of the financial year		988,615	912,362
Cash and cash equivalents at the end of the financial year	14a)	1,035,034	988,615

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

Registered Office	Principal Place of Business
5 Waverley Road Lara VIC 3212	5 Waverley Road Lara VIC 3212

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 30.

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 30 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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

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

<u>Revenue</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Ability to change financial return

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

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

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

b) Other revenue

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

<u>Revenue</u>	<u>Revenue recognition policy</u>
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

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.

Cash flow boost

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

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

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

Notes to the financial statements (continued)

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Notes to the financial statements (continued)

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

d) Employee benefits (*continued*)

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	40 years
Plant and equipment	Straight-line and diminishing value	5 to 10 years
Furniture, fixtures and fittings	Straight-line and diminishing value	2 to 5 years
Motor vehicles	Diminishing value	3 to 8 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.

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 are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

i) Financial instruments

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

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, except for the equity securities which remain at fair value through profit or loss (FVTPL).

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

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

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

Notes to the financial statements (continued)

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

m) Leases

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

As a lessee

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

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected 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.

Notes to the financial statements (continued)

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

n) Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 22 - 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.

Notes to the financial statements (continued)

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

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 20 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 28 - fair value	determining the fair value less costs to sell of the disposal group on the basis of quoted market prices;
- Note 17 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 24 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 23 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

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

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

a) Credit risk

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

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

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	774,050	64,253	257,015	835,299
Trade and other payables	47,631	33,129	14,502	-
	<u>821,681</u>	<u>97,382</u>	<u>271,517</u>	<u>835,299</u>

Notes to the financial statements (continued)

Note 6 Financial risk management (continued)

b) Liquidity risk (continued)

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	791,227	63,507	254,027	889,093
Trade and other payables	113,829	84,825	29,004	-
	<u>905,056</u>	<u>148,332</u>	<u>283,031</u>	<u>889,093</u>

c) Market risk

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

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

Price risk

The primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

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

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of \$1,035,034 at 30 June 2021 (2020: \$988,615). 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:

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

Notes to the financial statements (continued)

Note 8 Revenue from contracts with customers

	2021	2020
	\$	\$
- Margin income	1,000,468	1,054,213
- Fee income	84,149	91,236
- Commission income	86,116	73,217
	<u>1,170,733</u>	<u>1,218,666</u>

Note 9 Other revenue

	2021	2020
	\$	\$
- Dividend and distribution income	16,786	17,919
- Market development fund income	-	10,000
- Cash flow boost	22,515	37,525
	<u>39,301</u>	<u>65,444</u>

Note 10 Finance income

	2021	2020
	\$	\$
- Term deposits	<u>9,184</u>	<u>18,232</u>

Note 11 Expenses

a) Depreciation and amortisation expense

Depreciation of non-current assets:

	2021	2020
	\$	\$
- Leasehold improvements	484	487
- Plant and equipment	1,229	818
- Furniture and fittings	4,341	4,946
- Motor vehicles	4,400	5,177
	<u>10,454</u>	<u>11,428</u>

Depreciation of right-of-use assets

- Leased land and buildings	<u>31,962</u>	<u>31,067</u>
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Amortisation of intangible assets:

- Franchise fee	2,197	2,198
- Franchise renewal process fee	10,987	10,986
	<u>13,184</u>	<u>13,184</u>

Total depreciation and amortisation expense

<u>55,600</u>	<u>55,679</u>
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Notes to the financial statements (continued)

Note 11 Expenses (continued)

b) Finance costs	2021 \$	2020 \$
- Lease interest expense	37,356	37,751
- Unwinding of make-good provision	394	377
	<u>37,750</u>	<u>38,128</u>

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

c) Employee benefit expenses	2021 \$	2020 \$
Wages and salaries	475,039	463,218
Non-cash benefits	18,823	10,138
Contributions to defined contribution plans	43,526	39,140
Expenses related to long service leave	11,086	(18,174)
Other expenses	27,653	30,993
	<u>576,127</u>	<u>525,315</u>

d) Recognition exemption

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

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>12,324</u>	<u>13,219</u>

Note 12 Fair value gains/(losses) on investments

	2021 \$	2020 \$
- At FVTPL - equity instruments	<u>142,441</u>	<u>(45,165)</u>

These amounts relate to the increase and decrease in the market value of investments held by the company.

Note 13 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense</i>		
- Current tax	42,662	38,941
- Movement in deferred tax	30,398	(46,648)
- Net benefit of franking credits on dividends received	(7,194)	(7,679)
- Adjustment to deferred tax on AASB 16 retrospective application	-	51,027
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	629	2,698
- Under/(over) provision in respect to prior years	(781)	(295)
	<u>65,714</u>	<u>38,044</u>

Notes to the financial statements (continued)

Note 13 Income tax expense (continued)

b) <i>Prima facie</i> income tax reconciliation	2021	2020
	\$	\$
Operating profit before taxation	295,981	184,388
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	76,955	50,707
Tax effect of:		
- Non-deductible expenses	88	821
- Temporary differences	(30,398)	(4,379)
- Other assessable income	(3,983)	(8,208)
- Movement in deferred tax	30,398	(46,648)
- Net benefit of franking credits on dividends received	(7,194)	(7,679)
- Leases initial recognition	-	51,027
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	629	2,698
- Under/(over) provision in respect to prior years	(781)	(295)
	<u>65,714</u>	<u>38,044</u>

Note 14 Cash and cash equivalents

a) Cash and cash equivalents	2021	2020
	\$	\$
- Cash at bank and on hand	153,001	107,571
- Term deposits	882,033	881,044
	<u>1,035,034</u>	<u>988,615</u>

Note 15 Other investments

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

a) Non-current investments	2021	2020
	\$	\$
Equity securities - at FVTPL	<u>569,714</u>	<u>427,273</u>

Note 16 Trade and other receivables

a) Current assets	2021	2020
	\$	\$
Trade receivables	63,506	65,541
Prepayments	5,088	5,088
Other receivables and accruals	8,272	8,272
	<u>76,866</u>	<u>78,901</u>

Notes to the financial statements (continued)

Note 17 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	19,341	19,341
Less: accumulated depreciation	(1,935)	(1,451)
	<u>17,406</u>	<u>17,890</u>
<i>Plant and equipment</i>		
At cost	9,211	9,211
Less: accumulated depreciation	(5,019)	(3,790)
	<u>4,192</u>	<u>5,421</u>
<i>Furniture and fittings</i>		
At cost	272,824	272,824
Less: accumulated depreciation	(260,101)	(255,760)
	<u>12,723</u>	<u>17,064</u>
<i>Motor vehicles</i>		
At cost	42,968	42,968
Less: accumulated depreciation	(18,033)	(13,633)
	<u>24,935</u>	<u>29,335</u>
Total written down amount	<u>59,256</u>	<u>69,710</u>
b) Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning	17,890	18,377
Depreciation	(484)	(487)
	<u>17,406</u>	<u>17,890</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	5,421	2,510
Additions	-	3,729
Depreciation	(1,229)	(818)
	<u>4,192</u>	<u>5,421</u>
<i>Furniture and fittings</i>		
Carrying amount at beginning	17,064	14,719
Additions	-	7,291
Depreciation	(4,341)	(4,946)
	<u>12,723</u>	<u>17,064</u>

Notes to the financial statements (continued)

Note 17 Property, plant and equipment

b) Reconciliation of carrying amounts	2021	2020
	\$	\$
<i>Motor vehicles</i>		
Carrying amount at beginning	29,335	34,512
Depreciation	(4,400)	(5,177)
	<u>24,935</u>	<u>29,335</u>
Total written down amount	<u>59,256</u>	<u>69,710</u>

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 18 Right-of-use assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Leased land and buildings</i>		
At cost	957,494	948,471
Less: accumulated depreciation	(373,704)	(341,741)
Total written down amount	<u>583,790</u>	<u>606,730</u>

b) Reconciliation of carrying amounts

<i>Leased land and buildings</i>		
Carrying amount at beginning	606,730	-
Initial recognition on transition	-	932,022
Accumulated depreciation on adoption	-	(310,674)
Remeasurement adjustments	9,022	16,449
Depreciation	(31,962)	(31,067)
Carrying amount at end	<u>583,790</u>	<u>606,730</u>

Note 19 Intangible assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Franchise fee</i>		
At cost	22,604	22,604
Less: accumulated amortisation	(16,012)	(13,815)
	<u>6,592</u>	<u>8,789</u>
<i>Franchise renewal process fee</i>		
At cost	112,192	112,192
Less: accumulated amortisation	(79,233)	(68,246)
	<u>32,959</u>	<u>43,946</u>
Total written down amount	<u>39,551</u>	<u>52,735</u>

Notes to the financial statements (continued)

Note 19 Intangible assets (continued)

b) Reconciliation of carrying amounts	2021 \$	2020 \$
<i>Franchise fee</i>		
Carrying amount at beginning	8,789	10,987
Amortisation	(2,197)	(2,198)
	<u>6,592</u>	<u>8,789</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	43,946	54,932
Amortisation	(10,987)	(10,986)
	<u>32,959</u>	<u>43,946</u>
Total written down amount	<u>39,551</u>	<u>52,735</u>

c) Changes in estimates

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

Note 20 Tax assets and liabilities

a) Current tax	2021 \$	2020 \$
Income tax refundable	<u>(21,347)</u>	<u>(44,282)</u>
b) Deferred tax		
<i>Deferred tax assets</i>		
- expense accruals	450	468
- employee provisions	8,618	6,519
- make-good provision	2,115	2,097
- lease liability	193,513	205,719
- fair value of investments	-	2,029
- carried-forward capital losses	3,175	3,302
Total deferred tax assets	<u>207,871</u>	<u>220,134</u>
<i>Deferred tax liabilities</i>		
- income accruals	2,068	2,150
- fair value of investments	33,659	-
- property, plant and equipment	10,462	13,473
- right-of-use assets	145,948	157,750
Total deferred tax liabilities	<u>192,137</u>	<u>173,373</u>
Net deferred tax assets (liabilities)	<u>15,734</u>	<u>46,761</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(31,027)</u>	<u>(7,077)</u>
Movement in deferred tax charged to Statement of Changes in Equity	<u>-</u>	<u>51,027</u>

Notes to the financial statements (continued)

Note 22 Lease liabilities (continued)

d) Maturity analysis	2021	2020
	\$	\$
- Not later than 12 months	64,253	63,507
- Between 12 months and 5 years	257,015	254,027
- Greater than 5 years	835,299	889,093
Total undiscounted lease payments	<u>1,156,567</u>	<u>1,206,627</u>
Unexpired interest	(382,517)	(415,400)
Present value of lease liabilities	<u><u>774,050</u></u>	<u><u>791,227</u></u>

Note 23 Provisions

a) Non-current liabilities	2021	2020
	\$	\$
Make-good on leased premises	<u>8,458</u>	<u>8,064</u>

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be \$20,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 30 June 2039 at which time it is expected the face-value costs to restore the premises will fall due.

Note 24 Employee benefits

a) Current liabilities	2021	2020
	\$	\$
Provision for annual leave	10,482	7,875
Provision for long service leave	13,025	11,479
	<u>23,507</u>	<u>19,354</u>
b) Non-current liabilities		
Provision for long service leave	<u>10,966</u>	<u>5,719</u>

c) Key judgement and assumptions

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

Note 25 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	880,011	880,011	880,011	880,011
Less: equity raising costs	-	(22,485)	-	(22,485)
	<u>880,011</u>	<u>857,526</u>	<u>880,011</u>	<u>857,526</u>

Notes to the financial statements (continued)

Note 25 Issued capital (*continued*)

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

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").

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.

Notes to the financial statements (continued)

Note 25 Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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 26 Retained earnings

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		519,288	595,471
Adjustment for transition to AASB 16		-	(134,526)
Net profit after tax from ordinary activities		230,267	146,344
Dividends provided for or paid	31a)	(70,401)	(88,001)
Balance at end of reporting period		<u>679,154</u>	<u>519,288</u>

Note 27 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	230,267	146,344
Adjustments for:		
- Depreciation	42,416	42,495
- Amortisation	13,184	13,184
- (Increase)/decrease in fair value of equity instruments designated at FVTPL	(142,441)	45,165
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	2,035	10,038
- (Increase)/decrease in other assets	53,962	(21,508)
- Increase/(decrease) in trade and other payables	(53,015)	19,690
- Increase/(decrease) in employee benefits	9,401	(16,280)
- Increase/(decrease) in provisions	394	379
Net cash flows provided by operating activities	<u>156,203</u>	<u>239,507</u>

Notes to the financial statements (continued)

Note 28 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. 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	Carrying amount				Fair value level	
		2021 \$ FVTPL	2021 \$ At amortised cost	2020 \$ FVTPL	2020 \$ At amortised cost	2021 \$ Level 1	2020 \$ Level 1
Financial assets measured at fair value:							
Equity securities	15	569,714	-	427,273	-	569,714	427,273
Financial assets not measured at fair value:							
Trade and other receivables	16	-	63,506	-	65,541	-	-
Cash and cash	14	-	153,001	-	107,571	-	-
Term deposits	14	-	882,033	-	881,044	-	-
		-	1,098,540	-	1,054,156	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	21	-	47,631	-	113,829	-	-
Lease liabilities	22	-	774,050	-	791,227	-	-
		-	821,681	-	905,056	-	-

Valuation techniques and significant unobservable inputs

There were no Level 2 or Level 3 classifications held during the relevant financial years.

Transfers between Levels 1 and 2

There were no transfers between Level 1 and Level 2 during the financial year. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the financial year.

Note 29 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- General advisory services	3,280	3,160
- Share registry services	3,513	3,534
Total auditor's remuneration	11,793	11,494

Notes to the financial statements (continued)

Note 30 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Andrew MacKenzie Hilliard
 Elizabeth Joy Bate
 Ann Elizabeth Butcher
 Charles John Saliba
 Jürgen Ulrich Günther Strauss
 Natalie Grace Salcombe Candy
 Ian Graeme Duff

b) Key management personnel compensation

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

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

c) Related party transactions

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

Note 31 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	8.00	70,401	10.00	88,001

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

b) Franking account balance

	2021 \$	2020 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	284,182	259,262
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	58,324	66,397
- Franking credits from franked distributions received	7,194	7,679
- Franking debits from the payment of franked distributions	(24,735)	(33,380)
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(18,342)	(15,776)
Franking account balance at the end of the financial year	306,623	284,182
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(21,347)	(28,524)
Franking credits available for future reporting periods	285,276	255,658

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%.

Notes to the financial statements (continued)

Note 32 Earnings per share

a) Basic and diluted earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	230,267	146,344
	Number	Number
Weighted-average number of ordinary shares	880,011	880,011
	Cents	Cents
Basic and diluted earnings per share	26.17	16.63

Note 33 Commitments

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

Note 34 Contingencies

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

Note 35 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 Lara District Community Enterprise Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Andrew MacKenzie Hilliard, Chairman

Dated this 30th day of August 2021

Independent audit report



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Independent auditor's report to the Directors of Lara District Community Enterprise Limited

Report on the Audit of the Financial Report

Opinion

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

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

In our opinion, the accompanying financial report of Lara District Community Enterprise Limited, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

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





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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 30 August 2021

Joshua Griffin
Lead Auditor



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