
Bendigo Retirement Village Independent Living Units

Consolidated Special Purpose Financial
Statements

For the Year Ended 30 June 2021

Bendigo Retirement Village Independent Living Units

30 June 2021

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Bendigo Retirement Village Independent Living Units Consolidated Statement of Income and Expenditure for the Provision of Goods and Services by the Manager

For the Year Ended 30 June 2021

Pursuant to Part 6 Section 34(3)(a) and 34(3)(b) of the *Retirement Villages Act 1986 (Vic)*

	Note	2021 \$	2020 \$
Revenue	2	668,323	708,200
Other income	2	108,593	82,235
Depreciation expense	3	(44,578)	(42,160)
Finance costs	3	(6,713)	(11,649)
Administration and other associated costs		(74,107)	(59,453)
Employee benefits expense		(392,564)	(383,066)
Advertising and promotional costs		(16,661)	(56,194)
Occupancy, utility and gardening costs		(126,992)	(165,066)
Repairs and maintenance		(76,720)	(74,783)
Other expenses		(9,645)	(4,323)
Surplus / (Deficit) before income tax expense		28,936	(6,259)
Income tax expense	1(c)	-	-
Surplus / (Deficit) after income tax expense		28,936	(6,259)
Other comprehensive income		-	-
Total comprehensive income attributable to members of the entity		28,936	(6,259)

Bendigo Retirement Village Independent Living Units Consolidated Statement of Assets and Liabilities for the Provision of Goods and Services by the Manager

As at 30 June 2021

Pursuant to Part 6 Section 34(3)(a) and 34(3)(b) of the *Retirement Villages Act 1986 (Vic)*

	Note	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	4	192,289	126,600
Trade and other receivables	5	74,635	51,076
Inventories	6	10,633	12,036
Other assets	7	7,454	-
Total current assets		285,011	189,712
Non-current assets			
Property, plant and equipment	8	362,245	394,073
Total non-current assets		362,245	394,073
Total assets		647,256	583,785
Current liabilities			
Trade and other payables	9	91,417	29,849
Borrowings	10	14,320	11,940
Employee provisions	11	7,350	12,162
Total current liabilities		113,087	53,951
Non-current liabilities			
Borrowings	10	54,256	70,165
Employee provisions	11	749	9,441
Total non-current liabilities		55,005	79,606
Total liabilities		168,092	133,557
Net assets		479,164	450,228
Equity			
Retained surplus		479,164	450,228
Total equity		479,164	450,228

Bendigo Retirement Village Independent Living Units Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2021

	Retained Surplus \$	Total Equity \$
Balance at 1 July 2019	456,487	456,487
Deficit for the year	(6,259)	(6,259)
Other comprehensive income for the year	-	-
Total comprehensive income attributable to members of the entity	(6,259)	(6,259)
Balance at 30 June 2020	450,228	450,228
Surplus for the year	28,936	28,936
Other comprehensive income for the year	-	-
Total comprehensive income attributable to members of the entity	28,936	28,936
Balance at 30 June 2021	479,164	479,164

Bendigo Retirement Village Independent Living Units Consolidated Statement of Cash Flows

For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Cash received in course of operations		844,448	935,273
Cash paid in course of operations		(714,701)	(830,300)
Cash paid for low-value leases		(31,134)	(3,340)
Interest received		68	212
Interest paid		(6,713)	(11,649)
Net cash provided by operating activities	12(b)	91,968	90,196
Cash flows from investing activities			
Purchase of property, plant and equipment		(12,750)	(34,148)
Net cash used in investing activities		(12,750)	(34,148)
Cash flows from financing activities			
Repayments of borrowings		(13,529)	(14,369)
Net cash used in financing activities		(13,529)	(14,369)
Net increase in cash held		65,689	41,679
Cash and cash equivalents at the beginning of the financial year		126,600	84,921
Cash and cash equivalents at the end of the financial year	12(a)	192,289	126,600

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies

The financial statements cover the consolidated financial statements and notes of the Bendigo Retirement Village Independent Living Units (the "consolidated group" or "group").

Basis of preparation

This financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of Section 34 of the *Retirement Villages Act 1986*. The Owner of Retirement Village Land has determined the group is not a reporting entity because there are no users dependent on its general purpose financial statements.

The financial report has been prepared in accordance with the significant accounting policies disclosed below, which the Owner of Retirement Village Land has determined are appropriate to meet the purposes of preparation. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial report has been prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

Accounting Policies

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of three individual entities which include the Bendigo Village Owners Corporation SP 19874, SP PS 326216J and SP 424277Q. There is no parent or subsidiary of the group as no individual entity is owned or controlled by another entity of the group. The consolidated financial statements are simply prepared in order to satisfy the financial reporting requirements of Section 34 of the *Retirement Villages Act 1986*.

The assets, liabilities and results of all entities are fully consolidated into the financial statements of the group. Inter-entity transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of each entity have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the group in the preparation of the consolidated financial statements.

(b) Revenue

When the group receives consideration, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15. When both of these conditions are satisfied, the group:

- identifies each performance obligation
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time of which services are rendered.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the group:

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards (for example AASB 9, AASB 16, AASB 116 and AASB 138);
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(b) Revenue (continued)

This policy applies to the group's material revenue streams as detailed below.

Body corporate and management fees

Revenue from body corporate and management fees is recognised over time as and when promised goods and services are transferred to members. Revenue is recognised over time as members simultaneously receive and consume benefits associated with being a member of the group.

Revenue from sale of goods

Revenue from the sale of goods is recognised at a point in time being when the promised goods or services are transferred to customers, which represents the same time the group receives consideration from customers.

Capital improvement fund revenue

Capital improvement fund revenue is recognised when members join the owners corporation after entering into a contract to purchase a property with the Bendigo Village Pty Ltd. Capital improvement fund revenue is generated through the sale of residential units in accordance with the sale contract type.

Capital improvement fund revenue is recognised as revenue upon receipt in accordance with AASB 1058 because the contract of sale does not specify which identifiable non-financial assets must be acquired or constructed. Instead, the contract states the fund must be used for items of major maintenance including but not limited to repairs, replacements, renovations, new equipment and furniture.

Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

(c) Income tax

As an owners corporation, the principle of mutuality is applied and mutual income derived by the group is exempt from income tax. As such, no provision has been made in the financial statements for income tax expense or income tax payable.

(d) Goods and services tax

All revenue is stated net of the amount of Goods and Services Tax (GST). Expenses and assets are also recognised net of GST, except where the amount of GST incurred is not 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 expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of assets and liabilities. Cash flows are included in the consolidated statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(f) Trade and other receivables

Accounts receivable and other debtors include amounts due for owners corporation fees. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

(g) Inventory

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis.

(h) Property, plant and equipment

Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Owner of Retirement Village Land to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, including capitalised lease assets, are depreciated on a straight-line or diminishing value basis over the asset's useful life commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets, which are consistent with the prior year are:

Class of fixed asset	Depreciation rate
Plant and equipment	5 - 40%
Building improvements	2.5 - 20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying amount of property, plant and equipment is reviewed annually by committee members to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(i) Leases

The group as lessee

At inception of a contract, the group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the group where the group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets (ie fair value less than \$10,000) are recognised as an operating expense on a straight-line basis over the term of the lease.

When an individual purchases a unit from Bendigo Village Pty Ltd and becomes a member/resident of the owners corporation, the member and his/her invitees are granted a licence in common with all other residents and their invitees from Bendigo Village Pty Ltd. The licence allows such individuals to use and enjoy the administrative block and other parts of the retirement village which are owned by Bendigo Village Pty Ltd at no cost to the resident and their invitees throughout the time the member remains a resident of the village.

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(i) Leases (continued)

As access to such facilities is provided to residents at no cost, the licence may be considered a lease that has significantly below-market terms and conditions principally to enable the group to further its objectives (commonly known as peppercorn/concessionary leases). In this instance, the group has adopted temporary relief under AASB 2018-8 and measures the right-of-use assets at cost on initial recognition, being nil. The members of the owners corporation are dependent on this licence as it is used by the owners corporation to deliver services to members.

The group's other lease arrangements are limited to leases of low-value assets. The group's motor vehicles are financed under chattel mortgage arrangements which are recorded on the balance sheet as property, plant and equipment and borrowings. For the purposes of AASB 16, the group does not identify such arrangements as a lease.

The group as lessor

Upon entering into each contract as a lessor, the group assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Rental income due under finance leases is recognised as receivables at the amount of the group's net investment in the leases.

(j) Financial instruments

The group's financial instruments consist mainly of deposits with banks, receivables, payables and borrowings.

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets are classified into amortised costs. The group does not utilise hedging instruments.

Classifications are determined by both:

- the group's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Impairment of financial assets

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Classification and measurement of financial liabilities

The group's financial liabilities include trade and other payables and lease liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at fair value through profit or loss, which are carried at fair value with gains or losses recognised in profit or loss. The group does not utilise derivative financial instruments.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(k) Impairment of assets

At the end of each reporting period, the group assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and when the group would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(l) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the group during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(m) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(n) Employee provisions

Short-term employee benefits

Provision is made for the group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The group's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of assets and liabilities for the provision of goods and services by the manager.

Other long-term employee benefits

Provision is made for employees' annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements of obligations for other long-term employee benefits for changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The group's obligations for long-term employee benefits are presented as non-current provisions in its statement of assets and liabilities for the provision of goods and services by the manager.

(o) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(p) Critical accounting estimates and judgements

Employee benefits

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related services. As the group expects that all of its employees would use all of their annual leave entitlements earned during a reporting period within 12 months after the end of the reporting period, the group believes that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(p) Critical accounting estimates and judgements (continued)

Provision for impairment of receivables

The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. The group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The group does not consider the provision for expected credit losses to be material.

Useful lives of property, plant and equipment

The group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Identifying performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/-type, cost/-value, quantity and the period of transfer related to the goods or services promised.

Determination and timing of revenue recognition under AASB 15

For each revenue stream, the group applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation.

Lease term and option to extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably going to be exercised is a key management judgement that the group will make.

Borrowing rate under AASB 16

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the group's incremental borrowing rate is used, being the rate the group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

Note 2. Revenue and other income	Note	2021	2020
		\$	\$
Revenue			
Profit from trading	2(a)	40,449	55,207
Owners corporation and management fees		600,841	593,992
Kitchen lease income		11,062	11,514
Contributions from Bendigo Village Pty Ltd		-	35,376
Room rental		-	5,545
Sundry income		15,971	6,566
		<u>668,323</u>	<u>708,200</u>
Other income			
Capital improvement fund income		108,525	82,023
Interest income		68	212
		<u>108,593</u>	<u>82,235</u>
Total revenue and other income		<u>776,916</u>	<u>790,435</u>
(a) Profit from trading			
The profit from trading the Post Office and Shop is as follows:			
Sales revenue		98,243	109,132
Cost of goods sold		(57,794)	(53,925)
Profit from trading		<u>40,449</u>	<u>55,207</u>
Note 3. Expenditure			
Depreciation of property, plant and equipment		44,578	42,160
Finance costs		6,713	11,649
Note 4. Cash and cash equivalents			
<i>CURRENT</i>			
Cash on hand		182	302
Cash at bank - operating account		10,055	18,381
Cash at bank - capital improvement fund	4(a)	182,052	107,917
		<u>192,289</u>	<u>126,600</u>

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	2021	2020
	\$	\$
Note 4. Cash and cash equivalents (continued)		
(a) Reconciliation of capital improvement fund		
Opening capital improvement fund balance as at 1 July	107,917	71,613
Plus amounts received into the fund during the year:		
- Resident contributions to fund	108,525	82,023
- Interest received	68	212
	<u>108,593</u>	<u>82,235</u>
Less amounts paid from the fund during the year:		
- Capital expenditure and repairs	(36,436)	(45,859)
- Bank fees and charges	(22)	(72)
	<u>(36,458)</u>	<u>(45,931)</u>
Closing capital improvement fund balance as at 30 June	<u>180,052</u>	<u>107,917</u>
Note 5. Trade and other receivables		
<i>CURRENT</i>		
Owners corporation receivables	74,635	49,384
Other receivables	-	1,692
	<u>74,635</u>	<u>51,076</u>
Note 6. Inventories		
<i>CURRENT</i>		
Inventories at cost	<u>10,633</u>	<u>12,036</u>
Note 7. Other assets		
<i>CURRENT</i>		
Prepaid expenses	<u>7,454</u>	<u>-</u>
Note 8. Property, plant and equipment		
<i>NON-CURRENT</i>		
Plant and equipment		
At cost	406,010	392,215
Accumulated depreciation	(219,499)	(200,041)
	<u>186,511</u>	<u>192,174</u>
Building improvements		
At cost	173,623	174,668
Accumulated depreciation	(54,625)	(45,094)
	<u>118,998</u>	<u>129,574</u>

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	2021	2020
	\$	\$
Note 8. Property, plant and equipment (continued)		
Motor vehicles		
At cost	90,204	90,204
Accumulated depreciation	(33,468)	(17,879)
	<u>56,736</u>	<u>72,325</u>
Total property, plant and equipment	<u>362,245</u>	<u>394,073</u>
Note 9. Trade and other payables		
<i>CURRENT</i>		
Trade creditors	42,741	9,322
Accrued expenses and other liabilities	12,885	4,102
Owners corporation fees received in advance	23,554	6,626
PAYG payable	8,758	8,545
GST payable	3,479	1,254
	<u>91,417</u>	<u>29,849</u>
Note 10. Borrowings		
<i>CURRENT</i>		
Chattel mortgage - motor vehicles	14,320	11,940
<i>NON-CURRENT</i>		
Chattel mortgage - motor vehicles	54,256	70,165
Total borrowings	<u>68,576</u>	<u>82,105</u>
Note 11. Employee provisions		
<i>CURRENT</i>		
Provision for annual leave	7,350	12,162
<i>NON-CURRENT</i>		
Provision for long service leave	749	9,441
Total employee provisions	<u>8,099</u>	<u>21,603</u>
Note 12. Cash flow information		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of assets and liabilities as follows:		
Cash at bank and on hand	<u>192,289</u>	<u>126,600</u>

Bendigo Retirement Village Independent Living Units

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	2021	2020
Note 12. Cash flow information (continued)	\$	\$
(b) Reconciliation of operating result to net cash flows from operating activities		
Surplus / (Deficit) after income tax expense	28,936	(6,259)
Non-cash flows in surplus/(deficit):		
- Depreciation of property, plant and equipment	44,578	42,160
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(23,559)	39,406
- (Increase)decrease in other assets	(7,454)	6,716
- (Increase)/decrease in inventories	1,403	3,341
- Increase/(decrease) in trade and other payables	61,568	(6,646)
- Increase/(decrease) in provisions	(13,504)	11,478
Cash flows from operations	<u>91,968</u>	<u>90,196</u>

Note 13. Capital commitments

There are no material capital expenditure commitments contracted for.

Note 14. Contingent liabilities and assets

The Owner of Retirement Village Land are not aware of any contingent liabilities or assets as at the date of signing this financial report.

Note 15. Events after the reporting period

Subsequent to year-end, the State Government has revised social isolation measures as appropriate based on the level of community transmission of the COVID-19 coronavirus, which included the reintroduction of isolation measures for regional Victoria. As an essential business, the owners corporation has continued to operate whilst complying with such isolation measures.

There have been no other events subsequent to the balance sheet date that have an impact that would require disclosure in the financial statements or notes there of.

Bendigo Retirement Village Independent Living Units Statement by Manager of Retirement Village Land

Pursuant to Part 6 Section 34(3)(d) and 34(3)(e) of the *Retirement Villages Act 1986 (Vic)*

The Manager of Retirement Village Land has determined that the group is not a reporting entity and that this special purpose financial report be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.


In the opinion of the Manager of Retirement Village Land the financial report:

1. Presents a true and fair view of the financial position of the Bendigo Retirement Village Independent Living Units as at 30 June 2021 and its performance for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that the Bendigo Retirement Village Independent Living Units will be able to pay its debts as and when they fall due.

The Manager of Retirement Village Land also confirms the following:

3. Details of what provision (if any) has been made for future ordinary or major works in the village and showing, in respect of the period of 12 months beginning immediately after the prescribed period ends, including details of anticipated expenditure on goods and services for the village, will be supplied to residents at the annual meeting.
4. It is proposed that any increase in the weekly maintenance charge/owners corporation fee to be paid by residents will be in line with movement in the Consumer Price Index.
5. There is no proposal for residents to be asked to pay a special levy.

The Statement by the Manager of Retirement Village Land has been signed in accordance with Section 34 of the *Retirement Villages Act 1986*:

Power of Attorney 

Jim Parkes
Bendigo Village Pty Ltd

Village Manager 

Silke Heinsen
Bendigo Retirement Village

Dated this 9th day of November 2021

Independent auditor's report to the members of Bendigo Retirement Village Independent Living Units

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Bendigo Retirement Village Independent Living Units, being a special purpose financial report, is in accordance with the *Retirement Villages Act 1986*, including:

- i. giving a true and fair view of the group financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- ii. complying with the accounting policies described in Note 1 of the financial report.

What we have audited

Bendigo Retirement Village Independent Living Units (the group) financial report comprises the:

- ✓ Consolidated statement of financial position as at 30 June 2021
- ✓ Consolidated statement of profit or loss and other comprehensive income for the year then ended
- ✓ Consolidated statement of changes in equity for the year then ended
- ✓ Consolidated statement of cash flows for the year then ended
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ Statement by Manager of the Retirement Village Land.

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

Basis of accounting and restriction on distribution

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The consolidated financial report has been prepared to assist Bendigo Retirement Village Independent Living Units to meet the requirements of the *Retirement Villages Act 1986*. As a result, the financial report may not be suitable for another purpose.

Independence

In conducting our audit, we have complied with the independence requirements of the *Retirement Villages Act 1986*.

Owner of Retirement Village Land's responsibility for the financial report

The Owner of Retirement Village Land of the Bendigo Retirement Village Independent Living Units is responsible for the preparation of the consolidated financial report that gives a true and fair view in accordance with the accounting policies described in Note 1 of the financial report and the *Retirement Villages Act 1986* and for such internal control as the Owner of Retirement Village Land determines is necessary to enable the preparation of the consolidated financial report that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial report, the Owner of Retirement Village Land is responsible for assessing the Bendigo Retirement Village Independent Living Units' 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 Owner of Retirement Village Land either intend to liquidate the Bendigo Retirement Village Independent Living Units or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility 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.

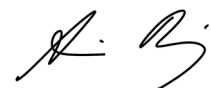
A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart

61 Bull Street, Bendigo, 3550

Dated this 9th day of November 2021



Adrian Downing
Lead Auditor

Bendigo Village Owners Corporation
SP 19874

Financial Statements

For the Year Ended 30 June 2021

Bendigo Village Owners Corporation SP 19874

30 June 2021

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Bendigo Village Owners Corporation SP 19874

Income Statement

For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue			
Profit from trading	11	52,108	55,207
Body corporate and management fees		596,648	605,270
Kitchen lease income		11,062	11,514
Contributions towards promotional activities - Bendigo Village Pty Ltd		-	35,376
Room rental		-	5,545
Sundry income		4,854	6,258
Interest received		68	212
Resident billable services		4,610	-
Insurance reimbursement		6,243	-
Consulting suite hire		4,877	-
Capital improvement fund		108,525	82,023
		788,995	801,405
Expenses			
Accountancy and audit fees		18,474	18,668
Accreditation costs		2,500	-
Website & Hosting		79	-
Administration and office		3,150	4,449
Bank fees and charges		832	981
Cleaning contractor		21,910	1,571
Cleaning supplies		2,047	3,727
Computer expenses		3,455	3,793
Depreciation		44,578	42,160
Low-value lease expense (ECS - monitoring system)		31,134	3,340
Emergency call system		-	1,531
Flowers		-	210
Gardening expenses		23,674	55,180
HR services		15,600	-
Insurance		44,931	47,062
Interest expense		9,595	11,649
Legal and solicitor fees		-	23,210
Licenses and permits		-	357
Light and power		20,808	28,137
Marketing and advertising		16,661	56,194
Medical supplies		641	99
Motor vehicle expenses		3,211	4,803
Plant and equipment		2,358	8,765
Rates and taxes		16,892	20,142
Repairs and maintenance - buildings		60,527	51,608
Repairs and maintenance - machinery		2,965	9,607
Repairs and maintenance - other		3,714	-
Resident amenities and functions		720	-
Security		3,025	1,162

The accompanying notes form part of these financial statements

Bendigo Village Owners Corporation SP 19874

Income Statement

For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Expenses (continued)			
Software		5,518	3,583
Staff training		3,417	2,313
Stationery		-	2,480
Sundry		6,605	835
Superannuation		31,477	29,691
Telephone		6,127	8,086
Wages		355,955	350,014
Workcover		1,500	1,049
		764,080	796,456
Surplus before income tax expense		24,915	4,949
Income tax expense	1(b)	-	-
Surplus after income tax expense		24,915	4,949
Accumulated surplus as at 1 July		449,416	444,467
Accumulated surplus as at 30 June		474,331	449,416

Bendigo Village Owners Corporation SP 19874

Balance Sheet

As at 30 June 2021

	Note	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	2	189,787	123,595
Trade and other receivables	3	71,192	49,444
Inventories	4	10,633	12,036
Prepayments	5	7,454	-
Total current assets		279,066	185,075
Non-current assets			
Property, plant and equipment	6	362,245	394,073
Total non-current assets		362,245	394,073
Total assets		641,311	579,148
Current liabilities			
Trade and other payables	7	90,305	26,024
Borrowings	8	14,320	11,940
Employee provisions	9	7,350	12,162
Total current liabilities		111,975	50,126
Non-current liabilities			
Borrowings	8	54,256	70,165
Employee provisions	9	749	9,441
Total non-current liabilities		55,005	79,606
Total liabilities		166,980	129,732
Net assets		474,331	449,416
Equity			
Retained earnings		474,331	449,416
Total equity		474,331	449,416

Bendigo Village Owners Corporation SP 19874

Statement of Cash Flows

For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Cash received in course of operations		851,872	905,121
Cash paid in course of operations		(718,740)	(803,069)
Cash paid for low-value leases		(31,134)	(3,340)
Interest received		68	212
Interest paid		(9,595)	(11,649)
Net cash provided by operating activities	10(b)	92,471	87,275
Cash flows from investing activities			
Purchase of property, plant and equipment		(12,750)	(34,148)
Net cash used in investing activities		(12,750)	(34,148)
Cash flows from financing activities			
Repayments of borrowings		(13,529)	(14,369)
Net cash used in financing activities		(13,529)	(14,369)
Net increase in cash held		66,192	38,758
Cash and cash equivalents at the beginning of the financial year		123,595	84,837
Cash and cash equivalents at the end of the financial year	10(a)	189,787	123,595

Bendigo Village Owners Corporation SP 19874

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of significant accounting policies

Basis of preparation

This financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of the *Owners Corporations Act 2006*. The committee of management has determined the owners corporation is not a reporting entity because there are no users dependent on its general purpose financial statements.

The financial report has been prepared in accordance with the significant accounting policies disclosed below, which the committee have determined are appropriate to meet the purposes of preparation. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial report has been prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

Accounting policies

(a) Revenue

When the owners corporation receives consideration, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both of these conditions are satisfied, the owners corporation:

- identifies each performance obligation
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time of which services are rendered.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the owners corporation:

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards (for example AASB 9, AASB 16, AASB 116 and AASB 138)
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

This policy applies to the owners corporation's material revenue streams as detailed below.

Body corporate and management fees

Revenue from body corporate and management fees is recognised over time as and when promised goods and services are transferred to members. Revenue is recognised over time as members simultaneously receive and consume benefits associated with being a member of the owners corporation.

Revenue from sale of goods

Revenue from the sale of goods is recognised at a point in time being when the promised goods or services are transferred to customers, which represents the same time the owners corporation receives consideration from customers.

Bendigo Village Owners Corporation SP 19874

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of significant accounting policies (continued)

(a) Revenue (continued)

Capital improvement fund revenue

Capital improvement fund revenue is recognised when members join the owners corporation after entering into a contract to purchase a property with the Bendigo Village Pty Ltd. Capital improvement fund revenue is generated through the sale of residential units in accordance with the sale contract type. Capital improvement revenue is recognised in the owners corporation related to the contract type and then transferred to the Bendigo Village Owners Corporation SP 19874 which pays for all capital improvement works in line with the requirements of the fund.

Capital improvement fund revenue is recognised as revenue upon receipt in accordance with AASB 1058 because the contract of sale does not specify which identifiable non-financial assets must be acquired or constructed. Instead, the contract states the fund must be used for items of major maintenance including but not limited to repairs, replacements, renovations, new equipment and furniture.

Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

(b) Income tax

As a body corporate, the principle of mutuality is applied and mutual income derived by the owners corporation is exempt from income tax. As such, no provision has been made in the financial statements for income tax expense or income tax payable.

(c) Goods and services tax

All revenue is stated net of the amount of Goods and Services Tax (GST). Expenses and assets are also recognised net of GST, except where the amount of GST incurred is not 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 expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(e) Trade and other receivables

Accounts receivable and other debtors include amounts due for body corporate fees. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

(f) Inventory

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis.

Bendigo Village Owners Corporation SP 19874

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of significant accounting policies (continued)

(g) Property, plant and equipment

Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by committee members to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, including capitalised lease assets, are depreciated on a straight-line or diminishing value basis over the asset's useful life commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets which are consistent with the prior year are:

Class of fixed asset	Depreciation rate
Plant and equipment	5 - 40%
Building improvements	2.5 - 20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

(h) Leases

The owners corporation as lessee

At inception of a contract, the owners corporation assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the owners corporation where the owners corporation is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets (ie fair value less than \$10,000) are recognised as an operating expense on a straight-line basis over the term of the lease.

When an individual purchases a unit from Bendigo Village Pty Ltd and becomes a member/resident of the owners corporation, the member and his/her invitees are granted a licence in common with all other residents and their invitees from Bendigo Village Pty Ltd. The licence allows such individuals to use and enjoy the administrative block and other parts of the retirement village which are owned by Bendigo Village Pty Ltd at no cost to the resident and their invitees throughout the time the member remains a resident of the village.

As access to such facilities is provided to residents at no cost, the licence may be considered a lease that has significantly below-market terms and conditions principally to enable the owners corporation to further its objectives (commonly known as peppercorn/concessionary leases). In this instance, the owners corporation has adopted temporary relief under AASB 2018-8 and measures the right-of-use assets at cost on initial recognition, being nil. The members of the owners corporation are dependent on this licence as it is used by the owners corporation to deliver services to members.

The owners corporation's other lease arrangements are limited to leases of low-value assets. The owners corporation's motor vehicles are financed under chattel mortgage arrangements which are recorded on the balance sheet as property, plant and equipment and borrowings. For the purposes of AASB 16, the owners corporation does not identify such arrangements as a lease.

Bendigo Village Owners Corporation SP 19874

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of significant accounting policies (continued)

(h) Leases (continued)

The owners corporation as lessor

Upon entering into each contract as a lessor, the owners corporation assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Rental income due under finance leases is recognised as receivables at the amount of the Owners Corporation's net investment in the leases.

(i) Financial instruments

The owners corporation's financial instruments consist mainly of deposits with banks, receivables, payables and borrowings.

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the owners corporation becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets are classified into amortised costs. The owners corporation does not utilise hedging instruments.

Classifications are determined by both:

- the owners corporation's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The owners corporation's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Bendigo Village Owners Corporation SP 19874

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of significant accounting policies (continued)

(i) Financial instruments (continued)

Impairment of financial assets

The owners corporation makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The owners corporation uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Classification and measurement of financial liabilities

The owners corporation's financial liabilities include trade and other payables and lease liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the owners corporation designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at fair value through profit or loss, which are carried at fair value with gains or losses recognised in profit or loss. The owners corporation does not utilise derivative financial instruments.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(j) Impairment of assets

At the end of each reporting period, the owners corporation assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the owners corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and when the owners corporation would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

(k) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the body corporate during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(l) Provisions

Provisions are recognised when the owners corporation has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Bendigo Village Owners Corporation SP 19874

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of significant accounting policies (continued)

(m) Employee provisions

Short-term employee benefits

Provision is made for the owners corporation's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The owners corporation's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the balance sheet.

Other long-term employee benefits

Provision is made for employees' annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements of obligations for other long-term employee benefits for changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The owners corporation's obligations for long-term employee benefits are presented as non-current provisions in its balance sheet.

(n) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the owners corporation retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third balance sheet as at the beginning of the preceding period, in addition to the minimum comparative financial statements, must be disclosed.

(o) Critical accounting estimates and judgements

Employee benefits

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related services. As the owners corporation expects that all of its employees would use all of their annual leave entitlements earned during a reporting period within 12 months after the end of the reporting period, the owners corporation believes that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

Provision for impairment of receivables

The owners corporation makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. The owners corporation uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Bendigo Village Owners Corporation SP 19874

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Summary of significant accounting policies (continued)

(o) Critical accounting estimates and judgements (continued)

The owners corporation assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The owners corporation does not consider the provision for expected credit losses to be material.

Useful lives of property, plant and equipment

The owners corporation reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Identifying performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/-type, cost/-value, quantity and the period of transfer related to the goods or services promised.

Determination and timing of revenue recognition under AASB 15

For each revenue stream, the owners corporation applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation.

Lease term and option to extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably going to be exercised is a key management judgement that the owners corporation will make.

Borrowing rate under AASB 16

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the owners corporation's incremental borrowing rate is used, being the rate the owners corporation would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

	2021	2020
	\$	\$
Note 2. Cash and cash equivalents		
<i>CURRENT</i>		
Petty cash	182	300
Cash at bank - operating account	7,597	15,422
Cash at bank - capital improvement fund	182,008	107,873
	<u>189,787</u>	<u>123,595</u>
Note 3. Trade and other receivables		
<i>CURRENT</i>		
Body corporate receivables	70,009	47,752
Other receivables	1,183	1,692
	<u>71,192</u>	<u>49,444</u>

Bendigo Village Owners Corporation SP 19874

Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021	2020
	\$	\$
Note 4. Inventories		
<i>CURRENT</i>		
Inventories at cost	10,633	12,036
Note 5. Prepayments		
<i>CURRENT</i>		
Prepayments	7,454	-
Note 6. Property, plant and equipment		
<i>NON-CURRENT</i>		
Plant and equipment		
At cost	406,010	392,215
Accumulated depreciation	(219,499)	(200,041)
	186,511	192,174
Building improvements		
At cost	173,623	174,668
Accumulated depreciation	(54,625)	(45,094)
	118,998	129,574
Motor vehicles		
At cost	90,204	90,204
Accumulated depreciation	(33,468)	(17,879)
	56,736	72,325
Total property, plant and equipment	362,245	394,073
Note 7. Trade and other payables		
<i>CURRENT</i>		
Trade creditors	42,741	9,322
Accrued expenses and other liabilities	13,052	4,218
Body corporate fees received in advance	23,554	3,859
PAYG payable	8,758	8,545
GST payable	2,200	80
	90,305	26,024

Bendigo Village Owners Corporation SP 19874

Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021	2020
	\$	\$
Note 8. Borrowings		
<i>CURRENT</i>		
Chattel mortgage - motor vehicles	14,320	11,940
<i>NON-CURRENT</i>		
Chattel mortgage - motor vehicles	54,256	70,165
Total borrowings	68,576	82,105
Note 9. Employee provisions		
<i>CURRENT</i>		
Provision for annual leave	7,350	12,162
<i>NON-CURRENT</i>		
Provision for long service leave	749	9,441
Total employee provisions	8,099	21,603
Note 10. Cash flow information		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Cash at bank and on hand	189,787	123,595
(b) Reconciliation of operating profit to net cash flows from operating activities		
Surplus after income tax expense	24,915	4,949
Non-cash flows in surplus / (deficit):		
- Depreciation	44,578	42,160
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(21,748)	25,670
- (Increase)/decrease in inventories	1,403	3,341
- (Increase)/decrease in other assets	(7,454)	6,716
- Increase/(decrease) in trade and other payables	64,281	(7,039)
- Increase/(decrease) in provisions	(13,504)	11,478
Cash flows from operations	92,471	87,275
Note 11. Profit from trading		
The profit from trading the post office and shop is as follows:		
Sales revenue	93,632	109,132
Cost of goods sold	(41,524)	(53,925)
Profit from trading	52,108	55,207

Bendigo Village Owners Corporation SP 19874

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 12. Capital commitments

There are no material capital expenditure commitments contracted for.

Note 13. Contingent liabilities and assets

The committee of management are not aware of any contingent liabilities or assets as at the date of signing this financial report.

Note 14. Events after the reporting period

Subsequent to year-end, the State Government has revised social isolation measures as appropriate based on the level of community transmission of the COVID-19 coronavirus, which included the reintroduction of isolation measures for regional Victoria. As an essential business, the owners corporation has continued to operate whilst complying with such isolation measures.

There have been no other events subsequent to the balance sheet date that have an impact that would require disclosure in the financial statements or notes there of.

Bendigo Village Owners Corporation SP 19874 Statement by Members of the Committee

The committee has determined that the owners corporation is not a reporting entity and that this special purpose financial report be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In the opinion of the committee the financial report:

1. Presents a true and fair view of the financial position of the Bendigo Village Owners Corporation SP 19874 as at 30 June 2021 and its performance for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that the Bendigo Village Owners Corporation SP 19874 will be able to pay its debts as and when they fall due.

Committee Member 

Committee Member 

Dated this 9th day of November 2021.

Independent auditor's report to the members of Bendigo Village Owners Corporation SP 19874

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Bendigo Village Owners Corporation SP 19874, being a special purpose financial report, is in accordance with the *Owners Corporations Act 2006*, including:

- i. giving a true and fair view of the Owners Corporation's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- ii. complying with the accounting policies described in Note 1 of the financial report.

What we have audited

Bendigo Village Owners Corporation SP 19874 (Owners Corporation) financial report comprises the:

- ✓ Balance Sheet as at 30 June 2021
- ✓ Income Statement for the year then ended
- ✓ Statement of cash flows for the year then ended
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The certification by members of the committee.

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

Basis of accounting and restriction on distribution

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist Bendigo Village Owners Corporation SP 19874 to meet the requirements of the *Owners Corporations Act 2006*. As a result, the financial report may not be suitable for another purpose.

Independence

We are independent of the Owners Corporation in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Committee' responsibility for the financial report

The committee of the Owners Corporation is responsible for the preparation of the financial report that gives a true and fair view in accordance with the accounting policies described in Note 1 of the financial report and the *Owners Corporations Act 2006*, and for such controls as the committee determines is necessary to enable preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the committee is responsible for assessing the Owners Corporation'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 committee either intend to liquidate the Owners Corporation or cease operations, or have no realistic alternative but to do so.

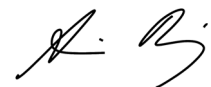
Auditor's responsibility for the audit of the financial report

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated this 9th day of November 2021



Adrian Downing
Lead Auditor

Bendigo Village Owners Corporation
SP PS 326216J

Financial Statements

For the Year Ended 30 June 2021

Bendigo Village Owners Corporation SP PS 326216J

30 June 2021

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Bendigo Village Owners Corporation SP PS 326216J

Income Statement

For the Year Ended 30 June 2021

	2021 \$	2020 \$
Revenue		
Body corporate and management fees	48,160	47,731
Other income	-	308
	48,160	48,039
Expenses		
Bank fees and charges	120	120
Management fees	45,464	47,509
	45,584	47,629
Surplus before income tax	2,576	410
Income tax expense	-	-
Surplus after income tax	2,576	410
Accumulated surplus/(deficit) at 1 July	210	(200)
Accumulated surplus at 30 June	2,786	210

Bendigo Village Owners Corporation SP PS 326216J

Balance Sheet

As at 30 June 2021

	2021	2020
	\$	\$
Current assets		
Cash at bank	1,211	1,238
Owners corporation receivables	1,705	-
Total current assets	2,916	1,238
Total assets	2,916	1,238
Current liabilities		
Prepaid body corporate fees	-	921
GST payable	130	107
Total current liabilities	130	1,028
Total liabilities	130	1,028
Net assets	2,786	210
Equity		
Retained earnings	2,786	210
Total equity	2,786	210

Bendigo Village Owners Corporation SP PS 326216J

Statement of Cash Flows

For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Cash received in course of operations		50,103	53,838
Cash paid in course of operations		(50,130)	(52,640)
Net cash provided by / (used in) operating activities	b.	(27)	1,198
Net increase / (decrease) in cash held		(27)	1,198
Cash and cash equivalents at the beginning of the financial year		1,238	40
Cash and cash equivalents at the end of the financial year	a.	1,211	1,238
a. Reconciliation of cash			
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:			
Cash at bank		1,211	1,238
b. Reconciliation of net cash flows from operating activities			
Surplus from ordinary activities after income tax		2,576	410
<i>Change in assets and liabilities:</i>			
(Increase)/decrease in owners corporation receivables		(1,705)	-
Increase/(decrease) in GST payable		23	67
Increase/(decrease) in prepaid body corporate fees		(921)	721
Net cash provided by/(used in) operating activities		(27)	1,198

Bendigo Village Owners Corporation SP PS 326216J

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Statement of accounting policies

This financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of the *Owners Corporations Act 2006*. The committee of management has determined the owners corporation is not a reporting entity.

The financial report has been prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

(a) Revenue

When the owners corporation receives consideration, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both of these conditions are satisfied, the owners corporation:

- identifies each performance obligation
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time of which services are rendered.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the owners corporation:

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards (for example AASB 9, AASB 16, AASB 116 and AASB 138)
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

This policy applies to the owners corporation's material revenue streams as detailed below.

Body corporate and management fees

Revenue from body corporate and management fees is recognised over time as and when promised goods and services are transferred to members. Revenue is recognised over time as members simultaneously receive and consume benefits associated with being a member of the owners corporation.

Capital improvement fund revenue

Capital improvement fund revenue is recognised when members join the Owners Corporation after entering into a contract to purchase a property with the Bendigo Village Pty Ltd. Capital improvement fund revenue is generated through the sale of residential units in accordance with the sale contract type. Capital improvement revenue is recognised in the owners corporation related to the contract type and then transferred to the Bendigo Village Owners Corporation SP 19874 which pays for all capital improvement works in line with the requirements of the fund.

Capital improvement fund revenue is recognised as revenue upon receipt in accordance with AASB 1058 because the contract of sale does not specify which identifiable non-financial assets must be acquired or constructed. Instead, the contract states the fund must be used for items of major maintenance including but not limited to repairs, replacements, renovations, new equipment and furniture.

Bendigo Village Owners Corporation SP PS 326216J

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Statement of accounting policies (continued)

(b) Income tax

As a body corporate, the principle of mutuality is applied and mutual income derived by the owners corporation is exempt from income tax. As such, no provision has been made in the financial statements for income tax.

(c) Goods and services tax (GST)

All revenue is stated net of the amount of Goods and Services Tax (GST). Expenses and assets are also recognised net of GST, except where the amount of GST incurred is not 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 expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(e) Trade and other receivables

Accounts receivable and other debtors include amounts due for body corporate fees. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

(f) Leases

The owners corporation as lessee

At inception of a contract, the owners corporation assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the owners corporation where the owners corporation is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets (ie fair value less than \$10,000) are recognised as an operating expense on a straight-line basis over the term of the lease.

When an individual purchases a unit from Bendigo Village Pty Ltd and becomes a member/resident of the owners corporation, the member and his/her invitees are granted a licence in common with all other residents and their invitees from Bendigo Village Pty Ltd. The licence allows such individuals to use and enjoy the administrative block and other parts of the retirement village which are owned by Bendigo Village Pty Ltd at no cost to the resident and their invitees throughout the time the member remains a resident of the village.

Bendigo Village Owners Corporation SP PS 326216J

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Statement of accounting policies (continued)

(f) Leases (continued)

As access to such facilities is provided to residents at no cost, the licence may be considered a lease that has significantly below-market terms and conditions principally to enable the owners corporation to further its objectives (commonly known as peppercorn/concessionary leases). In this instance, the owners corporation has adopted temporary relief under AASB 2018-8 and measures the right-of-use assets at cost on initial recognition, being nil. The members of the owners corporation are dependent on this licence as it is used by the owners corporation to deliver services to members.

The owners corporation's has no other lease arrangements that are captured under the scope of AASB 16.

(g) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the body corporate during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(h) Management fees

Management fees are charged to the entity as they are incurred for costs associated with processing and bookkeeping and other management services provided by Bendigo Village Owners Corporation SP 19874.

(i) Capital improvement fund

The owners corporation receives a capital improvement fee from each unit sale in the strata during the reporting period. These fees are remitted to the Owners Corporation Strata Plan 19874 as this entity is responsible for undertaking such improvements.

Note 2. Capital commitments

The owners corporation has no material capital expenditure commitments contracted for.

Note 3. Contingent liabilities and assets

The committee of management are not aware of any contingent liabilities or assets as at the date of signing this financial report.

Note 4. Events after the reporting period

Subsequent to year-end, the State Government has revised social isolation measures as appropriate based on the level of community transmission of the COVID-19 coronavirus, which included the reintroduction of isolation measures for regional Victoria. As an essential business, the owners corporation has continued to operate whilst complying with such isolation measures.

There have been no other events subsequent to the balance sheet date that have an impact that would require disclosure in the financial statements or notes there of.

Bendigo Village Owners Corporation SP PS 326216J Statement by Members of the Committee

The committee has determined that the Owners Corporation is not a reporting entity and that this special purpose financial report be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In the opinion of the committee the financial report:

1. Presents a true and fair view of the financial position of the Bendigo Village Owners Corporation SP PS 326216J as at 30 June 2021 and its performance for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that the Bendigo Village Owners Corporation SP PS 326216J will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the committee and is signed for and on behalf of the committee by:

Chairperson



Committee Member



Dated this

15th

day of

November,

2021.

Independent Auditor's Report to the Members of Bendigo Village Owners Corporation SP PS 326216J

Report on the audit of the financial statements

Our opinion

In our opinion:

The accompanying financial report of Bendigo Village Owners Corporation SP PS 326216J, being a special purpose financial report, is in accordance with the *Owners Corporations Act 2006*, including:

- i. giving a true and fair view of the Owners Corporation's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- ii. complying with the accounting policies described in Note 1 of the financial report.

What we have audited

Bendigo Village Owners Corporation SP PS 326216J (Owners Corporation) financial report comprises the:

- ✓ balance sheet as at 30 June 2021
- ✓ income statement for the year then ended
- ✓ statement of cash flows for the year then ended
- ✓ notes comprising a summary of significant accounting policies and other explanatory notes, and
- ✓ the certification by members of the committee that the annual statements give a true and fair view of the financial position of the Owners Corporation.

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

Basis of accounting and restriction on distribution

Without further modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist Bendigo Village Owners Corporation SP PS 326216J to meet the requirements of the *Owners Corporations Act 2006*. As a result, the financial report may not be suitable for another purpose.

Independence

We are independent of the Owners Corporation in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Committee's responsibility for the financial report

The committee of the Owners Corporation is responsible for the preparation of the financial report that gives a true and fair view in accordance with the accounting policies described in Note 1 of the financial report and the *Owners Corporations Act 2006*, and for such controls as the committee determines is necessary to enable preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the committee is responsible for assessing the Owners Corporation'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 committee either intend to liquidate the Owners Corporation or cease operations, or have no realistic alternative but to do so.

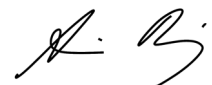
Auditor's responsibility for the audit of the financial report

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated this 15th day of November 2021



Adrian Downing
Lead Auditor

Bendigo Village Owners Corporation
SP 424277Q

Financial Statements

For the Year Ended 30 June 2021

Bendigo Village Owners Corporation SP 424277Q

30 June 2021

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Bendigo Village Owners Corporation SP 424277Q

Income Statement

For the Year Ended 30 June 2021

	2021	2020
	\$	\$
Revenue		
Body corporate and management fees	181,543	179,019
Capital improvement income	53,375	45,363
	234,918	224,382
Expenses		
Bank fees and charges	120	120
Capital improvement expenses	53,375	45,363
Management fees	180,143	190,520
	233,638	236,003
Surplus/(Deficit) before income tax	1,280	(11,621)
Income tax	-	-
Surplus/(Deficit) after income tax	1,280	(11,621)
Accumulated surplus at 1 July	599	12,220
Accumulated surplus at 30 June	1,879	599

Bendigo Village Owners Corporation SP 424277Q

Balance Sheet

As at 30 June 2021

	2021	2020
	\$	\$
Current assets		
Cash at bank	1,291	1,765
Owners corporation receivables	3,016	1,631
Other assets	16,156	116
Total current assets	20,463	3,512
Total assets	20,463	3,512
Current liabilities		
Body corporate fees received in advance	15,990	1,846
GST payable	1,149	1,067
Other liabilities	1,445	-
Total current liabilities	18,584	2,913
Total liabilities	18,584	2,913
Net assets	1,879	599
Equity		
Retained surplus	1,879	599
Total equity	1,879	599

Bendigo Village Owners Corporation SP 424277Q

Statement of Cash Flows

For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Cash received in course of operations		252,763	257,021
Cash paid in course of operations		(253,237)	(255,300)
Net cash provided by / (used in) operating activities	b.	(474)	1,721
Net increase / (decrease) in cash held		(474)	1,721
Cash and cash equivalents at the beginning of the financial year		1,765	44
Cash and cash equivalents at the end of the financial year	a.	1,291	1,765
a. Reconciliation of cash			
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:			
Cash at bank and in hand		1,291	1,765
b. Reconciliation of net cash flows from operating activities			
Deficit from ordinary activities		1,280	(11,621)
<i>Change in assets and liabilities:</i>			
(Increase)/decrease in owners corporation receivables		(1,385)	13,737
(Increase)/decrease in other assets		(16,040)	(116)
Increase/(decrease) in body corporate fees received in advance		14,144	(149)
Increase/(decrease) in GST payable		1,527	(130)
Net cash provided by/(used in) operating activities		(474)	1,721

Bendigo Village Owners Corporation SP 424277Q

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Statement of accounting policies

This financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of the *Owners Corporations Act 2006*. The committee of management has determined the owners corporation is not a reporting entity.

The financial report has been prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

(a) Revenue

When the owners corporation receives consideration, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both of these conditions are satisfied, the owners corporation:

- identifies each performance obligation
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time of which services are rendered.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the owners corporation:

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards (for example AASB 9, AASB 16, AASB 116 and AASB 138)
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

This policy applies to the owners corporation's material revenue streams as detailed below.

Body corporate and management fees

Revenue from body corporate and management fees is recognised over time as and when promised goods and services are transferred to members. Revenue is recognised over time as members simultaneously receive and consume benefits associated with being a member of the owners corporation.

Capital improvement fund revenue

Capital improvement fund revenue is recognised when members join the Owners Corporation after entering into a contract to purchase a property with the Bendigo Village Pty Ltd. Capital improvement fund revenue is generated through the sale of residential units in accordance with the sale contract type. Capital improvement revenue is recognised in the owners corporation related to the contract type and then transferred to the Bendigo Village Owners Corporation SP 19874 which pays for all capital improvement works in line with the requirements of the fund.

Capital improvement fund revenue is recognised as revenue upon receipt in accordance with AASB 1058 because the contract of sale does not specify which identifiable non-financial assets must be acquired or constructed. Instead, the contract states the fund must be used for items of major maintenance including but not limited to repairs, replacements, renovations, new equipment and furniture.

Bendigo Village Owners Corporation SP 424277Q

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Statement of accounting policies (continued)

(b) Income tax

As a body corporate, the principle of mutuality is applied and mutual income derived by the owners corporation is exempt from income tax. As such, no provision has been made in the financial statements for income tax expense or income tax payable.

(c) Goods and services tax (GST)

All revenue is stated net of the amount of Goods and Services Tax (GST). Expenses and assets are also recognised net of GST, except where the amount of GST incurred is not 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 expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(e) Trade and other receivables

Accounts receivable and other debtors include amounts due for body corporate fees. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

(f) Leases

The owners corporation as lessee

At inception of a contract, the owners corporation assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the owners corporation where the owners corporation is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets (ie fair value less than \$10,000) are recognised as an operating expense on a straight-line basis over the term of the lease.

When an individual purchases a unit from Bendigo Village Pty Ltd and becomes a member/resident of the owners corporation, the member and his/her invitees are granted a licence in common with all other residents and their invitees from Bendigo Village Pty Ltd. The licence allows such individuals to use and enjoy the administrative block and other parts of the retirement village which are owned by Bendigo Village Pty Ltd at no cost to the resident and their invitees throughout the time the member remains a resident of the village.

Bendigo Village Owners Corporation SP 424277Q

Notes to the Financial Statements

For the Year Ended 30 June 2021

Note 1. Statement of accounting policies (continued)

(f) Leases (continued)

As access to such facilities is provided to residents at no cost, the licence may be considered a lease that has significantly below-market terms and conditions principally to enable the owners corporation to further its objectives (commonly known as peppercorn/concessionary leases). In this instance, the owners corporation has adopted temporary relief under AASB 2018-8 and measures the right-of-use assets at cost on initial recognition, being nil. The members of the owners corporation are dependent on this licence as it is used by the owners corporation to deliver services to members.

The owners corporation has no other lease arrangements that are captured under the scope of AASB 16.

(g) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the body corporate during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(h) Management fees

Management fees are charged to the owners corporation as they are incurred for costs associated with processing and bookkeeping and other management services provided by Bendigo Village Owners Corporation SP 19874.

(i) Capital improvement fund

The owners corporation receives a capital improvement fee from each unit sale in the strata during the reporting period. These fees are remitted to the Owners Corporation Strata Plan 19874 as this entity is responsible for undertaking such improvements.

Note 2. Capital commitments

The owners corporation has no material capital expenditure commitments contracted for.

Note 3. Contingent liabilities and assets

The committee of management are not aware of any contingent liabilities or assets as at the date of signing this financial report.

Note 4. Events after the reporting period

Subsequent to year-end, the State Government has revised social isolation measures as appropriate based on the level of community transmission of the COVID-19 coronavirus, which included the reintroduction of isolation measures for regional Victoria. As an essential business, the owners corporation has continued to operate whilst complying with such isolation measures.

There have been no other events subsequent to the balance sheet date that have an impact that would require disclosure in the financial statements or notes there of.

Bendigo Village Owners Corporation SP 424277Q Statement by Members of the Committee


The committee has determined that the Owners Corporation is not a reporting entity and that this special purpose financial report be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In the opinion of the committee the financial report:

1. Presents a true and fair view of the financial position of the Bendigo Village Owners Corporation SP 424277Q as at 30 June 2021 and its performance for the year ended on that date.
2. At the date of this statement, there are reasonable grounds to believe that the Bendigo Village Owners Corporation SP 424277Q will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the committee and is signed for and on behalf of the committee by:

Committee Member



Committee Member



Dated this

9th

day of

November

2021.

Independent Auditor's Report to the Members of Bendigo Village Owners Corporation SP PS 424277Q

Report on the audit of the financial statements

Our opinion

In our opinion:

The accompanying financial report of Bendigo Village Owners Corporation SP PS 424277Q, being a special purpose financial report, is in accordance with the *Owners Corporations Act 2006*, including:

- i. giving a true and fair view of the Owners Corporation's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- ii. complying with the accounting policies described in Note 1 of the financial report.

What we have audited

Bendigo Village Owners Corporation SP PS 424277Q (the Owners Corporation) financial report comprises the:

- ✓ balance sheet as at 30 June 2021
- ✓ income statement for the year then ended
- ✓ cashflow statement for the year then ended
- ✓ notes comprising a summary of significant accounting policies and other explanatory notes, and
- ✓ the certification by members of the committee that the annual statements give a true and fair view of the financial position of the Owners Corporation.

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

Basis of accounting and restriction on distribution

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist Bendigo Village Owners Corporation SP PS 424277Q to meet the requirements of the *Owners Corporations Act 2006*. As a result, the financial report may not be suitable for another purpose.

Independence

We are independent of the Owners Corporation in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Committee's responsibility for the financial report

The committee of the Owners Corporation is responsible for the preparation of the financial report that gives a true and fair view in accordance with the accounting policies described in Note 1 of the financial report and the *Owners Corporations Act 2006* and for such controls as the committee determines is necessary to enable preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the committee is responsible for assessing the Owners Corporation'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 committee either intend to liquidate the Owners Corporation or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility 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.

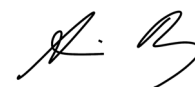
A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart

61 Bull Street, Bendigo, 3550

Dated this 9th day of November 2021



Adrian Downing
Lead Auditor

Bendigo Village Owners Corporation

Closing Report

30 June 2021

Confidential

Prepared for: Bendigo Village Owners Corporation
Prepared by: Adrian Downing - Andrew Frewin Stewart

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Executive summary

Purpose	The Closing Report summarises the results of our audit and communicates significant findings to those charged with governance. This document has been discussed with Management.
Scope	<p>We conducted our audit of the financial report of Bendigo Village Owners Corporation (BVOC) for the year ended 30 June 2021, which consists of the following:</p> <ul style="list-style-type: none">▪ Bendigo Village Owners Corporation SP 19874.▪ Bendigo Village Owners Corporation SP PS 326216J.▪ Bendigo Village Owners Corporation SP 424277Q. <p>We have also issued an audit opinion for the Bendigo Retirement Village Independent Living Units, which represents the consolidated financial statements of each of the three strata plan entities as noted above.</p> <p>Our audit was conducted in accordance with the terms of our Engagement Letter dated 30 June 2020 and with Australian Auditing Standards to provide reasonable assurance as to whether the Financial Report is free from material misstatement.</p>
Audit Status	We have substantially completed our audit of the Financial Report. Our audit was conducted in accordance with Australian Auditing Standards, <i>Owners Corporations Act 2006</i> and the <i>Retirement Villages Act 1986 (Vic)</i> for the year ended 30 June 2021.
Outstanding audit matters	<p>Our expected audit opinion is subject to us finalising our audit process.</p> <p>Key aspects still outstanding include:</p> <ul style="list-style-type: none">▪ receipt of 30 June 2022 Budget▪ receipt of signed Management Representation Letter▪ performing our subsequent events review▪ Committee's approval of financial statements.
Expected Audit Opinion	<p>Based on our audit, we expect to conclude that the Financial Report is presented fairly.</p> <p>We consequently expect to issue an unmodified audit opinion, a draft copy of which is set out in Appendix 1 Audit Report.</p>
Key Areas of Audit Focus	The risks of material misstatement we have identified and the procedures performed and results of those procedures are detailed in Section 1 Key Areas of Audit Focus .
Accounting Estimates	We have considered the use of accounting estimates and the disclosure relating to the use of significant judgement and estimate within the Financial Report. We conclude that significant estimates are materially correct and the key judgements and estimates including any underlying assumptions used in making those judgements or estimates are adequately disclosed within the Financial Report.
Management representation	<p>We have requested Management sign the Management Representation Letter when signing the Financial Report.</p> <p>A copy of the draft Management Representation Letter is set out in Appendix 2 Management Representation Letter.</p>

Summary of misstatements	<p>We identified material misstatements during our audit which we have brought to management’s attention. The requested adjustments have been accepted by management and recorded in the financial statements.</p> <p>Requested and proposed misstatements are detailed in Appendix 3 Summary of Misstatements.</p>
Independence	<p>We confirm we have complied with the ethical requirements regarding our independence as auditors of Bendigo Village Owners Corporation.</p>
Fraud	<p>We confirm that no matters have come to our attention that indicates material misstatement in the financial statements due to non-compliance with laws, regulation or fraudulent activity. Management have confirmed that they are unaware of any fraudulent activity.</p>

1. Key areas of audit focus

Our audit strategy identified a number of key business and audit risks. The following table summarises these risks, our audit procedures in relation to each and the results of our procedures.

1.1 Revenue

Audit procedures performed	Results of procedures
Trend based analytical review. Detailed testing on a sample basis. Predictive testing based on number of units multiplied at annual rate.	Detailed testing, on a sample basis was performed which involved vouching a sample of transactions to the bank statement. Predictive testing was also performed for owners' corporation fee revenue, which involved multiplying the monthly charge by the number of units and comparing this to the trial balance. We found that revenue from such sources were in line with expectations. Based on the above audit procedures, we are satisfied that revenue is not materially misstated.

1.2 Employee benefits

Audit procedures performed	Results of procedures
Analytical review. Recalculation of employee benefits liabilities. Detailed testing of individual balances on a sample basis. Detailed review of other provisions.	During the course of our audit procedures, we performed analytical review of material employee benefit balance movements. Employee provisions had not been reconciled by Management, causing such liabilities to be overstated. An immaterial adjustment was recorded at 30 June 2021. We are satisfied employee provisions are not materially misstated as at 30 June 2021.

1.3 Capital improvement fund


Audit procedures performed	Results of procedures
<p>Analytical review.</p> <p>Substantive testing of deposits/withdrawals from the fund.</p> <p>Observation and enquiry of processes to improve transparency.</p>	<p>During the course of our audit procedures, we performed analytical review which identified the capital improvement fund (CIF) increased materially from the prior year. The increase in the fund was attributable to the receipt of \$109k in contributions, before being offset by \$36k in expenditure.</p> <p>We performed substantive testing of deposits/withdrawals from the fund, which involved:</p> <ul style="list-style-type: none"> ▪ testing deposits to the bank statement, on a sample basis ▪ testing withdrawals to a tax invoice, on a sample basis. <p>We noted that all CIF expenditure was recorded as an expense during FY21, despite some expenditure relating to improvements. Whilst this treatment may be appropriate for major repairs, where an improvement has been made, such costs should be capitalised and depreciated over the useful life as opposed to being expensed in full.</p> <p>We were satisfied such capital items were not considered material to the financial statements and as such an audit adjustment was not performed. Earlier this year we attended the FY20 annual general meeting. At this meeting some residents raised the following concerns:</p> <ul style="list-style-type: none"> ▪ Lack of communication with residents. ▪ Opportunity for greater transparency regarding the use of the fund. ▪ There are inconsistent expectations for what purposes the fund may be used for. <p>With reference to Consumer Affairs Victoria’s (CAV) ‘Retirement villages: good practice to address key issues’ report, through observation and enquiry, we identified opportunities for management to improve transparency, communication and the management of resident expectations by implementing the following:</p> <ul style="list-style-type: none"> ▪ Include clear definitions and illustrative examples of CIF’s and monthly service charge categories, explaining who pays for items in each category. ▪ Consult with residents or the Owners Corporation Committee on difficult to categorise items. ▪ For significant works, explain the process involved in awarding the contract to demonstrate all available options have been considered. <p>Our testing procedures have not identified any material audit issues with respect to how the funds have been accounted for, however there is opportunity to align existing processes to CAV’s better practice guidelines.</p> <p>It is important Management is transparent, but keeps any such communication high level and easy to understand, without adding unnecessary detail that confuses residents. There may be an opportunity for the owner’s corporation to hold a workshop with residents to improve CIF transparency and understanding, whilst reducing the likelihood of resident concerns being raised in the future.</p>




2. Detailed findings


2.1 Areas of strength


We convey our thanks and appreciation to the team at BVOC for their assistance and co-operation during the course of our audit.


2.2 Findings

Item no. and risk rating	Finding	Risk and recommendation	Management action plan, responsibility and action date
<p>1 Moderate</p> 	<p>Capital improvement fund transparency: During the FY20 annual general meeting residents raised concerns over whether CIF's were being used appropriately by the Village Manager.</p> <p>Whilst no accounting issues were identified during our audit, such concerns suggest the following issues may exist:</p> <ul style="list-style-type: none"> ▪ there may be a lack of communication with residents ▪ there could be greater transparency regarding the use of the fund ▪ residents may have inconsistent expectations with respect to the use of the CIF. <p>Consumer Affairs Victoria's (CAV) 'Retirement villages: good practice to address key issues' report includes a range of key recommendations to address such issues.</p>	<p>Risk: Residents may be on fixed incomes and therefore how the membership/service fees and capital improvement fund is used is likely to be incredibly important. Furthermore, residents may be unfamiliar with what their contracts say about such matters, meaning residents may rely on their own understanding or expectation about what the service charge versus capital improvement fund covers. Should a dispute arise, the matter may be referred to the Dispute Settlement Centre of Victoria (DSCV), who will consider if CAV's protocols have been applied.</p> <p>Recommendation: We recommend BVOC document a Communication Policy and Capital Improvement Fund Policy with reference to CAV's better practice guidelines.</p> <p>We recommend the Village Manager communicates the requirements of each policy to residents in person and in writing, and provides residents with the opportunity to review and respond to Management with any questions or concerns.</p> <p>We believe this will ensure the information needs of residents are satisfied, improving communication/transparency and reducing the likelihood of disputes and frustration.</p>	<p>Recommendation accepted: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>Responsible Officer: Manager</p> <p>Implementation date: 01/07/2021</p> <p>Comment and action plan: The recording methodology in MYOB is now much more detailed and the CIF is allocated to unit blocks and garages – as well as common property. Therefore, reports can be run at a click of a button and if further detail is required, that can be demonstrated too. Hence, the transparency issue re CIF is resolved. The future capital works programme is complete in principle, and awaiting Board approval.</p>

Item no. and risk rating	Finding	Risk and recommendation	Management action plan, responsibility and action date
<p>2 Minor</p> 	<p>Working capital: At 30 June 2021, with reference to the consolidated financial statements, current assets of \$285k exceed current liabilities of \$113k.</p> <p>Whilst this indicates the consolidated group records a strong position and has sufficient resources, we note \$182k of current assets actually relates to capital improvement fund expenditure which is committed and cannot be used to fund operating costs.</p> <p>This suggests the group effectively has a working capital deficiency of \$69k. To meet its obligations, the group effectively relies on the receipt of ongoing cash flows (i.e. management fees received on 1 July) to pay debts incurred at 30 June.</p>	<p>Risk: A working capital deficiency at 30 June 2021 means the group does not have sufficient resources to pay all liabilities at a point in time, rather it is reliant on future cash flows to settle such liabilities.</p> <p>Recommendation: We recommend the group implements a strategy to improve the working capital position. We suggest the group should ensure its current assets (excluding committed capital improvement funds) exceed its current liabilities at any point in time.</p>	<p>Recommendation accepted: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>Responsible Officer: General Manager</p> <p>Implementation date: TBA</p> <p>Comment and action plan: Since commencement at BRV I have queried the lack of fee increases and highlighted the fact that under the RV Act, the average increase of some 1.4% pa is far short of the increase in expenses. My proposed budget has substantiated my findings and though cuts to expenses have been affected wherever possible, there are many items yet to be approved by the Board, including the Budget for this financial year.</p>
<p>3 Minor</p> 	<p>Financial reporting requirements: The Bendigo Village Owners Corporation prepares four separate sets of financial statements for the following:</p> <ul style="list-style-type: none"> ▪ SP 19874 (single entity). ▪ SP 326216J (single entity). ▪ SP 424277Q (single entity). ▪ Independent Living Units (consolidated group). <p>The financial statements for each individual entity are prepared to meet the requirements of the <i>Owners Corporation Act 2006</i>. The consolidated financial statements are prepared to meet the requirements of the <i>Retirement Villages Act 1986</i>.</p>	<p>Risk: The process of preparing and auditing four sets of financial statements is time consuming and costly. Furthermore, providing 60+ pages of financial information to residents may be confusing and overwhelming.</p> <p>Recommendation: We recommend the owner's corporation obtain advice to determine whether a single set of consolidated financial statements could be prepared to meet all reporting requirements. The consolidated financial statements could include a note detailing the income, expenses, assets, liabilities and equity held by each individual entity. This would reduce the current level of duplication.</p>	<p>Recommendation accepted: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>Responsible Officer: General Manager</p> <p>Implementation date: 01/07/2022</p> <p>Comment and action plan: I suggested consolidating the MYOB files into one to the General Manager commencing 1st July this year – using the category function of the software to identify the 3 OC's. My request was immediately dismissed however, as my preference to consolidate coincides with AFS, I do hope that this can be achieved for the next financial year.</p>
<p>4 Minor</p> 	<p>Stocktake of depreciation schedule: During our audit the Village Manager suggested some assets listed on the depreciation schedule may no longer exist and should be disposed of.</p> <p>The written down value of such assets is considered immaterial therefore no further investigation was required.</p>	<p>Risk: Property, plant and equipment recorded by each entity may be overstated.</p> <p>Recommendation: We recommend Management perform a stocktake of the depreciation schedule and arrange for any necessary disposals to be recorded and adjusted for in MYOB.</p>	<p>Recommendation accepted: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>Responsible Officer: Manager</p> <p>Implementation date: During the 2021/2022 Financial Year.</p> <p>Comment and action plan: To complete a plant & equipment audit.</p>

Item no. and risk rating	Finding	Risk and recommendation	Management action plan, responsibility and action date
<p>5 Minor</p> 	<p>GST treatment: During our audit of prepaid owners corporation fees we noted SP 19874 and SP 424277Q recognised a liability for moving support packages received but not yet utilised by residents (i.e. fees received in advance).</p> <p>Among other things, the moving support package has been recorded by Management as a liability and is being reduced over time as and when each eligible resident incurs an owner's corporation membership fee.</p> <p>When derecognising the prepaid income liability and recognising revenue, we noted the GST inclusive figure is recognised as revenue, causing the liability to be understated and revenue to be overstated.</p> <p>We recalculated the liability and noted the impact on GST was not considered material to the audit.</p>	<p>Risk: Incorrect allocation of GST results in revenue and GST payable being understated at year end.</p> <p>Recommendation: We recommend Management review the treatment of GST when recognising prepaid income as revenue ensuring that all appropriate GST amounts collected are remitted to the ATO as a priority. We recommend any necessary adjustments are recorded on 1 July 2021.</p>	<p>Recommendation accepted: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>Responsible Officer: Manager</p> <p>Implementation date: 01/04/2021</p> <p>Comment and action plan: The management of prepaid revenue was discussed at length with AFS who have approved the cash flow methodology. If this has changed, please notify management ASAP.</p>

Item no. and risk rating	Finding	Risk and recommendation	Management action plan, responsibility and action date
<p>6 Minor</p> 	<p>Reconciliation of prepaid owner's corporation fees: During FY21 the owner's corporation provided new residents with a moving support package, whereby such residents would receive a promotional credit of \$10,000 on settlement that was to be used to offset future membership fees and/or removalist costs.</p> <p>At 30 June 2021, SP 424277Q recognised a prepaid income liability, being the value of the promotion less membership fees and removalist costs applied against the credit. This liability reflected the amount SP 424277Q owed to each applicable resident should the credit note wish to be utilised. No issues were noted with respect to this liability.</p> <p>However the cash received was subsequently remitted to SP 19874 before the benefits were realised. SP 19874 recognised such funds as a prepaid income liability for the same balance, however SP 19874 had no present obligation to pay the SP 424277Q residents, rather it had a present obligation to return the funds to SP 424277Q if requested.</p> <p>Whilst we were satisfied with the liability recognised by SP 19874, we noted a corresponding receivable had not been recognised by SP 424277Q at 30 June 2021. This caused SP 424277Q to record a material net liability position at 30 June 2021. We requested an adjustment to recognise a receivable in SP 424277Q to reconcile to the liability recorded in SP 19874.</p>	<p>Risk: Accounting for inter-entity transactions is complicated. It is important such entries are accounted for consistently to ensure they can be eliminated upon consolidation. Where one strata plan owes money to another, we expect the other entity would record a receivable.</p> <p>Recommendation: We recommend the owner's corporation ensure inter-entity transactions and balances are accounted for consistently.</p> <p>Where one strata plan owes money to another strata plan and thus recognises a liability, we recommend the owner's corporation ensure a corresponding receivable is recognised.</p>	<p>Recommendation accepted: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>Responsible Officer: Manager</p> <p>Implementation date: 01/07/2021</p> <p>Comment and action plan: Any available cash flow is currently transferred to OC 19874 as management fee with the applicable GST allocated. The GST in the source OC is dealt with as the invoices are raised. It would be great to ensure this traditional management fee transfer of funds is correct and sustainable moving forward.</p>

Item no. and risk rating	Finding	Risk and recommendation	Management action plan, responsibility and action date
<p>7 Minor</p> 	<p>Summarised profit and loss statement: SP 19874, SP 424277Q and SP PS 326216J have historically included a detailed profit and loss statement in the financial statements.</p> <p>This is in contrast to the Bendigo Retirement Village Independent Living Units' consolidated profit and loss statement, which presents income and expenses on an aggregated basis, whereby such income/expenses are aggregated based on their nature.</p> <p>During the year ended 30 June 2021 we understand the Village Manager recorded changes to the owners corporation's chart of accounts. This involved create new or renaming existing ledger accounts.</p> <p>Where new accounts are created and transactions are allocated differently from prior years, this gives rise to a difference on an individual account level, despite the fact that the aggregated expense is consistent with the prior year.</p>	<p>Risk: Detailed profit and loss statements are more susceptible to account allocation issues which may cause confusion to residents.</p> <p>Recommendation: In future reporting periods, we recommend the profit and loss statement for individual strata plans is presented on an aggregated level by nature of the transaction as opposed to presented detailed line items for each account balance recorded in MYOB.</p> <p>We believe this will provide residents with more comparable and useful information. Should residents require further details or information as to what individual expenses have been included in each total, we recommend the Village Manager supply residents with a detailed profit and loss statement from the accounting system.</p>	<p>Recommendation accepted: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>Responsible Officer: Manager</p> <p>Implementation date: 01/07/2021</p> <p>Comment and action plan: As I commenced the accounts for the OC's, I noticed many inconsistent allocations due to the confusing account structure. In order to maintain consistency, I renamed and restructured the accounts to increase understanding and consistency. There were issues that were not correctly represented due to the inexperience of shop staff and lack of processes and procedures. Sadly, the instruction from the General Manager NOT to consolidate the accounts continues to make these processes confusing and unnecessarily complicated.</p>

The criteria we consider for our risk ratings is included in **Appendix 4**.





Findings fall into the following categories:





- deficiencies in internal controls
- deficiencies in financial reporting
- opportunities for business improvement






An explanation of each findings category is in **Appendix 4**.

3. Status of previous findings

The table below summarises the findings (excluding business improvement opportunities) arising from our prior year audit.

Risk rating	Previous recommendation	AFS comment	Status
Minor 	Prepaid expenses: We recommend Management ensure prepaid expenses are reconciled at balance date.	We noted Management had recognised prepaid expenses as at 30 June 2021. As prepaid expenses were not considered material no further procedures were performed.	Closed
Minor 	Retained earnings – opening balances: We recommend Management ensure the MYOB file is reconciled to the audited financial statements and then locked subsequent to the audit adjustments being posted.	Retained earnings did not balance at 30 June 2021. This was due to two minor issues: <ul style="list-style-type: none"> An adjustment was incorrectly recorded to retained earnings to reconcile a float balance. Accidental changes were made to the audited figures. <p>The cumulative impact of such changes was considered trivial, however in the preparation of the financial statements a minor adjustment was requested.</p>	No progress
Minor 	Annual leave provision: We recommend Management reconcile the provision for annual leave at year end.	We recalculated the provision for annual leave at 30 June 2021 and identified an immaterial variance. We consider this recommendation closed.	Closed
Moderate 	Approval of commission According to a signed agreement between the Village Manager and the directors of Bendigo Village Pty Ltd, the Village Manager ceased employment with SP 19874 on 1 July 2016. As such we do not expect commission payments to be paid to the Village Manager from SP 19874. During the year ended 30 June 2018 the SP 19874 remitted \$6,000 in gross commission to the Village Manager. We understand this commission related to unit sales for the period 1 July 2017 to 30 September 2017. However Bendigo Village Pty Ltd's Accountant has advised us that they also paid the Village Manager \$6,000 in gross commission for sales made during this period. It therefore appears the Village Manager has been paid in duplication, with \$6,000 being owed by the Village Manager to SP 19874. At 30 June 2019 we understand approximately \$1,692 of overpayments remain outstanding. We recommended BVOC obtain such funds from Bendigo Village Pty Ltd.	\$1,692 in wage over payments remain owed to SP 19874 from Bendigo Village Pty Ltd. We recommend payment is requested promptly.	No progress

Risk rating	Previous recommendation	AFS comment	Status
Moderate 	Control deficiencies We recommend BVOC perform an internal review of their revenue, purchase to pay and payroll processes. We also recommended BVOC improve their attitude towards internal controls.	Following a change in Village Manager we understand a review of internal procedures has been performed with respect to revenue, purchase to pay and payroll processes. Once such changes and improvements have been implemented we will document our understanding of such changes in the control environment.	In progress
Moderate 	Decrease in gross profit margins We recommended BVOC perform an internal control review over the revenue and inventory processes to ensure internal controls are adequate and enable the preparation of a financial report that is materially correct.	We identified a significant improvement in the gross profit margins. The current gross profit margin is in line with our expectation of approximately 50%.	Closed
Minor 	Reconciliation of GST We identified a material variance between the Business Activity Statements lodged and the GST Collected and GST Paid recorded in the general ledger during the reporting period. This was due to Management expensing the Goods and Services Tax and Pay As You Go Withholding payments during the year rather than reducing the payments from the relevant liability accounts. Adjustments were required to correct these transactions. In addition, we identified an immaterial GST discrepancy at 30 June 2018 which was due to various transactions not being recorded correctly for GST purposes. Where GST is not being accurately claimed and lodged this will result in non-compliance with the <i>A New Tax System (Goods and Services Tax) Act 1999</i> . We recommended BVOC ensure GST and PAYG are remitted correctly in future reporting periods. We also recommended management ensure GST discrepancies are investigated and actioned. To reduce the likelihood of discrepancies between the general ledger and the BAS, we recommend BVOC consider locking the MYOB file once the BAS has been prepared and lodged.	We identified a minor variance of approximately \$700 between the GST balance recorded in the trial balance to the June BAS. This was not considered material and therefore no further investigation was performed.	No progress
Minor 	Debit creditor balances We recommended BVOC review these accounts and reconcile the balances to identify if there have been any overpayments.	We identified a number of creditors with debit balances at 30 June 2021.	No progress

Risk rating	Previous recommendation	AFS comment	Status
Minor 	PAYG We recommended Management perform a reconciliation of the General Ledger against the BAS subsequent to year-end.	<p>A reconciliation of the 30 June 2021 PAYG liability had not been performed. We identified a \$6,044 variance between tax withheld for the month of June 2021 and the trial balance.</p> <p>As noted in the previous year, this appears to relate to a historical PAYG reconciliation issue whereby PAYG instalments were allocated to the GST liability instead of the PAYG liability.</p> <p>As the variance was not considered material no further investigation was performed.</p>	No progress
Minor 	Owners Corporation requirements We recommended Management add the useful life of the items once repaired to the ten year plan to ensure compliance.	<p>We are yet to review the latest ten year plan and request a status update from Management.</p>	In progress
Minor 	Fencing works Although the current expenditure on the fencing works is considered immaterial to the financial statements, we note that expected total costs are approximately \$20,000 and therefore recommend that Management capitalise these costs moving forward. We recorded an adjustment to capitalise costs incurred to date up until 30 June 2019.	<p>A number of capital items were expensed during FY21 which we consider to be capital in nature. This means such costs should be capitalised and depreciated over their useful life as opposed to being expensed in full.</p> <p>In our key findings we have recommended BVOC document an asset capitalisation policy to determine when such purchases are required to be expensed in full or capitalised and depreciated over their useful life.</p>	No progress
Minor 	Inventory balances We recommended BVOC account for the movement in inventory balances for the Shop and Post Office prior to the commencement of the year-end audit.	<p>Inventory balances per the trial balance were not reconciled to the stock listing per the stocktake performed at year end. In addition, Management were unable to obtain a stock listing for the Australia Post inventory at 30 June 2021.</p> <p>There is a risk inventory may be misstated. As inventory is not considered material no further investigation was performed, however we expect inventory will be reconciled in future reporting periods.</p> <p>Management were also unable to provide a stock listing to support the Australia Post balance recorded.</p>	No progress
Minor 	Income in advance We recommended BVOC ensure income in advance is recognised by BVOC's accounting function as part of the year-end preparation process.	<p>Management had recorded the necessary adjustments to income in advance at 30 June 2021 and as such no adjustments were required as part of our audit.</p> <p>However we noted a reconciliation of prepaid amounts had not been prepared, making it difficult for us to reconcile the closing liability balance to supporting documentation.</p>	In progress

4. Audit preparedness assessment

An efficient and effective audit process relies on the information and documentation we request being received in a timely manner and of high quality. We have assessed the preparedness of your staff for our final audit based on the timeliness and quality of information received.

4.1 Timeliness

Prior to our audit visit we provided a requirements list to management, with the expectation that information would be provided before or on the first day of our visit at the latest.

Our rating	Timeliness of information provision assessment
Effective	All information was received in the agreed timeframes

4.2 Quality

We expect that documentation has been reviewed by management prior to being provided to us and that it is complete, accurate and easily understood.

Our rating	Quality of information provision assessment
Mostly effective	Documentation provided to us was mostly complete, accurate and easily understood. However there is opportunity to ensure reconciliations are prepared for all accounts prior to the commencement of our audit.

4.3 Impact on the audit

We found the documentation provided to be timely and of mostly effective quality. As a result the audit process was efficient.

Timely financial reporting is a critical element of accountability to stakeholders and enables informed decision making. The later reports are produced and published after year end, the less useful they are. Having quality information available in a timely manner assists with an efficient and effective audit process.

4.4 Feedback to auditors

We request Management provide us with feedback following the completion of our audit so that we can continuously improve our service offering to you:

Management's feedback	Our planned response
<p>I look forward to consolidating the MYOB data files so that processes in the future can be much less complicated. There are many inherited balances that I would like to rectify with AFS by the end of this financial year to ensure compliance and accuracy for the future. The workload is currently not manageable by one person which means the accounts are often lagging behind. Constant criticism is directed to the manager even though the workload demands a constant 20 to 40 hours extra per week by the manager. Decisions on the budget, income strains, service levels and expenses must be made without further delay. The budget must allow for more office staff in order to achieve the effective management of a village of this size and in this state of repair.</p>	<p>We appreciate management's co-operation and assistance throughout the audit process and look forward to a further streamlined audit in future reporting periods.</p> <p>Whilst we are unable to assist with the budgeting/resourcing constraints mentioned, it is important management discuss any concerns with the Board to achieve a mutually beneficial outcome.</p>

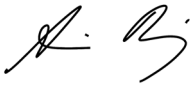
5. Specific matters to be reported to those charged with Governance

Independence and Ethics	The Partner and staff on the Entity's audit engagement team for the year ended 30 June 2021 have confirmed their independence. This includes compliance with the ethical requirements of <i>APES 110 Code of Ethics for Professional Accountants</i> and the independence requirements of any applicable legislation.
Non-Audit Services	We performed the following non-audit services during the year ended 30 June 2021: <ul style="list-style-type: none"> ▪ preparation of Financial Statements ▪ preparation of the Depreciation Schedule.
Audit considerations in relation to fraud	<p>Under <i>Australian Auditing Standard ASA 240 The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report</i>, the auditor is responsible for planning and performing the audit to obtain reasonable assurance about whether the Financial Report is free from material misstatement as a result of fraud or error.</p> <p>The committee members have the responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the Financial Report.</p> <p>While our audit work during the year was not primarily directed towards the detection of fraud, as part of our audit procedures, we considered the following:</p> <ul style="list-style-type: none"> ▪ likelihood of material misstatement arising from fraudulent financial reporting or omissions of amounts or disclosures designed to deceive financial report users and ▪ likelihood of material misstatements arising from misappropriation of assets involving theft and embezzlement of assets. <p>As a result of the above procedures we have not become aware of any instances of fraud or non-compliance with legislative, regulatory or contractual requirements.</p>
Upcoming Financial Reporting Changes	Financial reporting changes which will impact future periods are summarised in Appendix 5 Upcoming Financial Reporting Changes .
Other matters	Apart from issues raised in Section 2 Detailed Findings , we confirm that: <ul style="list-style-type: none"> ▪ we noted no errors or irregularities that would cause the Financial Report to contain a material misstatement, and noted no apparent illegal acts ▪ there were no difficulties encountered dealing with Management relating to performance of the audit ▪ the accounting policies selected by the Entity are appropriate to the particular circumstances of the Entity ▪ there are no financial report disclosures that we wish to bring to your attention ▪ we are not aware of any significant unusual transactions in controversial or emerging areas for which there is a lack of authoritative accounting guidance or consensus ▪ we are not aware of any material inconsistencies or material misstatements of fact in information accompanying the financial report ▪ we are not aware of any significant matters arising during the audit in connection with the Entity's related parties ▪ we have had no differences of opinion with Management about significant auditing, accounting or disclosure matters.

We thank your team for their assistance and co-operation during our audit.

Please contact Lachlan Tatt or me if you have any questions.

Yours sincerely

A handwritten signature in black ink, consisting of two distinct parts. The first part is a stylized 'A' followed by a dot, and the second part is a stylized 'B' followed by a dot. The signature is written in a cursive, fluid style.

Adrian Downing
Andrew Frewin Stewart

Appendix 1 – Independent Auditor’s Report

Attached as a separate file.

Appendix 2 – Management Representation Letter

Attached as a separate file.

Appendix 3 – Summary of misstatements

Materiality

Final materiality for each of the Strata Plans was set as follows:

Entity	Benchmark	Final Materiality \$
SP 19874	3.5% of gross expenditure	28,196
SP 424227Q	3.5% of gross expenditure	8,177
SP 326216J	4% of gross expenditure	1,823

We considered qualitative and quantitative factors when determining materiality, and may have determined specific materiality levels less than overall materiality for one or more classes of transactions, account balances or disclosures when misstatements of lesser amounts could be reasonably expected to influence readers of the financial report.

We designed our audit procedures to detect misstatements at levels lower than materiality to reduce the probability that the aggregate of uncorrected and/or undetected misstatements were material. This amount is referred to as performance materiality. Where misstatements of less than 5% of materiality were detected these were deemed to be clearly trivial and were therefore not recorded as an uncorrected misstatement.

Corrected misstatements

During our audit we identified the following material misstatements which were adjusted by management:

SP 19874:

Account	Effect on Net Assets DR (CR) \$	Effect on Profit DR (CR) \$	Narrative
Depreciation expense		44,578	To record depreciation expense for the year ended 30 June 2021.
Accumulated depreciation	(44,578)		
	(44,578)	44,578	

SP 424227Q:

Account	Effect on Net Assets DR (CR) \$	Effect on Profit DR (CR) \$	Narrative
Other debtor	15,990		To reconcile owner's corporation fees paid to SP 19874 in advance of such benefits being provided to residents. This adjustment reconciled the receivable in SP 424277Q to the liability recognised in SP 19874 for residents within this strata plan.
Owners corporation fees paid		(15,990)	
	15,990	(15,990)	

During our audit we identified the following immaterial misstatements which were adjusted by management:

SP 19874:

Account	Effect on Net Assets DR (CR) \$	Effect on Profit DR (CR) \$	Narrative
Retained earnings	(14)		To reconcile retained earnings at 1 July 2021.
Other income		14	
Other expenses		2,136	To reconcile accrued expenses at 30 June 2021.
Accrued expenses	(2,136)		
Provision for long service leave	8,692		To reconcile provision for long service leave at 30 June 2021.
Salaries & wages		(8,692)	
Income in advance	3,859		To reconcile prepaid owners corporation fees at 30 June 2021.
Owners Corporation fees		(3,859)	
Cost of goods sold		1,404	To reconcile shop inventory at 30 June 2021.
Inventory	(1,404)		
	8,997	(8,997)	Immaterial

SP 424227Q:

Account	Effect on Net Assets DR (CR) \$	Effect on Profit DR (CR) \$	Narrative
Owners Corporation fees		16	To reconcile prepaid owners corporation fees at 30 June 2021.
Income in advance	(16)		
	(16)	16	Immaterial

SP 326216J:

Account	Effect on Net Assets DR (CR) \$	Effect on Profit DR (CR) \$	Narrative
Income in advance	921		To reconcile prepaid owners corporation fees at 30 June 2021.
Owners Corporation fees		(921)	
	921	(921)	Immaterial

Uncorrected misstatements

During our audit we identified differences which have not been adjusted by management.

These differences have been discussed with management. Under Auditing Standard *ASA 450 Evaluation of Misstatements Identified during the Audit* we are obliged to request that management correct those misstatements.

Management advised that in their opinion those differences are not material in either size or nature to the financial report. Those differences have therefore not been adjusted in the draft financial report. We agree with management's assessment that these unadjusted differences are not material.





SP 19874:

Account Name	Effect on Net Assets DR (CR) \$	Effect on Profit DR (CR) \$	Narrative
Plant, property & equipment Capital improvement fund expenditure	12,062	(12,062)	To capitalise building improvements incorrectly expensed at 30 June 2021.
	12,062	(12,062)	Immaterial

SP 424227Q:

Account Name	Effect on Net Assets DR (CR) \$	Effect on Profit DR (CR) \$	Narrative
Owners corporation fees Accounts receivable	(549)	549	To reconcile accounts receivable at 30 June 2021.
	(549)	549	Immaterial

Appendix 4 – Risk rating methodology

Risk rating	Definition of audit risk ratings
	Major risk exposure High likelihood and/or consequence. Required immediate attention.
	Moderate risk exposure Medium likelihood and/or consequence. Requires attention over time.
	Minor risk exposure Low likelihood and/or consequence. Attention at management discretion.
	Opportunity An opportunity to gain an efficiency or saving exists.

Our ratings are designed for simple communication of our understanding of the matter and potential impact on your organisation.

Deficiencies in internal controls

As part of our audit we assess the design and implementation of internal controls relevant to your financial reporting. Where we identify controls we intend to rely on, we test how effective they are at operating.

Ineffective internal controls make it more difficult for management to achieve objectives, comply with relevant legislation and increases the risk of fraud and error in the financial report.

If we assess your internal controls as not being well designed, not operating as intended or missing, we communicate this to you via the interim management letter or closing report. As part of this communication we include our assessment of the significance of the finding, recommended actions, a management comment and implementation date.

Deficiencies in financial reporting

As part of our audit, we may identify weaknesses in management's approach to financial reporting. This may include, but is not limited to, non-compliance with Australian Accounting Standards or other reporting frameworks. If we identify these types of weaknesses, we report them to you.

Business improvement opportunities and other matters

While conducting our audit, we may identify opportunities for improving the efficiency and effectiveness of your processes or controls. We may also identify better practice situations which we would like to share with you. These are included in this category.

Tracking unresolved matters

We included the status of any unresolved prior period matters in each subsequent report to ensure all deficiencies and management action responses are tracked until the item is closed. Business improvement opportunities will not be tracked given their nature.

Taxation

Business Services

Community Banking

Audit

Share Registry

Your partners
in success



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