

ORANGE REGIONAL CONSERVATORIUM INC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020**



ORANGE REGIONAL CONSERVATORIUM INC.

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FOR THE YEAR ENDED
31 DECEMBER 2020**

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ORANGE REGIONAL CONSERVATORIUM INC.

STATEMENT OF PROFIT or LOSS and OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Revenue	2	730,418	821,799
Other income	2	1,254,465	456,888
Employee benefits expense	3	(1,346,229)	(1,083,063)
Concert and workshop expenses		(12,859)	(34,138)
Operational and administrative expenses		(155,305)	(177,450)
Depreciation expense		(41,441)	(29,008)
Total profit / (loss) for the year		429,049	(44,972)

ORANGE REGIONAL CONSERVATORIUM INC.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Current Assets			
Cash and cash equivalents	4	723,538	311,458
Trade and other receivables	5	8,121	13,197
Other current assets	6	73,522	38,804
Total Current Assets		805,181	363,459
Non-current Assets			
Property, plant & equipment	7	158,064	137,323
Total Non-current Assets		158,064	137,323
Total Assets		963,245	500,782
Current Liabilities			
Trade and other payables	8	30,371	65,497
Employee benefits - due within 12 months	9	87,350	81,958
Scholarships and funds received unspent	10	32,192	30,355
Other current liabilities	11	54,632	9,074
Total current liabilities		204,545	186,884
Non-current Liabilities			
Employee benefits - due after 12 months	9	61,744	45,991
Total non-current liabilities		61,744	45,991
Total Liabilities		266,289	232,875
NET ASSETS		696,956	267,907
EQUITY:			
Accumulated funds at start of year		267,907	312,879
Profit / (loss) for the year		429,049	(44,972)
Accumulated funds at end of year		696,956	267,907

ORANGE REGIONAL CONSERVATORIUM INC.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

Accumulated Funds

\$

Balance at 1 January 2019	312,879
Operating Profit / (loss) for the year	(44,972)
Balance at 31 December 2019	<u>267,907</u>
Balance at 1 January 2020	267,907
Operating Profit / (loss) for the year	429,049
Balance at 31 December 2020	<u>696,956</u>

ORANGE REGIONAL CONSERVATORIUM INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:	\$	\$
<u>Net Cash from operations – excluding COVID related:</u>		
Cash receipts in course of operations	1,394,064	1,312,385
Less: Cash payments in the course of operations	(1,289,896)	(1,238,568)
Cash receipts from interest	204	1,108
Net Cash from Operations – excluding COVID related	104,372	74,925
<u>Add: Net Cash from operations – COVID related:</u>		
Cash receipts from JobKeeper / Cash Boost	691,600	-
Less: Employee benefits – COVID JobKeeper top-up's	(229,278)	-
Less: Fee Discounts applied during COVID lockdown	(57,914)	-
Net Cash from Operations – COVID related	404,408	-
Net Cash provided by operating activities	508,780	74,925
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash receipts from		
Sale of plant and equipment	-	-
Cash paid for		
Purchase of plant and equipment	(96,700)	(24,854)
Net Cash used in investing activities	(96,700)	(24,854)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
No financing activities during the year		
Net Cash from financing activities	-	-
Net Increase in cash held during the year	412,080	50,071
Cash at beginning of year	311,458	261,387
Cash at end of year	723,538	311,458

ORANGE REGIONAL CONSERVATORIUM INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The financial report covers Orange Regional Conservatorium Inc. as an individual entity. Orange Regional Conservatorium Inc is a not-for-profit incorporated association, registered and domiciled in Australia. The address of the registered office, and principal place of business is 73a Hill St, Orange NSW 2800.

The principal activities of the incorporated association for the year ended 31 December 2020 were the provision of music teaching, education and performance to the wider community.

The functional and presentation currency of Orange Regional Conservatorium Inc. is Australian dollars.

The financial report was authorised for issue by those charged with governance on 12th March 2021.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation:

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Act 2012.

2 Summary of Significant Accounting Policies:

(a) Income Tax

Orange Regional Conservatorium Inc is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

(b) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Association expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Association have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Summary of Significant Accounting Policies (continued)

(b) Revenue and other income (continued)

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Association are:

Tutor fees, school programs, community programs, choirs/orchestras/ensembles, teaching programs, instrument hire, workshops, concerts: Revenue is recognised during the period in which the service is rendered. For tutor fees only, at the end of each reporting period a liability is recorded to recognise lesson credits owed to students and this amount is recognised as revenue when the service is rendered in the future.

Government Grant income is recognised over the corresponding funding term and period of performance obligation.

Other grants - Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised as each performance obligation is satisfied. Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Donations – are recognised when the donation, either in cash or in kind, is received. If donations are tied to delivery of a particular service which has not been rendered at the end of the reporting period, such as provision of future scholarships, a liability is recorded, and the donation income is recognised when the service is rendered.

Interest – is recognised when credited to the Association's bank account, on the basis that currently there are no investments where interest is otherwise accrued.

(c) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

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

(d) Volunteer services

No amounts are included in the financial statements for services donated by volunteers since the amounts involved are not material.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Items of property, plant and equipment acquired for significantly less than fair value have been recorded at the acquisition date fair value.

Depreciation

Fixed assets are depreciated on a straight-line basis over the assets useful life to the Association, commencing when the asset is ready for use.

Summary of Significant Accounting Policies (continued)

(e) Property, plant and equipment (continued)

The depreciation rates used for each class of depreciable asset are shown below:

Class of fixed asset	Depreciation rate
Leasehold improvements	5% - 33%
Motor vehicle	20%
Plant and equipment	2.5% - 100%
Musical instruments	2.5% - 100%
Sheet Music library and Education resources	100%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Adjustments have been made to depreciation rates for leasehold improvements relating to the current premises, so that the assets are fully depreciated by the end of 2022, with the likely move to new premises at this time.

(f) Financial instruments

Financial instruments are recognised initially on the date that the Association becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs.

Financial assets

Classification

On initial recognition, the Association classifies its financial assets as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Association changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Association's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Summary of Significant Accounting Policies (continued)

(f) Financial instruments (continued)

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis.

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Association has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Association renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Association measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Association comprise trade payables.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, and cash investments which are subject to an insignificant risk of change in value.

(h) Trade and other receivables

Receivables comprise all amounts invoiced and not yet received at balance date, less provision for expected credit losses.

(i) Trade and other payables

These amounts represent liabilities for goods and services supplied to the INC. association prior to the end of the financial year and which are unpaid. These are short-term liabilities and are generally paid within 30 days of recognition.

(j) Employee benefits

Liabilities for wages and salaries, including any non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Summary of Significant Accounting Policies continued

(k) Employee benefits (continued)

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is calculated by reference to the NSW State Government regulations and calculator, and recognises absolute entitlement at 10 years' service or more; and potential entitlement where service is between 5 and 10 years.

Superannuation is calculated in accordance with Federal Government regulations and is paid monthly to various institutions as nominated by employees.

(l) Leases

At inception of a contract, the Association assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Association has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Association has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

2

At the lease commencement, the Association recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Association believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy. The estimated lie of the right-of-use assets is based on those of property, plant and equipment. The right-of-use asset is subject to the impairment requirements and is assessed for impairment indicators at each reporting date.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Association's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Association's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Summary of Significant Accounting Policies continued

(k) Leases (continued)

Exceptions to lease accounting

The Association has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Association recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(m) Adoption of new and revised accounting standards

The Association has adopted all standards which became effective for the first time at 30 June 2021, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Association.

3 Critical Accounting Estimates and Judgments

The Committee Members make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

ORANGE REGIONAL CONSERVATORIUM INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Note 2: Revenue and Other Income

	2020	2019
	\$	\$
Revenue		
Tutor fees	604,355	555,825
School programs	70,332	69,216
Community programs	7,630	22,529
Choirs, orchestras and ensembles	85,121	127,090
Teaching programs	12,253	15,615
Instrument hire	19,683	6,339
Workshops	1,134	2,775
Concert collections	8,820	37,699
Less: Fee relief and scholarships	(20,996)	(15,289)
Less: Fee discounts applied during COVID lockdown	(57,914)	-
Total Revenue (user fees and charges)	730,418	821,799
Other income		
Government grants	437,401	390,074
Government grants – COVID: JobKeeper / Cash Flow Boost	757,300	-
Non- Government grants	9,310	5,000
Donations and fundraising	30,995	37,062
Memberships	5,898	4,750
Venue hire	2,301	4,092
Other miscellaneous	11,260	15,910
Total other income	1,254,465	456,888

Note 3: Employee benefits expense

	2020	2019
	\$	\$
Employee benefits expense – excluding JobKeeper	1,102,886	1,083,063
Employee benefits expense – COVID JobKeeper top-up's	243,343	-
Total employee benefits expense	1,346,229	1,083,063

ORANGE REGIONAL CONSERVATORIUM INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Note 4: Cash and cash equivalents

	2020	2019
	\$	\$
Bendigo Operations account	342,999	195,292
Bendigo Donations account	120,948	114,882
ANZ cash management account	259,191	884
Cash on hand	400	400
	<u>723,538</u>	<u>311,458</u>

Note 5: Trade & other receivables

	2020	2019
	\$	\$
Trade Debtors	9,621	14,197
Prov'n for expected credit losses	(1,500)	(1,000)
	<u>8,121</u>	<u>13,197</u>

Note 6: Other current assets

	2020	2019
	\$	\$
Prepayments	7,822	3,468
ATO Receivable	65,700	35,336
	<u>73,522</u>	<u>38,804</u>

ORANGE REGIONAL CONSERVATORIUM INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Note 7: Property, plant & equipment

	2020	2019
	\$	\$
Leasehold improvements	117,341	116,978
Less: accumulated depreciation	(110,833)	(101,365)
Total leasehold improvements	6,508	15,613
 Motor vehicle	 32,196	 32,196
Less: accumulated depreciation	(13,707)	(7,268)
Total motor vehicle	18,489	24,928
 Plant & equipment	 197,195	 160,026
Less: accumulated depreciation	(130,689)	(116,945)
Total plant & equipment	66,506	43,081
 Instruments	 325,549	 306,085
Less: accumulated depreciation	(258,988)	(252,384)
Total instruments	66,561	53,701
 Sheet music library and education resources	 149,721	 149,292
Less: accumulated depreciation	(149,721)	(149,292)
Total sheet music library	-	-
 Total property, plant & equipment	158,064	137,323

(a) Movement in carrying amount:

Movement in the carrying amount of property, plant and equipment between the beginning and the end of the current financial year:

	2020	2019
	\$	\$
Balance at the beginning of the year	137,323	115,979
Add: Asset additions	62,182	50,581
Less: Disposals	-	(229)
Less: Depreciation expense	(41,441)	(29,008)
Balance at the end of the year	158,064	137,323

ORANGE REGIONAL CONSERVATORIUM INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Note 8: Trade and other payables

	2020	2019
	\$	\$
Credit card	1,657	353
Trade Creditors	4,696	31,192
GST & FBT Instalment Payable / (Refundable)	(1,101)	(4,077)
Superannuation Payable	11,371	18,172
PAYG Withholding Payable	13,748	19,857
	<hr/>	<hr/>
	30,371	65,497

Note 9: Employee benefits

	2020	2019
	\$	\$
CURRENT		
Prov'n for Annual Leave	46,299	44,139
Prov'n for Long Service Leave – due within 12 months	41,051	37,819
	<hr/>	<hr/>
	87,350	81,958
 NON-CURRENT		
Prov'n for Long Service Leave – due after 12 months	61,744	45,991
	<hr/>	<hr/>
	61,744	45,991

Note 10: Scholarships and funds received unspent

	2020	2019
	\$	\$
Scholarships unapplied	12,900	9,600
Come Together - Grants held in trust	537	2,000
Donations received for the Helen Rutherford fund	18,755	18,755
	<hr/>	<hr/>
	32,192	30,355

Note 11: Other current liabilities

	2020	2019
	\$	\$
Accrued expenses	32,002	3,865
Instrument bonds	4,440	2,515
Lesson credits owed to students	18,190	2,694
	<hr/>	<hr/>
	54,632	9,074

ORANGE REGIONAL CONSERVATORIUM INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Note 12: Contingent liabilities

The incorporated association had no contingent liabilities as at 31 December 2020.

Note 13: Remuneration of auditors

	2020	2019
	\$	\$
Operational and administrative expenses includes remuneration to auditor	5,000	5,000

Audit services were provided by James Pearce Accounting.

Note 14: Key management personnel compensation

The total compensation paid to key management personnel is \$ 243,966 (2019: \$234,930)

Note 15: Related parties

(a) The Company's main related parties are as follows:

- Key Management Personnel - refer to Note 14.
- Members of the Committee

Other related parties include close family members of Key Management Personnel and Committee Members and entities that are controlled or significantly influenced by those persons or their close family members.

(b) Transactions with related parties:

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

Note 16: Events after the end of the reporting period

The financial report was authorised for issue on 12th March 2021 by the Members of the Committee.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Association, the results of those operations or the state of affairs of the Association in future financial years.

ORANGE REGIONAL CONSERVATORIUM INC.

Declaration by Members of the Committee

The Committee members declare that in the responsible persons' opinion:

- there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
- the financial statements and notes satisfy the requirements of the Australian Charities and Not-for-profits Commission Act 2012.

Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013.

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.....



A handwritten signature in cursive script, appearing to read 'J. Malley', is written over a dotted line. The signature is written in dark ink and is slanted upwards to the right.

Committee member.....

Dated this 12th day of March 2021

ORANGE REGIONAL CONSERVATORIUM INCORPORATED

Independent Audit Report to the Members of Orange Regional Conservatorium Incorporated

Report on the Audit of the Financial Report

We have audited the financial report of Orange Regional Conservatorium Incorporated, which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the responsible entities' declaration. In our opinion the financial report of Orange Regional Conservatorium Incorporated has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the registered entity's financial position as at 31 December 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1, and Division 60 the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the registered entity in accordance with the ethical 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the registered entity's financial reporting responsibilities under the ACNC Act. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibility of the Responsible Entities for the Financial Report

The responsible entities of the registered entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the ACNC Act [and the needs of the members [or other appropriate terms]]. The responsible entities' responsibility also includes such internal control as the responsible entities determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the responsible entities are responsible for assessing the registered entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the responsible entities either intend to liquidate the registered entity or to cease operations, or have no realistic alternative but to do so. The responsible entities are responsible for overseeing the registered entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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



James Pearce
Pearce Accounting
Chartered Accountant Member No. 46129
Registered Company Auditor No. 222332

Dated this 11th day of March 2021.