



**Clifroy Limited**

ABN 31 114 604 358



# 2021 Annual Report



Community Bank Clifton Hill-North Fitzroy

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# Chair's report

For year ending 30 June 2021

Dear Clifroy Shareholders,

Oh what a year it's been! The financial services sector has proved very challenging for all operators including Clifroy due to the ongoing pandemic, and industry-wide staff shortages.

Our considered response to the pandemic has been to maintain business as usual and service our local traders and community as safely as possible throughout lockdown periods. We installed screens to protect our employees and customers, and fully complied with the health and safety recommendations including density limits, sanitiser stands, and single use pens. Throughout it all, our branch staff responded positively and professionally to all the challenges that they have faced, and I thank them on behalf of the Board.

Overall we grew our total book by 8% to \$225 million, however record low interest rates on loans and deposits had a significant adverse impact on margin revenue, which was down almost 16% to \$1.02 million. With the majority of our cost base fixed, this inevitably resulted in having less funds available to invest in our community activities, and a reduced dividend for shareholders.

Over the last year, regular customers will have noticed several changes behind our counter. Our Branch Manager Jodie Draffin left us in August 2021 to take up a senior role with another Bendigo Bank franchise, and we wish her every success. During her year in the role, Jodie worked hard to build a stable branch team and strengthen the focus on compliance and efficient service delivery, and I thank her for her hard work.

The team Jodie has built are multi-talented and versatile, and committed to providing quality service. An added bonus is that they speak Greek, Italian, Afrikaans, Bengali, Hindi, Urdu and Spanglish! Our full and part time Customer Service Officers (CSO) Kamani Moonsany, Suvan Ganguil, and Fillipo Presti are the front line of our customer service delivery. Megan Baker was promoted from CSO and joined us in the role of Customer Relationship Officer (CRO), while our Customer Relationship Manager (CRM) and lending specialist is Sophie Stamoulis who joined us from the Bendigo Bank Collins Street branch. I'd also like to thank our long serving CRO Alannah Desiato, James Butler (CRM) and Justin Daley (CSO) who all took up new positions in different industries during the year.

In our local community, we continued our support through our Spring and Autumn Sponsorship Programmes, as well as providing special grants for organisations adversely impacted by the pandemic. In total we were able to provide \$204,000 of grants and sponsorships to community organisations, with the focus continuing to be the alleviation of youth unemployment and reducing societal disadvantage.

I'd like to thank our Community Engagement Committee chaired by Ben Hubbard and our Community Liaison Officer Lee Chia for their commitment to supporting all our partners who play a significant role in maintaining the health and wellbeing of our community.

Our Directors freely give their time to building strong relationships through their personal interaction with long-term partners such as Belgium Avenue Neighbourhood House, Edinburgh Cricket Club, Clifton Hill Cricket Club, Collingwood Toy Library, Fitzroy Football Club, Jika Jika Community Centre, Northcote Cricket Club, Northcote Park Football and Netball Club and St Mary's House of Welcome.

Other key partnerships include the Inner North Community Foundation, the Councils of Moreland, Darebin and Yarra, the Inner Northern Local Learning and Employment Network (INLLEN) and also the Australian Local Government Women's Association.

## Chair's report (continued)

Director Ro Roberts and I recently had the honour of telling the Community Bank story to a delegation of 180 people at the Fitzroy Town Hall, and it was with great pride that I announced that since we opened our doors in 2006, the total of our Community Bank's support has now exceeded \$3 million.

Despite the challenges of the last year, your Board of volunteer Directors have maintained a focus on maintaining good governance, strategic planning and being ambassadors for our Community Bank. Those who also hold officer and committee chair positions for the company deserve particular thanks – Peter Hille as Deputy Chair, Andy Minogue as Treasurer, Adrian Nelson as Company Secretary, Ben Hubbard as Community Engagement Chair, and Lauren Zoric as Chair of the Finance, Governance and Resources Committee. They have been ably supported by Lee Chia, our Community Liaison officer, Lauren King our Board Secretary, and Tony Dobson our bookkeeper.

Our Board Associate program, now in its third year, led to the appointment of Associate James Sinclair as a Director in July 2021, while Associates Elizabeth McCullum and Ken Gardner decided to step down to continue working as volunteers directly with two of our community partners.

At our Strategic Planning Meeting in May 2021, the Board identified four activity areas to be investigated by designated Project Teams drawn from Directors and Board Associates. The topics identified were:

### 1. Customers Engagement

Project Team Lead: Branch Manager Jodie Draffin, with Directors Amelia Collins and Lauren Zoric, to focus on increasing engagement through campaigns to increase active products per customer.

### 2. Shareholders

Project Team Lead Adrian Nelson, assisted by Jenny Farrar and Lauren King, with the objective of converting more shareholders into branch customers and expanding their product base.

### 3. Community Partnerships

Project Team Lead Katherine Kennedy, with James Sinclair, Peter Hille, Ro Roberts, Jodie Draffin, and Lee Chia. Specific tasks to analyse our community partner cohorts and identify opportunities to stimulate banking business through more direct and meaningful interaction.

### 4. Investment and Innovation

Project Team Lead Daisy Chiumburu, with Andy Minogue, Chris Shields and Jodie Draffin. Team objective to research potential investment opportunities and ideas that might provide additional revenue for the company while also benefitting the community.

These are ongoing projects, and I encourage any shareholder who would like to offer support and ideas to contact me.

Finally, I thank all shareholders for continuing to support our efforts to be a "better big bank", and I encourage you to get in touch, promote and share our Community Bank story within your personal and professional networks. Remember – whatever your banking needs we have a competitive solution. Just contact Sofie Stamoulis our Customer Relationship Manager via email: [Sofie.Stamoulis@bendigoadelaide.com.au](mailto:Sofie.Stamoulis@bendigoadelaide.com.au) or by calling the branch on 03 9482 9040.

Your Sincerely,



**Jenny Farrar**  
Chair



# Bendigo and Adelaide Bank report

For year ending 30 June 2021

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

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

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

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

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

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

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

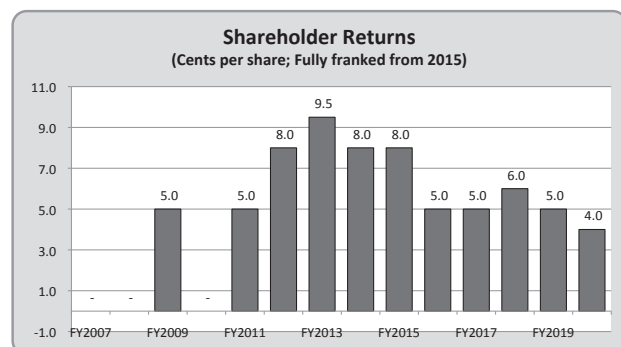
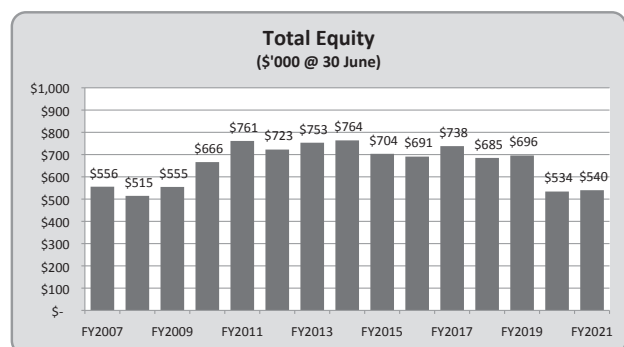
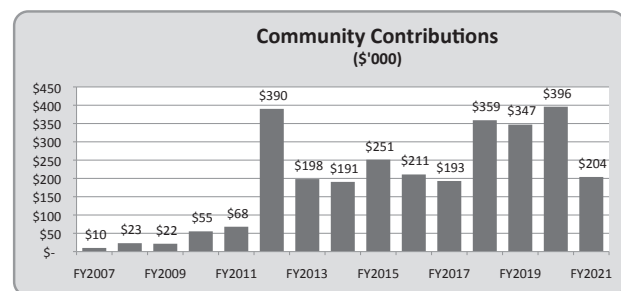
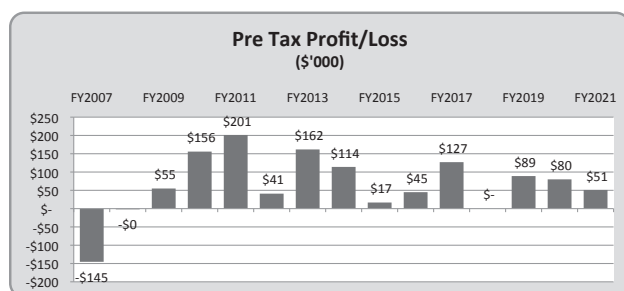
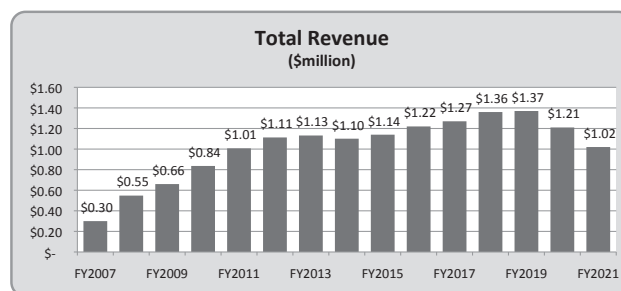
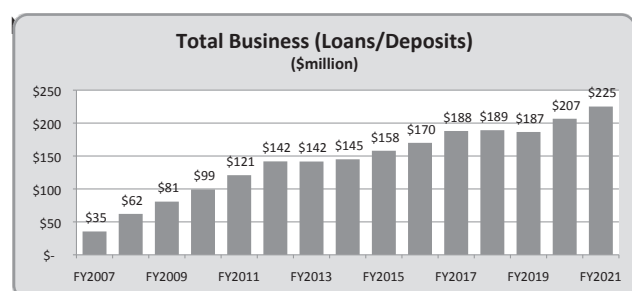
Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



**Collin Brady**  
Head of Community Development

# Performance summary

For year ending 30 June 2021





# Community support funding



Sponsorships and Grants supporting local community organisations in 2020/21

Organisation	Contribution
<b>Arts</b>	
CMAA Academy of Country Music	\$1,000
Mercy Hub	\$1,000
Moreland City Band Inc	\$3,500
The Boite (Vic) Inc	\$1,000
<b>Business Networking</b>	
City of Yarra	\$3,000
<b>Community Facilities &amp; Infrastructure</b>	
Abbotsford Convent Foundation	\$5,000
Alphington Community Centre	\$1,500
Collingwood Children's Farm	\$5,000
Victoria State Emergency Service Northcote Unit	\$7,000
<b>Community Support Services</b>	
Fitzroy Learning Network	\$9,548
High Street Bells Choir	\$1,500
Inner North Community Foundation	\$25,000
Rotary Club of Fitzroy	\$1,200
St Marys House of Welcome	\$10,000
<b>Education - Adult</b>	
Go Girls Foundation	\$10,000
The Social Studio	\$8,100
Two Square Pegs	\$4,500
U3A Darebin	\$1,500
<b>Education - Children</b>	
Bluearth Foundation	\$8,500
Collingwood Toy Library	\$3,000
Fitzroy Scout Group	\$4,000
Northcote High School	\$7,840
Sacred Heart School	\$4,500

Organisation	Contribution
<b>Environment &amp; Animal Welfare</b>	
Apple Tree Garden Northcote - Stationeers	\$1,200
<b>Other</b>	
Just Believe Fit	\$500
<b>Sports</b>	
Alphington Football Club	\$2,500
Crusaders Cricket Australia Inc	\$2,500
Edinburgh Cricket Club Inc	\$5,300
FC Birrarung Inc	\$3,000
Fitzroy Baseball Club	\$2,500
Fitzroy City Soccer Club	\$4,000
Fitzroy Football Club	\$11,000
Fitzroy Junior Football Club Inc	\$4,000
Fitzroy Lions Soccer Club	\$5,500
Northcote Park Football Netball Club	\$6,500
Recreational Rollers Victoria Inc	\$2,000
Renegade Pub Football League Inc	\$2,000
Sport Climbing Victoria	\$4,255
University High School Victoria University Amateur Football Club	\$3,000
Victorian Roller Derby League Inc	\$2,000
Youlden Parkville Cricket Club	\$2,200
<b>Youth</b>	
Inner Northern Local Learning Network	\$12,500
<b>Total</b>	<b>\$203,643</b>

# Directors' report

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

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## Directors

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

### Jenny Maree Farrar

Chair

Occupation: National Campaign and Education Manager

Board member since 3 June 2005.

#### Why I chose to become a Community Bank Director:

As an active community member and a former Mayor and Councillor of the City of Yarra I believe that communities can shape their own future. When I was introduced to the concept of the Community Bank Model in 2003 by a local resident in North Fitzroy, Mr Jeffrey Bates, I knew that this model would work within our passionate and committed community. The opportunity to initiate a campaign to launch a prospectus and be a Founding member of Clifroy was too good to miss. I have been a director since inception and it has been a terrific journey. My experience, coupled with my strong communication and understanding of the Clifton Hill and North Fitzroy community contribute to the growth of our community enterprise.

#### What experience I bring to this role:

I have a great range of skills and experience in community engagement, campaigning, education and strategic planning. As a former Councillor and Mayor of the City of Yarra I was involved and developed solid relationships within our community, many not for profits, small and larger businesses. One of my legacies was the establishment of Business Advisory Group(s) for the purpose of engaging with SME's to large corporates.

Skills I bring include: Marketing, communications and engagement, organising, planning, OHS and sound knowledge in industrial relations. Previously a member of the Council of Australasian Tribunals in my roles as a Panel member for the Victorian Government, Graduate of the Australian Institute of Company Directors (GAICD) and work within the financial services industry. BA - Mass Communications - Monash University.

#### My general philosophy:

I have a strong commitment to social justice, my local community(s), environmental sustainability, family, cooking and the North

Special responsibilities: Chair, Member of Finance, Governance and Resources Committee

Interest in shares: 7,001 ordinary shares

### Peter Raymond Hille

Deputy Chair

Occupation: Community Connector

Board member since 3 August 2011. Chair 2013 - 2017.

#### Why I chose to become a Community Bank Director:

I was invited to join the Board in 2011 because of my broad and long-standing community networks and community engagement. I was also aware from the start what the Community Bank model meant, as I supported the original steering committee (which founded the Clifroy Ltd Branch) through my networking and advocacy. Several years down the track that model has made a significant difference in the local community and I considered I could add value to the Board as it pursued business growth to underpin its community investment.

#### Experience I bring to this role:

As a resident of Clifton Hill for 27 years I bring local knowledge and substantive networks. As a leader and Board Member at a range of local community organisations, I bring an understanding of corporate governance as well as an awareness of community needs and how such needs might be addressed. I am currently Chairman of the Reds Foundation, a Director of the Rotary Club of Fitzroy, Bowls Development Manager of Fitzroy Victoria Bowls Club, Chair of Youth Enterprise Hub (Inner North Youth Employment Network). My professional background includes educational leadership, public speaking, a managerial role in financial services and HR Consultancy – each of these informs and supports my role as a Director of Clifroy Limited.

#### My general philosophy:

Special responsibilities: Deputy Board Chair; Member Business Development & Marketing and Finance, Governance & Resources Committee, key contact with Inner Northern Local Learning & Employment Network

Interest in shares: 2,000 ordinary shares



# Directors' report (continued)

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## Directors (continued)

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### Andrew Blair Minogue

Non-executive director

Occupation: Financial & Commercial Consultant

Board member since 17 April 2013.

#### Why I chose to become a Community Bank Director:

The opportunity to serve as a Director on a Community Bank Board interested me greatly. I saw my experience and skills as well suited for this important role and felt I could add value to the Board in my area of expertise. I believe the support provided by the bank across the broader community is invaluable and absolutely critical for the provision of important and vital services and opportunities. The long term healthy viability of the Community Bank is imperative to this cause and I believe and wish to play a part in this endeavour.

#### Experience I bring to this role:

I have over 20 years experience working in various senior commercial and finance roles across multiple industry sectors. I hold a Bachelor of Business (Monash University) and as a CPA bring to the Board experience in all matters commercial, including financial reporting, budgeting, business planning, and corporate governance.

#### My general philosophy:

I believe those who CAN should dedicate some of their time to a cause they are passionate about, get involved, make a difference to a life, organisation or community. Hopefully this will provide satisfaction and pride knowing you have played a part in something positive and may inspire peers and generations that follow.

Special responsibilities: Member, Finance, Governance & Resources Committee

Interest in shares: nil share interest held

### Adrian Howard Nelson

Company Secretary

Occupation: Executive Director

Board member since 3 June 2005.

#### Why I chose to become a Community Bank Director:

How many people get to run their own bank? I was coming to the end of my long-term corporate career just as the Clifroy Steering Committee was seeking new volunteers back in 2005. The challenge of establishing a business from scratch, particularly one with such a unique business model – and making a positive contribution to the local community at the same time – was irresistible. 11 years on it's hard to believe what we have achieved, and it still gives me a buzz.

#### Experience I bring to this role:

My 15 years with the Dulux Group and almost 20 with Tattersall's were all about sales, marketing and in the latter years strategic business development – both locally and overseas. I was exposed to the workings of Boards as a Director of two of Tattersall's overseas subsidiaries and really enjoyed the balance between a Director's governance role and the business strategy and development role. I successfully completed the AICD Graduate Diploma course in 2004, and retain a keen interest in the continually changing environment in which Directors of public companies are required to operate.

#### My general philosophy:

Treat others as you would wish to be treated yourself and look out for those less able to cope with today's challenges. Take responsibility for your own actions and hold others accountable for theirs.

Special responsibilities: Company Secretary; Member: Finance, Governance & Resources Committee

Interest in shares: 15,002 ordinary shares

# Directors' report (continued)

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## Directors (continued)

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### **Lauren Mary Zoric**

Non-executive director

Occupation: Associate Director, Tolarno Galleries

Board member since 24 January 2013.

#### **Why I chose to become a Community Bank Director:**

I think community banking is a brilliant idea and I was excited by the bank's unique business model. I was intrigued by the strategic challenge of continuing to develop new business and find better ways to tell the community banking story. I also saw the opportunity to become a Director as a way of having a deeper involvement in my community, meeting people and finding ways to make new connections.

#### **Experience I bring to this role:**

Strategic business development, marketing and communications. Previously Marketing and Communications Manager at Melbourne International Film Festival, where the role encompasses leading marketing, audience development, branding, sponsorship and communications. Background in campaign strategy, copywriting, publicity and marketing roles in arts, music, media and film industries in Australia and UK. Skills in integrated marketing and communications, campaign strategy, copywriting. Tertiary qualifications: University of Melbourne, Melbourne Business School – Graduate Certificate in Communication and Customer Strategy (2013), RMIT – Certificate II Print Design 1997, RMIT – Bachelor of Arts (Media) 1994, MAICD. Completed AICD Company Directors Course 2019.

#### **My general philosophy:**

I believe in social justice, the strength of local community and being a good neighbour. I also believe that good PR and clever marketing can transform excellent, but niche, ideas to more widely accepted mainstream propositions.

Special responsibilities: Chair of Finance, Governance & Resources Committee

Interest in shares: nil share interest held

### **Katherine Esther Kennedy**

Non-executive director

Occupation: Head of Insights and Impact, Social Traders Ltd

Board member since 24 January 2013.

#### **Why I chose to become a Community Bank Director:**

I am interested in ensuring that banking choice exists, as it is in decline in Australia. The Community Bank offers real choice for consumers & business, as well as investing in grass roots community organisations. I want to ensure that this level of choice continues and also that community organisations continue to strengthen our community.

#### **Experience I bring to this role:**

I am a Clifton Hill resident living a stone's throw from the branch, with 25+ year's experience in senior management, business analysis, business strategy and planning, coaching, workshop facilitation, technology commercialisation and consulting across a broad range of industries in Australia and overseas, working from brands such as Digital, Coles Myer, Telstra, The Woolmark Company and University of Melbourne. I currently work in the social enterprise sector; with a focus on strategic planning, impact measurement and new opportunity assessment and development for Social Traders Limited. Social Traders is a specialist social enterprise development organisation focused on connecting social enterprises to business and government procurement opportunities. I also manage a specialist medical practice currently servicing the northern suburbs of Melbourne. I hold a Bachelor of Science in Applied Mathematics (University of Limerick), a Masters of Management Technology (Melbourne Business School) and I am a graduate of the Australian Institute of Company Directors, and for seven years I was a non-executive director of a non-government organisation, focusing on the prevention of child sexual abuse.

#### **My general philosophy:**

A vibrant and inclusive community requires its members to get involved. By joining the Clifroy Ltd Board I hope I can continue to

Special responsibilities: Chair of Business Development & Marketing Committee, Member of Finance, Governance & Resources Committee

Interest in shares: nil share interest held

# Directors' report (continued)

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## Directors (continued)

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### **Benjamin David Hubbard**

Non-executive director

Occupation: Self Employed Consultant

Board member since 4 June 2014.

#### **Why I chose to become a Community Bank Director:**

My wife and I have been long term customers of the Community Bank and I had also been looking to be part of something local that was giving back to our community. To be invited on the Board was an ideal opportunity.

#### **Experience I bring to this role:**

Ben Hubbard is a self employed consultant, specialising in public affairs, public policy, public administration, governance and risk. Ben has worked in some of the most challenging and complex policy and political environments of recent times. As chief of Staff to the Prime Minister, CEO of the Victorian Bushfire Reconstruction and Recovery Authority, Chief of Staff to the Deputy PM and Senior Political Adviser to the Victorian Premier. He has been Chief Strategy Officer at Maurice Blackburn Lawyers, where he led the firm's work across public policy, advocacy, strategy, risk and innovation. He holds graduate (BCom) and postgraduate qualifications (MPubPol) from the University of Melbourne and has completed the AICD Company Directors Course and Executive Education Strategy at Melbourne Business School. Ben is a Victorian Councillor for the AICD and a Fellow (FAICD), the National President and Chair of YMCA Australia, and is a distinguished Visiting Scholar and Senior Fellow of the Melbourne School of Government at the University of Melbourne.

#### **My general philosophy:**

I have had some great opportunities in my short life. I'd like to help others get plenty in theirs too.

Special responsibilities: Chair of Community Engagement Committee

Interest in shares: 5,000 ordinary shares

### **Amelia Jane Collins**

Non-executive director

Occupation: Head, Brand Strategy, Marketing & Communications - Programmed & PERSOLKELLY

Board member since 5 August 2015.

#### **Why I chose to become a Community Bank Director:**

Like many, I've long had the desire to make a meaningful contribution to my community but struggled to find the best way to do that in a way that makes a real difference. I think the Community Bank model speaks directly to the fabric of Australian culture - support your mates and they will support you. I was instantly drawn to the opportunity to join a Community Bank Board, first with the Murrumbeena Branch and more recently with Clifroy. I believe the Community Bank model is full of opportunity for those who work in it, the customers that choose it and the communities who benefit from it.

#### **Experience I bring to this role:**

Having worked for more than twenty years in various brand, marketing and professional communications roles in competitive service and retail markets, Amelia brings deep understanding of the importance of a customer-centric brand and culture with a strong commercial and growth mindset. Her experience includes: B2B and B2C marketing and communication, brand design, development and management, internal and external communications including crisis management and employer brand marketing and engagement. Before joining the Clifroy Board, I served as a Director on the Murrumbeena Community Bank Branch Board for two years. Is a current resident of Alphington and loves where she lives. This community continues to surprise and delight her. Her son happily attends the local primary school and bikes around the Parklands, Amelia is also a fitness coach with two Inner North fitness studios both called Hustle & Thrive and her husband can often be seen running the area to keep fit.

#### **My general philosophy:**

People run businesses. If you can create meaningful connections with people, you'll make meaningful progress in business.

Special responsibilities: Member of Finance, Governance & Resources and Business Development & Marketing Committees

Interest in shares: 3,501 ordinary shares

# Directors' report (continued)

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## Directors (continued)

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### Rosalyn Mary Roberts

Non-executive director

Occupation: Self Employed

Board member since 5 September 2018.

#### **Why I chose to become a Community Bank Director:**

After leaving 21 years of service at the City of Yarra in early 2017, I wanted to do more to be part of the local community's capacity to share its financial resources and benefit community well-being. Finding a community bank that represents these values was a great delight. The Clifroy catchment is an area of great cultural and socio-economic diversity, and I am committed to applying my extensive knowledge of diversity planning for a more inclusive and accessible community to the role of Director.

#### **Experience I bring to this role:**

Qualifications: BA(Hons)/DipSoc Stud, MSW DSW. Occupations: University Lecturer, Coordinator in Local Government, Researcher/Policy Officer. Membership of several local community groups: community choirs, neighbourhood houses. Employment skills: research, operational management, teaching and coaching, policy planning, project management.

#### **My general philosophy:**

Social justice, inclusion, a strong community which is supportive and shares resources, integrated planning where social, financial, cultural and environmental sectors work together. And last but not least - the power of innovation.

Special responsibilities: Member of Community Engagement Committee

Interest in shares: nil share interest held

### Daisy Chiumburu

Non-executive director

Occupation: Product Development Manager - Financial Services

Board member since 5 June 2019.

#### **Why I chose to become a Community Bank Director:**

Through my studies at Deakin University, an opportunity arose where Bendigo Bank sought students to become engaged as non-executive directors on community boards. I have always been intrigued about the community bank model and how it delivers both financial and non-financial benefits to the community, so I jumped on the opportunity. I applied and was placed on the Clifroy Board.

#### **Experience I bring to this role:**

Daisy became a director in June 2019, she has a Masters of Business Administration, Bachelor of Commerce (Finance, Financial Planning and Marketing). She has over 8 years' experience in the superannuation industry and currently manages the Product Development, strategic and operation planning and the retention of industry SuperFund. Daisy is passionate about ensuring people are educated and engaged with their superannuation options.

#### **My general philosophy:**

The best difference I can make is to create an opportunity for someone else.

Special responsibilities: Finance, Governance & Resources Committee and Project Lead - Investment Project

Interest in shares: nil share interest held

# Directors' report (continued)

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## Directors (continued)

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### James Joshua Sinclair

Non-executive director

Board member since 1 July 2021.

#### Why I chose to become a Community Bank Director:

My family has always been community-oriented and acknowledge the importance of giving back. I see the Community Banking model as a unique way to use profit for good and I was excited to be invited to join a community-based enterprise that aligns to my personal and professional values. I was also looking to broaden my corporate experience working with the Board of a Community Bank such as Clifroy Ltd.

#### Experience I bring to this role:

Gaining valuable experience in banking and consulting organisations, I bring strategic business development, marketing and technology capabilities to the Board. My experience is predominantly within the Financial Services industry working across superannuation, retail wealth management, consulting and technology outsourcing. I hold a Bachelor of Business Administration, Bachelor of Human Resources and a Diploma of Financial Planning (RG146) and am an Associate of the Australian Institute of Company Directors. I am passionate about community, sustainability, business strategy and creating value via technology-enabled solutions.

#### My general philosophy:

Special responsibilities: Nil

Interest in shares: nil share interest held

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

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

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## Company Secretary

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The company secretary is Adrian Howard Nelson. Adrian was appointed to the position of secretary on 3 July 2013.

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## Principal activity

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

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

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## Operating results

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

Year ended	Year ended
30 June 2021	30 June 2020
\$	\$
41,182	65,660

## Directors' report (continued)

### Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Jenny Maree Farrar	2,001	5,000	7,001
Peter Raymond Hille	2,000	-	2,000
Andrew Blair Minogue	-	-	-
Adrian Howard Nelson	15,002	-	15,002
Lauren Mary Zoric	-	-	-
Katherine Esther Kennedy	-	-	-
Benjamin David Hubbard	5,000	-	5,000
Amelia Jane Collins	3,501	-	3,501
Rosalyn Mary Roberts	-	-	-
Daisy Chiumburu	-	-	-
James Joshua Sinclair	-	-	-

### Dividends

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

	Cents per share	Total amount \$
Final fully franked dividend	4	34,681

### Significant changes in the state of affairs

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

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

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.



## Directors' report (continued)

### Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

### Indemnification and insurance of directors and officers

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

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

### Directors' meetings

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

	Board Meetings		Committee Meetings											
			Finance, Governance & Resources		Attendance Business Development & Marketing		Sponsorship Assessment Subcommittee		Community Engagement		Finance, Governance & Audit		Structure & Resources	
<i>E - eligible to attend A - number attended</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
Jenny Farrar	11	10	3	2	1	1	2	1	-	-	8	7	4	4
Peter Hille	11	7	-	-	-	-	-	-	-	-	-	-	4	4
Andrew Minogue	11	10	3	3	-	-	-	-	-	-	8	8	-	-
Adrian Nelson	11	11	3	3	-	-	-	-	-	-	8	8	4	4
Lauren Zoric	11	11	3	3	-	-	2	2	7	7	8	8	-	-
Katherine Kennedy	11	10	-	-	5	5	-	-	-	-	-	-	4	3
Benjamin Hubbard	11	10	-	-	-	-	2	2	9	9	-	-	-	-
Amelia Collins	11	9	3	3	5	4	-	-	-	-	-	-	4	-
Rosalyn Roberts	11	11	-	-	-	-	2	2	9	9	-	-	-	-
Daisy Chiumburu	11	11	3	3	5	3	-	-	-	-	-	-	-	-
James Sinclair	-	-	-	-	-	-	-	-	-	-	-	-	-	-

### Proceedings on behalf of the company

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

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

## Directors' report (continued)

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### Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 27 to the accounts.

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

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

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### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

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



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Jenny Maree Farrar, Chair

Dated this 10th day of September 2021

# Auditor's independence declaration



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

## Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Clifroy Limited

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

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 10 September 2021

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

**Joshua Griffin**  
Lead Auditor



# Financial statements

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

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	1,015,960	1,213,429
Other revenue	9	22,844	48,073
Finance income	10	1,534	5,984
Employee benefit expenses	11c)	(446,409)	(469,157)
Charitable donations, sponsorship, advertising and promotion		(251,948)	(390,314)
Occupancy and associated costs		(43,384)	(46,208)
Systems costs		(31,316)	(33,014)
Depreciation and amortisation expense	11a)	(91,816)	(95,471)
Finance costs	11b)	(24,208)	(28,117)
General administration expenses		(100,423)	(124,804)
<b>Profit before income tax expense</b>		<b>50,834</b>	<b>80,401</b>
Income tax expense	12a)	(9,652)	(14,741)
<b>Profit after income tax expense</b>		<b>41,182</b>	<b>65,660</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>41,182</b>	<b>65,660</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	30a)	4.75	7.57

The accompanying notes form part of these financial statements

## Financial statements (continued)

### Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	552,185	555,580
Trade and other receivables	14a)	92,266	91,633
Current tax assets	18a)	1,002	3,459
<b>Total current assets</b>		<b>645,453</b>	<b>650,672</b>
<b>Non-current assets</b>			
Property, plant and equipment	15a)	161,122	184,365
Right-of-use assets	16a)	247,173	311,761
Intangible assets	17a)	59,552	7,908
Deferred tax asset	18b)	37,927	43,031
<b>Total non-current assets</b>		<b>505,774</b>	<b>547,065</b>
<b>Total assets</b>		<b>1,151,227</b>	<b>1,197,737</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19a)	99,115	97,459
Lease liabilities	20a)	88,146	84,031
Employee benefits	22a)	6,644	17,876
<b>Total current liabilities</b>		<b>193,905</b>	<b>199,366</b>
<b>Non-current liabilities</b>			
Trade and other payables	19b)	44,048	-
Lease liabilities	20b)	352,532	440,675
Employee benefits	22b)	344	4,736
Provisions	21a)	20,081	19,144
<b>Total non-current liabilities</b>		<b>417,005</b>	<b>464,555</b>
<b>Total liabilities</b>		<b>610,910</b>	<b>663,921</b>
<b>Net assets</b>		<b>540,317</b>	<b>533,816</b>
<b>EQUITY</b>			
Issued capital	23a)	753,928	753,928
Accumulated losses	24	(213,611)	(220,112)
<b>Total equity</b>		<b>540,317</b>	<b>533,816</b>

The accompanying notes form part of these financial statements

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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2019</b>		753,928	(242,422)	511,506
Total comprehensive income for the year		-	65,660	65,660
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	29a)	-	(43,350)	(43,350)
<b>Balance at 30 June 2020</b>		<b>753,928</b>	<b>(220,112)</b>	<b>533,816</b>
<b>Balance at 1 July 2020</b>		753,928	(220,112)	533,816
Total comprehensive income for the year		-	41,182	41,182
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	29a)	-	(34,681)	(34,681)
<b>Balance at 30 June 2021</b>		<b>753,928</b>	<b>(213,611)</b>	<b>540,317</b>

The accompanying notes form part of these financial statements



## Financial statements (continued)

### Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,150,679	1,409,724
Payments to suppliers and employees		(993,242)	(1,175,455)
Interest received		1,534	5,984
Interest paid		-	(14)
Lease payments (interest component)	11b)	(23,271)	(27,209)
Lease payments not included in the measurement of lease liabilities	11d)	(13,855)	(13,864)
Income taxes paid		(2,091)	(18,962)
<b>Net cash provided by operating activities</b>	25	<b>119,754</b>	<b>180,204</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(7,270)
Payments for intangible assets		(13,348)	-
<b>Net cash used in investing activities</b>		<b>(13,348)</b>	<b>(7,270)</b>
<b>Cash flows from financing activities</b>			
Lease payments (principal component)		(75,120)	(78,818)
Dividends paid	29a)	(34,681)	(43,350)
<b>Net cash used in financing activities</b>		<b>(109,801)</b>	<b>(122,168)</b>
<b>Net cash increase/(decrease) in cash held</b>		<b>(3,395)</b>	<b>50,766</b>
Cash and cash equivalents at the beginning of the financial year		555,580	504,814
<b>Cash and cash equivalents at the end of the financial year</b>	13	<b>552,185</b>	<b>555,580</b>

The accompanying notes form part of these financial statements

# Notes to the financial statements

For the year ended 30 June 2021

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**Note 1      Reporting entity**

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

Registered Office	Principal Place of Business
101-103 Queens Parade Clifton Hill VIC 3068	101-103 Queens Parade Clifton Hill VIC 3068

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

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**Note 2      Basis of preparation and statement of compliance**

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

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

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 10 September 2021.

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**Note 3      Changes in accounting policies, standards and interpretations**

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

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**Note 4      Summary of significant accounting policies**

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

**a)      Revenue from contracts with customers**

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

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

## Notes to the financial statements (continued)

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

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

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

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

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

#### *Revenue calculation*

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

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

#### *Margin*

Margin is arrived at through the following calculation:

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

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

#### *Commission*

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

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

#### *Fee income*

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

#### *Core banking products*

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

## Notes to the financial statements (continued)

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

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

##### *Ability to change financial return*

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

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

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

#### b) Other revenue

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

##### Revenue

##### Revenue recognition policy

Discretionary financial contributions (also "Market Development Fund" or "MDF" income)

MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.

Cash flow boost

Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

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

##### *Discretionary financial contributions*

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

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

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

##### *Cash flow boost*

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

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

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

## Notes to the financial statements (continued)

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

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#### c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

#### d) Employee benefits

##### *Short-term employee benefits*

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

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

## Notes to the financial statements (continued)

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

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#### d) Employee benefits (*continued*)

##### *Defined superannuation contribution plans*

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

##### *Other long-term employee benefits*

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

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

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

#### e) Taxes

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

##### *Current income tax*

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

##### *Deferred tax*

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

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

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

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

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

##### *Goods and Services Tax*

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

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

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



## Notes to the financial statements (continued)

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

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#### f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

#### g) Property, plant and equipment

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	5 to 40 years
Plant and equipment	Straight-line	4 to 40 years
Computers and software	Straight-line	2 to 4 years
Motor vehicles	Straight-line	4 years

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

#### h) Intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

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

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

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

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

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

#### i) Financial instruments

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

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

## Notes to the financial statements (continued)

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

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#### i) Financial instruments (*continued*)

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

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

#### j) Impairment

##### *Non-derivative financial assets*

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

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

##### *Non-financial assets*

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

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

#### k) Issued capital

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

#### l) Provisions

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

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

# Notes to the financial statements (continued)

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

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### m) Leases

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

#### *As a lessee*

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

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

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

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

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

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

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

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

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

#### *Short-term leases and leases of low-value assets*

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

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

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## Note 5 Significant accounting judgements, estimates, and assumptions

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

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

## Notes to the financial statements (continued)

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

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#### a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

#### b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

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### Note 6 Financial risk management

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

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

#### a) Credit risk

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

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

## Notes to the financial statements (continued)

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

#### b) Liquidity risk

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

##### *Exposure to liquidity risk*

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

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	440,678	107,336	384,621	-
Trade and other payables	143,163	99,115	44,048	-
	<u>583,841</u>	<u>206,451</u>	<u>428,669</u>	<u>-</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	524,706	107,336	429,343	62,612
Trade and other payables	97,459	97,459	-	-
	<u>622,165</u>	<u>204,795</u>	<u>429,343</u>	<u>62,612</u>

#### c) Market risk

##### *Market risk*

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

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

##### *Price risk*

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

##### *Cash flow and fair value interest rate risk*

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

The company held cash and cash equivalents of \$552,185 at 30 June 2021 (2020: \$555,580). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

## Notes to the financial statements (continued)

### Note 7 Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

### Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	912,864	1,111,554
- Fee income	60,759	68,471
- Commission income	42,337	33,404
	<u>1,015,960</u>	<u>1,213,429</u>

### Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	-	10,000
- Cash flow boost	22,844	38,073
	<u>22,844</u>	<u>48,073</u>

### Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	<u>1,534</u>	<u>5,984</u>

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



## Notes to the financial statements (continued)

### Note 11 Expenses

<b>a) Depreciation and amortisation expense</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	10,968	10,902
- Plant and equipment	5,942	7,928
- Computers and software	150	151
- Motor vehicles	6,183	7,096
	<u>23,243</u>	<u>26,077</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>55,679</u>	<u>55,838</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,150	2,259
- Franchise renewal process fee	10,744	11,297
	<u>12,894</u>	<u>13,556</u>
Total depreciation and amortisation expense	<u>91,816</u>	<u>95,471</u>
<b>b) Finance costs</b>		
- Lease interest expense	23,271	27,209
- Unwinding of make-good provision	937	894
- Other	-	14
	<u>24,208</u>	<u>28,117</u>

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

### c) Employee benefit expenses

Wages and salaries	376,934	392,337
Non-cash benefits	6,243	4,148
Contributions to defined contribution plans	36,934	34,350
Expenses related to long service leave	(986)	10,075
Other expenses	27,284	28,247
	<u>446,409</u>	<u>469,157</u>

### d) Recognition exemption

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

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Expenses relating to low-value leases	<u>13,855</u>	<u>13,864</u>

## Notes to the financial statements (continued)

### Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Current tax	4,548	-
- Recoupment of prior year tax losses	226	-
- Future income tax benefit attributable to losses	-	(239)
- Movement in deferred tax	3,361	(57,401)
- Adjustment to deferred tax on AASB 16 retrospective application	-	69,898
- Reduction in company tax rate	1,517	2,483
	<u>9,652</u>	<u>14,741</u>
<b>b) <i>Prima facie</i> income tax reconciliation</b>		
Operating profit before taxation	50,834	80,401
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	13,217	22,110
Tax effect of:		
- Non-deductible expenses	857	617
- Temporary differences	(3,361)	(12,496)
- Other assessable income	(5,939)	(10,470)
- Movement in deferred tax	3,361	(57,401)
- Leases initial recognition	-	69,898
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	1,517	2,483
	<u>9,652</u>	<u>14,741</u>

### Note 13 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	182,185	283,686
- Term deposits	370,000	271,894
	<u>552,185</u>	<u>555,580</u>

### Note 14 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	58,068	68,349
Prepayments	12,009	11,135
Other receivables and accruals	22,189	12,149
	<u>92,266</u>	<u>91,633</u>

## Notes to the financial statements (continued)

### Note 15 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	310,402	310,402
Less: accumulated depreciation	(167,911)	(156,943)
	<u>142,491</u>	<u>153,459</u>
<i>Plant and equipment</i>		
At cost	98,174	98,174
Less: accumulated depreciation	(79,843)	(73,901)
	<u>18,331</u>	<u>24,273</u>
<i>Motor vehicles</i>		
At cost	28,385	28,385
Less: accumulated depreciation	(28,385)	(22,202)
	<u>-</u>	<u>6,183</u>
<i>Computer and software</i>		
At cost	15,602	15,602
Less: accumulated depreciation	(15,302)	(15,152)
	<u>300</u>	<u>450</u>
Total written down amount	<u>161,122</u>	<u>184,365</u>
<b>b) Reconciliation of carrying amounts</b>		
<i>Leasehold improvements</i>		
Carrying amount at beginning	153,459	157,771
Additions	-	6,590
Depreciation	(10,968)	(10,902)
	<u>142,491</u>	<u>153,459</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	24,273	31,521
Additions	-	680
Depreciation	(5,942)	(7,928)
	<u>18,331</u>	<u>24,273</u>
<i>Motor vehicles</i>		
Carrying amount at beginning	6,183	13,279
Depreciation	(6,183)	(7,096)
	<u>-</u>	<u>6,183</u>

## Notes to the financial statements (continued)

### Note 15 Property, plant and equipment (continued)

<b>b) Reconciliation of carrying amounts (continued)</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Computer and software</i>		
Carrying amount at beginning	450	601
Depreciation	(150)	(151)
	<u>300</u>	<u>450</u>
Total written down amount	<u>161,122</u>	<u>184,365</u>

### c) Changes in estimates

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

### Note 16 Right-of-use assets

<b>a) Carrying amounts</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Leased land and buildings</i>		
At cost	1,107,846	1,116,755
Less: accumulated depreciation	(860,673)	(804,994)
Total written down amount	<u>247,173</u>	<u>311,761</u>

### b) Reconciliation of carrying amounts

<i>Leased land and buildings</i>		
Carrying amount at beginning	311,761	-
Initial recognition on transition	-	1,116,755
Accumulated depreciation on adoption	-	(749,156)
Remeasurement adjustments	(8,909)	-
Depreciation	(55,679)	(55,838)
Total written down amount	<u>247,173</u>	<u>311,761</u>

### Note 17 Intangible assets

<b>a) Carrying amounts</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise fee</i>		
At cost	43,623	32,867
Less: accumulated amortisation	(33,698)	(31,548)
	<u>9,925</u>	<u>1,319</u>
<i>Franchise renewal process fee</i>		
At cost	168,119	114,337
Less: accumulated amortisation	(118,492)	(107,748)
	<u>49,627</u>	<u>6,589</u>
Total written down amount	<u>59,552</u>	<u>7,908</u>

## Notes to the financial statements (continued)

### Note 17 Intangible assets (continued)

<b>b) Reconciliation of carrying amounts</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise fee</i>		
Carrying amount at beginning	1,319	3,578
Additions	10,756	-
Amortisation	(2,150)	(2,259)
	<u>9,925</u>	<u>1,319</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	6,589	17,886
Additions	53,782	-
Amortisation	(10,744)	(11,297)
	<u>49,627</u>	<u>6,589</u>
Total written down amount	<u>59,552</u>	<u>7,908</u>

### c) Changes in estimates

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

The company renewed the franchise fees during the period. Both are being amortised over the next 5 years until 2026.

### Note 18 Tax assets and liabilities

<b>a) Current tax</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Income tax refundable	<u>(1,002)</u>	<u>(3,459)</u>
<b>b) Deferred tax</b>		
<i>Deferred tax assets</i>		
- expense accruals	1,606	1,345
- employee provisions	1,769	5,879
- make-good provision	5,020	4,977
- lease liability	110,169	136,424
- carried-forward tax losses	-	226
Total deferred tax assets	<u>118,564</u>	<u>148,851</u>
<i>Deferred tax liabilities</i>		
- property, plant and equipment	18,844	24,762
- right-of-use assets	61,793	81,058
Total deferred tax liabilities	<u>80,637</u>	<u>105,820</u>
Net deferred tax assets (liabilities)	<u>37,927</u>	<u>43,031</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>5,104</u>	<u>(14,740)</u>
Movement in deferred tax charged to Statement of Changes in Equity	<u>-</u>	<u>69,898</u>

## Notes to the financial statements (continued)

### Note 19 Trade creditors and other payables

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

<b>a) Current liabilities</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	66,868	79,533
Other creditors and accruals	32,247	17,926
	<u>99,115</u>	<u>97,459</u>
<b>b) Non-current liabilities</b>		
Other creditors and accruals	<u>44,048</u>	<u>-</u>

### Note 20 Lease liabilities

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

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

The company's lease portfolio includes:

- Clifton Hill Branch      The lease agreement commenced in February 2006. 5 year renewal options were exercised in February 2011, February 2016 and February 2021. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is January 2026.

<b>a) Current lease liabilities</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Property lease liabilities	107,336	107,336
Unexpired interest	(19,190)	(23,305)
	<u>88,146</u>	<u>84,031</u>
<b>b) Non-current lease liabilities</b>		
Property lease liabilities	384,621	491,955
Unexpired interest	(32,089)	(51,280)
	<u>352,532</u>	<u>440,675</u>
<b>c) Reconciliation of lease liabilities</b>		
Balance at the beginning	524,706	-
Initial recognition on AASB 16 transition	-	603,524
Remeasurement adjustments	(8,908)	-
Lease interest expense	23,271	27,209
Lease payments - total cash outflow	(98,391)	(106,027)
	<u>440,678</u>	<u>524,706</u>

## Notes to the financial statements (continued)

### Note 20 Lease liabilities (continued)

d) Maturity analysis	2021	2020
	\$	\$
- Not later than 12 months	107,336	107,336
- Between 12 months and 5 years	384,621	429,343
- Greater than 5 years	-	62,612
Total undiscounted lease payments	491,957	599,291
Unexpired interest	(51,279)	(74,585)
Present value of lease liabilities	440,678	524,706

### Note 21 Provisions

a) Non-current liabilities	2021	2020
	\$	\$
Make-good on leased premises	20,081	19,144

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision based to be \$25,000 on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 January 2026 at which time it is expected the face-value costs to restore the premises will fall due.

### Note 22 Employee benefits

a) Current liabilities	2021	2020
	\$	\$
Provision for annual leave	2,104	14,606
Provision for long service leave	4,540	3,270
	6,644	17,876
b) Non-current liabilities		
Provision for long service leave	344	4,736

### c) Key judgement and assumptions

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

### Note 23 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	867,013	867,013	867,013	867,013
Less: equity raising costs	-	(26,384)	-	(26,384)
Less: return of capital (2008)	-	(43,351)	-	(43,351)
Less: return of capital (2010)	-	(43,350)	-	(43,350)
	867,013	753,928	867,013	753,928

## Notes to the financial statements (continued)

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### Note 23 Issued capital (*continued*)

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#### b) Rights attached to issued capital

##### *Ordinary shares*

##### Voting rights

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

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

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

##### Dividends

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

##### Transfer

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

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

##### *Prohibited shareholding interest*

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 276. As at the date of this report, the company had 294 shareholders (2020: 294 shareholders).

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

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



## Notes to the financial statements (continued)

### Note 23 Issued capital (continued)

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

##### *Prohibited shareholding interest (continued)*

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

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

### Note 24 Accumulated losses

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		(220,112)	(58,144)
Adjustment for transition to AASB 16		-	(184,278)
Net profit after tax from ordinary activities	29a)	41,182	65,660
Dividends provided for or paid		(34,681)	(43,350)
Balance at end of reporting period		<u>(213,611)</u>	<u>(220,112)</u>

### Note 25 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	41,182	65,660
Adjustments for:		
- Depreciation	78,922	81,915
- Amortisation	12,894	13,556
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(632)	10,944
- (Increase)/decrease in other assets	7,561	23,408
- Increase/(decrease) in trade and other payables	(5,486)	11,090
- Increase/(decrease) in employee benefits	(15,624)	367
- Increase/(decrease) in provisions	937	894
- Increase/(decrease) in tax liabilities	-	(27,630)
Net cash flows provided by operating activities	<u>119,754</u>	<u>180,204</u>

## Notes to the financial statements (continued)

### Note 26 Financial instruments

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

	Note	2021 \$	2020 \$
<b>Financial assets</b>			
Cash and cash equivalents	13	182,185	283,686
Term deposits	13	370,000	271,894
Trade and other receivables	14	80,257	80,498
		<u>632,442</u>	<u>636,078</u>
<b>Financial liabilities</b>			
Trade and other payables	19	143,163	97,459
Lease liabilities	20	440,678	524,706
		<u>583,841</u>	<u>97,459</u>

### Note 27 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	3,080	2,970
Total auditor's remuneration	<u>8,680</u>	<u>8,370</u>

### Note 28 Related parties

#### a) Details of key management personnel

The directors of the company during the financial year were:

Jenny Maree Farrar  
 Peter Raymond Hille  
 Andrew Blair Minogue  
 Adrian Howard Nelson  
 Lauren Mary Zoric  
 Katherine Esther Kennedy  
 Benjamin David Hubbard  
 Amelia Jane Collins  
 Rosalyn Mary Roberts  
 Daisy Chiumburu  
 James Joshua Sinclair

## Notes to the financial statements (continued)

### Note 28 Related parties (*continued*)

#### b) Key management personnel compensation

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

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

#### c) Related party transactions

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

### Note 29 Dividends provided for or paid

#### a) Dividends provided for or paid

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	4.00	34,681	5.00	43,350

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

#### b) Franking account balance

##### *Franking credits available for subsequent reporting periods*

	2021 \$	2020 \$
Franking account balance at the beginning of the financial year	15,767	13,248
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	(24,658)	15,503
- Franking credits from the payment of income tax instalments during the financial year	26,749	3,459
- Franking debits from the payment of franked distributions	(12,185)	(16,443)
Franking account balance at the end of the financial year	5,673	15,767
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(1,002)	(3,459)
Franking credits available for future reporting periods	4,671	12,308

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

## Notes to the financial statements (continued)

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### Note 30 Earnings per share

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#### a) Based and diluted earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	41,182	65,660
	<b>Number</b>	<b>Number</b>
Weighted-average number of ordinary shares	867,013	867,013
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	4.75	7.57

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### Note 31 Commitments

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

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### Note 32 Contingencies

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

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### Note 33 Subsequent events

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

# Directors' declaration

In accordance with a resolution of the directors of Clifroy Limited, we state that:

In the opinion of the directors:

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

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

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Jenny Maree Farrar, Chair

Dated this 10th day of September 2021

# Independent audit report



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

## Independent auditor's report to the Directors of Clifroy Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Clifroy Limited's (the company), which comprises:

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

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

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

#### Basis for Opinion

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

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

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





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## Other Information

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

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

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 10 September 2021

**Joshua Griffin**  
Lead Auditor



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Franchisee:

Clifroy Limited

ABN: 31 114 604 358

(BNPAR21030) (09/21)