

# Annual Report 2021

Healesville & District Community  
Enterprise Limited

Community Bank  
Healesville

ABN 64 143 284 182

# Contents

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Chair's report	2
Manager's report	6
Head of Community Development, Bendigo Bank	7
Report Sub-committee reports	8
Finance, audit and risk	8
Business development	8
People, culture and governance	9
Directors' report	10
Auditor's independence declaration	16
Financial statements	17
Notes to the financial statements	21
Directors' declaration	46
Independent audit report	

# Chair's report

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For year ending 30 June 2021

It is my pleasure to present the 2020-2021 Healesville & District Community Enterprise Limited Annual Report.

It is with enthusiasm that I can report that for the fourth consecutive year we have seen another annual trading surplus for the company. This has followed from continued good governance and management by Directors and Staff.

We celebrated ten years of branch operation of Community Bank Healesville in February 2021 and have grown slowly but at an increasing rate over this time.

Our largest operating surplus to date from ordinary activities of approximately \$57,000 reflects the work of a dedicated team of Staff and Directors with a commitment to both customers and community, together with a disciplined approach to expense management, based on our business strategy. Despite the current COVID related challenges, it remains our belief that we can continue to see a continuation of trading surpluses over coming years that will enable us to firstly repay debt and subsequently see payment of dividends to shareholders. The latter remains our strong intent, but this can only be undertaken once we are in a positive equity position.

The Community Bank model is unique. Being connected to our community means that we understand that successful customers assist to create a successful community. This community involvement is our real point of difference.

Thanks to the support of Community Bank branch customers and shareholders, the Australia-wide network has now returned more than \$230 million to support and strengthen local communities. This enormous achievement has come 22 years after the Community Bank concept was born in the Western Victorian farming townships of Rupanyup and Minyip in 1998. We are a robust and maturing banking network where valued partnerships enhance banking services, taking the profits that local banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

Our Community Bank Healesville Company has played its role in this milestone, supporting many projects and community groups with over \$110,000 to help Healesville grow and thrive. In celebrating our 10<sup>th</sup> Birthday grants of \$500 each were given to each of the ten following organisations:

Healesville SES  
Healesville Living & Learning Centre  
Healesville CoRE  
Healesville Music Festival  
Robyn Jane Children's Centre  
Healesville Historical Society  
Healesville Bowling Club  
Film Society (Healesville Mini Film Festival)  
ECLC (Eastern Community Legal Centre)  
Yarra Glen Basketball

In addition to these grants, we have also undertaken a new 'Lose Your Marbles' initiative which sees anyone opening a new account being invited to place a marble in a jar supporting a community group, with allocations of up to \$2000 to a community organisation. Going forward we look forward to continuing to increase our support for community groups as more people bank with us and our improving financial position allows us to increase our local grants program.

### **Ratings upgrade**

Bendigo and Adelaide Bank Limited remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. In many areas it has been cited as an exemplary model in the recent Banking Royal Commission, is currently rated as Australia's most trusted bank and recognised in a Roy Morgan survey as Australia's the third most trusted brand.

### **Government guarantee**

In September 2011, the Federal Government announced changes to its Financial Claims Scheme (FCS), also known as the "government guarantee", lowering it from \$1 million to a permanent guarantee cap of \$250,000 per account holder per Authorised Deposit-taking Institution (ADI) effective 1 February 2012.

All Community Bank branches operate under Bendigo and Adelaide Bank Limited's banking licence, and as such the first \$250,000 of a depositor's funds held with a Community Bank branch are guaranteed by the Federal Government, free of charge, and supported by the capital base and financial strength of their franchise partner, Bendigo and Adelaide Bank Limited. Lowering the cap is an indication of the strength of Australian banks, including Bendigo and Adelaide Bank Limited and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe.

### **Income & expenses:**

Healesville & District Community Enterprise Limited is reporting a full financial year trading surplus of approximately \$56,489 for 2020-21. Our existing overdraft has been reduced from \$150K down to \$75K and our long-term loan has been reduced steadily, now sitting at approximately \$362K. Given the much tighter banking margins due to lower interest rates we have been closely monitoring expenses and have had to continue to limit community grants. Despite this our 2021-22 budget shows an income of \$50,000 and we are committed to repaying debt and returning a shareholder dividend as quickly as we are able.

Our net equity will move into positive territory in coming months. We thank our highly engaged Staff, Board and Bendigo Bank for working hard in the community and on our business growth strategies. The sub-leasing of the upstairs area has continued to add additional income. Over the past year, we maintained a strong reign on expenses.

### **COVID-19:**

Obviously, the ongoing COVID-19 pandemic has significantly impacted most businesses and has seen a significant change in customer needs. In the face of this as a designated essential service we have implemented stringent health and safety precautions for staff and customers in line with bank policy. The State Government lockdowns have meant that staff have continued to operate in new and flexible ways to provide services and support. In addition, Directors initiated an online winter webinar series in three parts focusing on resourcing and supporting local businesses and community groups during the pandemic.

**Your Board:**

The Healesville & District Community Enterprise Limited Board of Directors is drawn from the local community and each Director is skilled in their area of expertise and passionate about our community. They volunteer their time to guide and grow the business. They support the branch staff and work tirelessly in the community promoting the Community Bank Healesville Branch.

May I express my sincere appreciation to your 2020-21 Board of Directors – Kath Gannaway, Sue Jackson, Caroline Evans, Jo Bagg, Bruce Argyle, Helen Wood (Company Secretary), Geoff Sherman, Laurence Webb, Danny Zemp, Damian North and Leigh Harry for the dedicated honorary work they do on our various committees and the leadership provided in our community.

I would like to particularly thank Laurie Webb and Geoff Sherman who stepped down as Directors in February 2021 – Geoff is remaining on our Finance, Audit and Risk committee. In addition, Brad Sanders, Gary Slater and Sandra Schoffer have served as invaluable Associates. We also acknowledge the pivotal support of the Bendigo Bank team, particularly outgoing Regional Manager, Shelley McLean. We welcome new Regional Manager, Simon Sponza.

**Our Staff:**

Keeley Mahoney commenced as our new Branch Manager in May 2019 and the staff team have continued to deliver excellent customer service and produce good results. They do this by providing local residents, traders and businesses with professional and friendly face-to-face banking and financial services which are highly valued and appreciated by our community. During the year we were ably assisted by Dan Mathers, Rebecca Parsons, Shelli Johanson, Michelle White and Lucia Bolger as our great banking team. After 5 years we farewelled Michelle and then Rebecca to Lyrebird College and welcomed Kylie Artus in April 2021.

**Finance, Audit and Risk Committee**

This committee, chaired by Sue Jackson and ably assisted by BCV Financial Services, have provided timely and accurate financials on which the Board can base their assessment of business performance. This committee has also been instrumental in managing business finances, regular auditing and a comprehensive risk register was completed at the onset of the current pandemic.

**Business Development Committee**

The Business Development Committee, chaired by Caroline Evans, has as its charter to specifically develop and implement activities and events focussed on growing the company business. It has developed a number of initiatives that have already proved fruitful for our business growth. Over the past year this has included a 'Meet Me in the Main Street', work with local businesses and community groups and oversight of last year's winter webinar series. This committee also initiated our 'Lose your marbles' campaign and oversees our community investments in support of local community groups.

In terms of Community Investment, Directors and management team have again focussed directly on connecting and maintaining contact with all the community entities that have benefited from our grants and sponsorships. We aim to develop stronger relationships with grant recipients, ensuring they have a key understanding of the importance of supporting the Community Bank branch that in turn supports them in their endeavours. Our quarterly newsletter, produced by Kath and Bob Gannaway, is always well received.

**People and Culture Committee**

This committee, chaired by Helen Wood, has continued their HR focus, supporting and ensuring appropriate training for both staff and Directors and responding to requests from shareholders.

During the year, Directors participated (mostly online) in State and Regional Bendigo Bank Conferences, undertook professional development courses in new Director induction, Low Volume Share Trading, Understanding Profit Share, The Effective Board and Marketing. The Directors and staff also participated in a strategic plan review to identify the key partners and chart a growth course for our business.

### **Challenges and Opportunities**

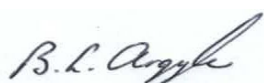
The Healesville community understands our banking model and what that means for the community into the future. It was exciting to welcome Lyrebird College as our 2000<sup>th</sup> customer in August 2020 and then to see a further 10% growth in customer numbers to 2200 over the past 12 months. Despite this some do not yet realise that Bendigo Bank provides a full range of financial and banking services.

In addition to providing welcoming and professional banking services we recognise that it is important for us that we continue to remain competitive in pricing and continue to develop and deliver innovative and relevant banking products and services. Our current three-year strategic plan, together with Bendigo Bank's support will deliver another surplus in 2021-22 and we are very encouraged by the significantly increased levels of footings (both deposits and lending, totalling over \$100M in February 2021) that have occurred over the past three years. It is noted that there has been limited buying and selling of shares over the past 12 months.

Our core focus is to meet the needs and expectations of our customers as they change and in the face of the current COVID-19 restrictions. Increasing the level of business activity and engagement and thereby deepening our relationship with our customers, is our key point of difference. On behalf of the Board of Directors I would encourage you, our shareholders, to be our ambassadors to the community at large. You can certainly help your community company achieve greater success by encouraging members of your family, friends and acquaintances to bank with us.

We look forward to seeing as many shareholders as possible at our Annual General Meeting which will be conducted via Zoom at 2pm on Saturday 20 November 2021.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'B.L. Argyle', is written over a light blue rectangular background.

**Bruce Argyle**  
Chairman

# Manager's report

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For year ending 30 June 2021

Welcome to all members of Community Bank Healesville 2021 AGM. This year saw Healesville & District Community Enterprise Ltd mark its 10-year anniversary, which is a huge accomplishment. I would like to thank and acknowledge the massive support and effort it took to open the branch, and the ongoing support of our Board of Directors, our staff, and our customers, both past and present. Without them we would not be here today.

We had planned a garden party to celebrate this milestone, but COVID-19 had other plans. Our party may have been unceremoniously cancelled but our spirits remained undampened. Instead of the planned festivities, we celebrated by giving grants to 10 of our local not-for-profit groups.

Our business has continued to grow over the past 12 months. Despite the obvious challenge of economic uncertainty presented by COVID-19, the branch has returned a profit. Total group business sits at around \$110 million.

We introduced an exciting new campaign to the branch called 'Lose Your Marbles'! Danny Zemp, our Board member, created an eye-catching art display to support this campaign. It has been warmly received by our customers. The best part of the campaign is everyone one's a winner!! There's a first, second, third and fourth place. This truly represents our commitment and aim to give back up to 80% of our profits to the community. I would like to thank the staff members for their resilience and ability to navigate the challenging times of this year and the coming year.

We have welcomed a new Personal Banker to the branch, Kylie Artus. She came from RACV and has settled into the role with ease. She is an asset to our team, bringing enthusiasm, a positive attitude and a will to succeed. Shelley and Lucia, our Customer Advisers, are working in a fast-changing environment where their administration duties are slowly being moved to a centralised systems freeing them up to spend more time with the customers that visit the branch and giving them time to discover opportunities for new products.

Dan and I have worked together well this year, assisting each other with a Policy that's changing regularly to meet the needs the Bank. Our commitment to serving our home loan customers is strong and our focus remains firm on achieving the coming years' targets.

I thank the Board of Directors for their ongoing support and commitment to the branch. Whilst their own industries are suffering, they continue to offer guidance and inspire us to be successful.

My thanks to Bendigo & Adelaide Bank Ltd regional team for their support. Sadly, we have seen other banks in town closing midday. We remain open 9.30am to 4.00pm, willing and able to assist the Healesville community with their banking needs.

We thank the Healesville community, shareholders and customers for their ongoing support and loyalty. Community Bank Healesville is here helping keep our town high street strong, happy and active.

As always, our doors are open for existing and new customers looking for a Better Big Bank!

**Keeley Mahoney**  
Branch Manager

# Head of Community Development, Bendigo Bank

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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 other 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**  
**Bendigo and Adelaide Bank**



# Sub-committee reports

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For year ending 30 June 2021

## Finance, Audit and Risk

We have all experienced another challenging year. Whether it be in business or personally, the last 12 months were not quite what we had hoped for or expected. Our Finance, Audit and Risk Committee (FAR) continued to focus on improving the financial risk management systems and reporting systems. Our committee welcomed Leigh Harry to the group. Along with Sandra Schoffer, Bruce Argyle, Leigh and myself, our FAR committee has adjusted to meeting predominantly via Zoom. I appreciate the commitment, input and diligence of our committee members.

The committee continued to focus on updating and reviewing relevant Financial Management policies that underpin our community bank. Our committee has updated and comprehensively reviewed the Risk Register throughout the year. Earlier in 2021, the franchise agreement was extended and the lease on the current bank premises was renewed.

Thank you to BCV Financial Services, who continue to provide HDCEL with bookkeeping and financial services. This year our operating surplus was approximately \$56,000. Our key financial challenges are to continue to increase profitability, pay down the overdraft, pay our shareholders a dividend and position ourselves to be able to provide greater financial support for our local community in the near future.

No doubt there will be new challenges for us to navigate over the next 12 months. However, our dedicated committee is looking forward to another successful and rewarding year.

Sue Jackson

Chair – Finance, Audit and Risk Committee

## Business Development

This year was again both exciting and challenging for the Business Development Committee. We continued our focus on growing the business and profit to enable us to both directly support our community and to reward our very patient shareholders.

A key goal was to raise awareness of the Community Bank through developing more and deeper connections within our community. We successfully achieved this through a suite of activities that also provided direct benefits to the community including:

- Buying 100 meals from local café My Little Kitchen for HICCI to distribute to those in our community struggling during lockdown.
- Celebrating our Community Bank's 10<sup>th</sup> Birthday by providing ten community groups \$500 sponsorships.
- Using our social media to highlight local businesses and encourage our community to 'shop local'.
- Working closely with the Healesville traders to promote Christmas Shopping Nights including creating wonderful raffle prizes of locally sourced products.
- Our new 'Lose Your Marbles' promotion that provides the opportunity for four local groups to secure funding through having our customers place a marble in their jar. Our first four participants were HICCI, Healesville Tennis Club, Healesville Bowling Club and Badger Creek Primary School.

We look forward to continuing our work this year in growing the business and to continue our connection with the community (hopefully in real life).

I would like to thank our small and very hard-working committee members. Kath Gannaway who is tireless and devotes so much time to supporting our community. The very talented Danny Zemp, who creates fantastic artwork for us and always says yes to any task. And our wonderful Branch Manager Keeley Mahoney whose enthusiasm and work ethic lifts us all.

We are all committed to the bank's motto 'Our Community – Empowered and Thriving'.

Caroline Evans

Chair – Business Development Committee

## **People, Culture and Governance**

As Chair of the People and Culture Committee during 2020-21 it has been both an exciting and challenging year. Our challenges have mostly related to operating in a COVID-19 environment and ensuring that the branch and our customers are as safe as possible while maintaining our high standards of customer service. Our team do an amazing job for our customers and this has continued through a difficult time for everyone. We also have great support on the P&C Committee from Brad Sanders, Bruce Argyle and more recently Damian North.

The Board has also prioritised a focus on stretch targets for the Branch and our team this past year while being very mindful of the above challenges. We have supported the team with additional resources (new Customer Relationship Manager role) and have asked them to focus on growing our business to ensure we are not just surviving but that we are thriving. We are doing everything we can as a Board and a team to get profit to where it needs to be in order to reward our shareholders with dividends and importantly ensure that we contribute as a community bank by ensuring up to 80% of our profits go back to our community through projects and grants.

I would also like to acknowledge the team for working with the Board to increase the profile of the bank locally in Healesville and to supporting our social media presence and initiatives such as 'Lose your Marbles' in the branch which have been led by our Business Development Committee.

COVID has of course presented many challenges over the last year but we have all worked incredibly well together to overcome them. The branch has performed extremely well in relation to the targets set by Bendigo Bank and across the region is the leading branch for many of those KPIs. The Board would acknowledge the wonderful leadership of our Branch Manager, Keeley Mahoney, and of course our great team Dan, Shelli, Luci and Kylie. Well done team and here's to a great year ahead.

Helen Wood

Chair – People, Culture and Governance Committee

# Directors' report

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The names and details of the company's directors who held office during or since the end of the financial year:

## **Bruce Leonard Argyle**

Position	Chairman
Occupation	Head of the Not of Profit Specialist Team for Bendigo Bank
Qualifications, experience and expertise	Bachelor of Science (Hons.), Diploma in Business and Education and Masters in Dispute Resolution. Current Board and Director roles: Australian Charities & Not-for-Profit Commission (ACNC) – Reference Group (7 years) Social Investment Grants Program, Community Sector Banking – Chair (7 years) Non-executive Director, Lockwood Trust (19 years). Current community roles: Healesville Toastmasters – President, YVFM 99.1 Community Radio – Member and presenter, Healesville CoRE – Member and HEWI – Member. Paid employment roles: CEO Regional Extended Family Services (REFS) – 14 years, Director, Membership & Partnerships at Philanthropy Australia – 6 years, CEO InterCapital Fundraising – 2 years and Director Community Relations Uniting AgeWell – 2 years and Head of Philanthropy, Community Sector Banking – 3 years.
Special responsibilities	Finance, Audit & Risk Committee
Interest in shares	2,000 ordinary shares

## **Kathleen Therese Gannaway**

Position	Non-executive director
Occupation	Retired
Qualifications, experience and expertise	Journalist and photographer with the Mail newspaper in Healesville for more than 20 years, retired in September 2018. Currently a member of Healesville Toastmaster and Yarra Ranges Film Society. Previously involved as a volunteer with Badger Creek Fire Brigade Auxiliary, Badger Creek Old School Building Committee and numerous Gateway Festival Committees.
Special responsibilities	Marketing & Development Committee
Interest in shares	2,004 ordinary shares

## **Daniel Zemp**

Position	Non-executive director
Occupation	Cartoonist, Arborist and Education support
Qualifications, experience and expertise	Cartoonist and Arborist BSc, Frontline management, Environmental management and sustainability. Currently working at the local high school as an integration aide as well as providing a regular editorial cartoon in the local paper. Daniel has 25 years' experience as a climbing arborist and is currently on the committee of the Australian Cartoon Museum.
Special responsibilities	Marketing, People and Sponsorship Committee
Interest in shares	2,000 ordinary shares

## **Helen Maree Wood**

Position	Non-executive director
Occupation	Management Consultant
Qualifications, experience and expertise	20 years in local and state government. Helen has operated her own business (TMS Consulting) since 2006 as a management consultant specialising in organisational capability (30-50 staff). She is the Chair and Board Member of the Brisbane Youth Services for 8 years – providing services to homeless and vulnerable youth. Individual areas of specialty are organisational performance, leadership, change management, human dynamics. A very experienced and well regarded facilitator, she has run major engagement forums for state and federal governments, helped executive teams align their strategy and helped organisations through major change. She is the joint owner of Yarra Gables Motel in Healesville and support Tourism industry with facilitation of industry forums etc.
Special responsibilities	Chair People, Culture & Governance Committee; Former Chair Business Development Committee
Interest in shares	2,000 ordinary shares

**Susan Ellen Jackson**

Position	Treasurer
Occupation	Real Estate Agent (Licensed)
Qualifications, experience and expertise	Susan is a licensed Real Estate Agent with 18 years' experience in the industry. She completed Bachelor of Property & Real Estate in 2017. Involved in residential sales and manages a team of 12 sales agents. Susan has been involved with Montrose Traders Group for many years and supports various local clubs and groups.
Special responsibilities	Chair Finance, Audit & Risk Committee
Interest in shares	1,000 ordinary shares

**Caroline Anne Evans**

Position	Non-executive director
Occupation	CEO – Yarra Valley Wine Growers Association
Qualifications, experience and expertise	Accomplished executive with strong interpersonal leadership and team building skills, combined with a commitment to excellence, business acumen, strategic and organisational agility, problem solving and negotiation skills. Qualifications include Diploma of Business (Marketing) and Member of the Australian Institute of Company Directors. A member of the Yarra Valley community for over 40 years, with volunteer involvement in the Yarra Glen Football & Netball Club, HICCI, St Brigid's Primary School and Casey Volunteer Grants Committee. Other current directorships also include Ability Works Australia.
Special responsibilities	Chair Business Development Committee
Interest in shares	5,000 ordinary shares

**Joanne Lee Bagg**

Position	Non-executive director
Occupation	Consultant
Qualifications, experience and expertise	An experienced professional in management consultancy, tourism and hospitality sectors, with over 13 years experience working in the Yarra Valley. Previously managed the Yarra Valley Visitor Information centre in Healesville, working with community groups and businesses to promote the region to domestic and international visitors. worked for 10 years with Swinburne University (through Open Universities Australia) as convenor and tutor for tourism units. Qualifications include Bachelor of Business (Tourism Enterprise Management) and Diploma of Hospitality Management. Joanne has strong interpersonal, administrative and organisational skills and is dedicated to excellent customer service.
Special responsibilities	Governance Committee
Interest in shares	nil share interest held

**Leigh Harry**

Position	Non-executive director (appointed 2 February 2021)
Occupation	Retired
Qualifications, experience and expertise	Previously CEO of Tourism Victoria from 2002-2006 and the CEO of Melbourne Convention and Exhibition Centre from 1989-2002. He has also held positions such as International President (4 years) and Board member of the International Congress Convention Association (8 years). Leigh is the Chair Business Events Council of Australia, and a Board Member of Meetings and Events Associations Australia, Melbourne Convention Bureau, Board Member Rotary club of Southbank and Yarra Ranges Tourism. Leigh also holds volunteer roles with Zoos Victoria, FairShare, Palais Theatre Community Fund, Hannover House, Sacred Heart Mission, Salvation Army and Yarra Valley Arts Society.
Special responsibilities	Finance, Audit & Risk Committee
Interest in shares	4,000 ordinary shares

**Damian Michael North**

Position	Non-executive director (appointed 2 February 2021)
Occupation	Operations Manager
Qualifications, experience and expertise	Damian is an operations manager and a wine maker. He has a Bachelor of Applied Science in Wine Making from Charles Sturt University and a Master of Business Administration from Curtin University.
Special responsibilities	People, Culture & Governance Committee
Interest in shares	nil share interest held

**Geoffrey Allan Sherman**

Position	Non-executive director (resigned 8 June 2021)
Occupation	Chartered Accountant
Qualifications, experience and expertise	Chartered Accountant & Registered Tax Agent with over 15 years experience in both public practice and corporate accountancy, currently running his own accountancy firm. Past experiences include preparation of financial statements for reporting entities and providing accounting and taxation advice to boards of not-for-profit entities and public companies limited by guarantee.
Special responsibilities	Finance, Audit & Risk Committee
Interest in shares	2,000 ordinary shares

**Laurence Webb**

Position	Non-executive director (resigned 8 June 2021)
Occupation	Retired
Qualifications, experience and expertise	30 years experience in Information Technology and Financial Services. Holds a Bachelor of Science Honours and was the CEO of SecurePay.
Special responsibilities	Finance, Audit & Risk Committee and Business Development Committee
Interest in shares	5,000 ordinary shares

Directors were in office for this entire year unless otherwise stated. No directors have material interest in contracts or proposed contracts with the company.

**Company Secretary**

The company secretary is Helen Wood. Helen was appointed to the position of secretary on 13 February 2020.

**Principal activity**

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

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

**Operating results**

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

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
56,489	43,205

## Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Bruce Leonard Argyle	2,000	-	2,000
Kathleen Therese Gannaway	2,004	-	2,004
Daniel Zemp	2,000	-	2,000
Helen Maree Wood	2,000	-	2,000
Susan Ellen Jackson	1,000	-	1,000
Caroline Anne Evans	5,000	-	5,000
Joanne Lee Bagg	-	-	-
Leigh Harry	-	4,000	4,000
Damian Michael North	-	-	-
Geoffrey Allan Sherman	2,000	-	2,000
Laurence Webb	5,000	-	5,000

## Dividends

No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be paid in the current financial year.

## 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 have been no significant changes on the company's financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

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

## Events since the end of the financial year

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

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

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

## 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 attended by each of the directors of the company during the financial year were:

	Board Meetings Attended	
	<u>Eligible</u>	<u>Attended</u>
Bruce Leonard Argyle	11	11
Kathleen Therese Gannaway	11	9
Daniel Zemp	11	11
Helen Maree Wood	11	11
Susan Ellen Jackson	11	10
Caroline Anne Evans	11	7
Joanne Lee Bagg	11	10
Leigh Harry	5	5
Damian Michael North	5	4
Geoffrey Allan Sherman	9	2
Laurence Webb	6	6

#### Proceedings on behalf of the company

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

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

#### Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28 to the accounts.

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

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

### Auditor's independence declaration

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

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



Bruce Leonard Argyle, Chairman

Dated this 7th day of September 2021

## 2020-2021 Directors



Bruce Argyle  
Chair



Kath Gannaway



Danny Zemp



Helen Wood  
Secretary & Chair,  
People & Culture



Sue Jackson  
Chair, Finance,  
Audit & Risk



Caroline Evans  
Chair, Business  
Development



Jo Bagg



Leigh Harry



Damian North



Geoff Sherman  
Treasurer (retired  
June 2021)



Laurie Webb  
(retired June 2021)



# Auditor's Independence Declaration



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## Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Healesville & District Community Enterprise Limited

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

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 7 September 2020

A handwritten signature in black ink, appearing to read 'Adrian Downing'.

**Adrian Downing**  
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	540,976	545,764
Other revenue	9	66,398	88,119
Employee benefit expenses	10d)	(307,195)	(322,447)
Charitable donations, sponsorship, advertising and promotion		(13,541)	(8,522)
Occupancy and associated costs		(16,760)	(23,534)
Systems costs		(31,891)	(32,317)
Depreciation and amortisation expense	10a)	(56,382)	(56,779)
Impairment losses	10b)	-	(12,360)
Finance costs	10c)	(23,232)	(30,751)
General administration expenses		(73,286)	(69,610)
<b>Profit before income tax expense</b>		<b>85,087</b>	<b>77,563</b>
Income tax expense	11	(28,598)	(34,358)
<b>Profit after income tax expense</b>		<b>56,489</b>	<b>43,205</b>
<b>Total comprehensive income for the year attributable to the ordinary shares of the company:</b>		<b>56,489</b>	<b>43,205</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	30a)	6.28	4.81

The accompanying notes form part of these financial statements.

# Financial Statements (cont.)

## Balance Sheet

as at 30 June 2021

	Notes	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	12a)	19,202	124
Trade and other receivables	14a)	55,822	62,907
<b>Total current assets</b>		<b>75,024</b>	<b>63,031</b>
<b>Non-current assets</b>			
Investment property	13a)	4,589	22,577
Property, plant and equipment	15a)	111,145	117,949
Right-of-use assets	16a)	148,487	166,514
Intangible assets	17a)	59,552	8,575
Deferred tax asset	18a)	287,910	316,509
<b>Total non-current assets</b>		<b>611,683</b>	<b>632,124</b>
<b>Total assets</b>		<b>686,707</b>	<b>695,155</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19a)	41,121	39,983
Loans and borrowings	20a)	39,800	60,218
Lease liabilities	21b)	47,597	45,104
Employee benefits	23a)	11,290	8,518
<b>Total current liabilities</b>		<b>139,808</b>	<b>153,823</b>
<b>Non-current liabilities</b>			
Trade and other payables	19a)	43,804	-
Loans and borrowings	20b)	322,693	374,110
Lease liabilities	21b)	173,617	221,212
Employee benefits	23b)	4,653	2,034
Provisions	22a)	31,825	30,158
<b>Total non-current liabilities</b>		<b>576,592</b>	<b>627,514</b>
<b>Total liabilities</b>		<b>716,400</b>	<b>781,337</b>
<b>Net liabilities</b>		<b>(29,693)</b>	<b>(86,182)</b>
<b>EQUITY</b>			
Issued capital	24a)	872,080	872,080
Accumulated losses	25	(901,773)	(958,262)
<b>Total equity</b>		<b>(29,693)</b>	<b>(86,182)</b>

The accompanying notes form part of these financial statements.

# Financial Statements (cont.)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	872,080	(1,001,467)	(129,387)
Total comprehensive income for the year	-	43,205	43,205
Balance at 30 June 2020	872,080	(958,262)	(86,182)
Balance at 1 July 2020	872,080	(958,262)	(86,182)
Total comprehensive income for the year	-	56,489	56,489
Balance at 30 June 2021	872,080	(901,773)	(29,693)

The accompanying notes form part of these financial statements.

# Financial Statements (cont.)

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

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		662,928	700,329
Payments to suppliers and employees		(479,640)	(505,476)
Interest paid		(8,315)	(13,564)
Lease payments (interest component)	10c)	(13,251)	(15,608)
Lease payments not included in the measurement of lease liabilities	10e)	(14,309)	(14,187)
<b>Net cash provided by operating activities</b>	<b>26</b>	<b>147,413</b>	<b>151,494</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(285)
Payments for intangible assets		(11,396)	(13,556)
<b>Net cash used in investing activities</b>		<b>(11,396)</b>	<b>(13,841)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings		(51,615)	(29,168)
Lease payments (principal component)		(45,104)	(42,186)
<b>Net cash used in financing activities</b>		<b>(96,719)</b>	<b>(71,354)</b>
<b>Net cash increase in cash held</b>		<b>39,298</b>	<b>66,299</b>
Cash and cash equivalents at the beginning of the financial year		(20,096)	(86,395)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>12b)</b>	<b>19,202</b>	<b>(20,096)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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

Registered Office	Principal Place of Business
205 Maroondah Hwy	205 Maroondah Hwy
Healesville VIC 3777	Healesville VIC 3777

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 29.

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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 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 7 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. 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:

## a) Revenue from contracts with customers (cont.)

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

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

### *Revenue calculation*

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

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

### *Margin*

Margin is arrived at through the following calculation:

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

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

### *Commission*

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

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

### *Fee income*

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

### *Core business 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.

## a) Revenue from contracts with customers (cont.)

### *Ability to change financial return*

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

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

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

## b) Other revenue

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

<u>Revenue</u>	<u>Revenue recognition policy</u>
Sub-leasing	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
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).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

### *Discretionary financial contributions*

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

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

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

### *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.



## **b) Other revenue (cont.)**

### *Cash flow boost (cont.)*

The amounts received or receivable is 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 when the cash flow of the company improves.

## **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.

### *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 estimate 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.

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.

## **e) Taxes (cont.)**

### *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.

## **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. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

## **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 and diminishing value method over their estimated useful lives, and is recognised in profit or loss.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	4 to 40 years
Plant and equipment	Straight-line and diminishing value	1 to 40 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 include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

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

The franchise fees paid by the company and domiciled customer accounts acquired are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Domiciled customer accounts acquired are recognised at cost at the date of acquisition and are assessed as having indefinite useful life. They are tested for impairment at each reporting period and whenever impairment indicators are present.

## h) Intangible assets (cont.)

The indefinite useful life is also reassessed annually.

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)
Domiciled customer accounts	Assessed for impairment	Finite

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

## i) Financial instruments

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

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

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

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

## j) Impairment

### *Non-derivative financial assets*

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

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

### *Non-financial assets*

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

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

## **k) Issued capital**

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

## **l) 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.

## **m) Leases**

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

### *As a lessee*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate. The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

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

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

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

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

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

## m) Leases (cont.)

### *As a lessee (cont.)*

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 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.

### **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 21 – 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 23 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

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<b>Note 6</b>	<b>Financial risk management</b>
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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.

### 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.

The company maintains the following lines of credit with Bendigo Bank:

- \$75,000 overdraft facility that was not drawn upon as at 30 June 2021
- \$362,493 commercial loan facility secured by the company's assets.

## b) Liquidity risk (cont.)

### *Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities. The contractual cash flow 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>
Bank loans	362,493	39,800	322,693	-
Lease liabilities	248,010	58,355	189,655	-
Trade and other payables	84,925	41,121	43,804	-
	695,428	139,276	556,152	-

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>
Bank overdraft	20,220	20,220	-	-
Bank loans	414,108	39,998	374,110	-
Lease liabilities	306,364	58,355	233,419	14,590
Trade and other payables	39,983	39,983	-	-
	780,675	158,556	607,529	14,590

## 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.

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

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. 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 \$19,202 at 30 June 2021 (2020: \$124). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.



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**Note 7      Capital management**

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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.

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**Note 8      Revenue from contracts with customers**

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	2021	2020
	\$	\$
- Margin income	439,515	450,487
- Fee income	35,541	41,293
- Commission income	65,920	53,984
	<hr/> 540,976	<hr/> 545,764

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**Note 9      Other revenue**

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	2021	2020
	\$	\$
- Sub-leasing income	15,263	15,375
- Market development fund income	27,708	35,000
- Cash flow boost	19,541	32,567
- Other income	3,886	5,177
	<hr/> 66,398	<hr/> 88,119

Note 10	Expenses
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**a) Depreciation and amortisation expense**

	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	5,359	5,446
- Plant and equipment	1,445	1,731
	<u>6,804</u>	<u>7,177</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	36,017	36,016
	<u>36,017</u>	<u>36,016</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,260	2,265
- Franchise renewal process fee	11,301	11,321
	<u>13,561</u>	<u>13,586</u>
Total depreciation and amortisation expense	<u>56,382</u>	<u>56,779</u>

**b) Impairment losses**

	2021 \$	2020 \$
<i>Impairment of property, plant and equipment and intangible assets:</i>		
- Domiciled agency or branch business	-	12,360
	<u>-</u>	<u>12,360</u>

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4j).

The directors have assessed the carrying amounts of its intangible non-financial assets for indicators of impairment. Where the carrying amount exceeds its recoverable amount, the asset is impaired and an impairment charge is recognised to reduce the asset to the higher of its fair value less costs to sell and value in use.

**c) Finance costs**

	2021 \$	2020 \$
- Bank overdraft interest paid or accrued	41	1,265
- Bank loan interest paid or accrued	8,274	12,291
- Lease interest expense	13,251	15,608
- Unwinding of make-good provision	1,666	1,579
- Other	-	8
	<u>23,232</u>	<u>30,751</u>

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

**d) Employee benefit expenses**

	2021 \$	2020 \$
Wages and salaries	266,859	283,170
Contributions to defined contribution plans	25,157	25,964
Expenses related to long service leave	3,247	(1,038)
Other expenses	11,932	14,351
	<u>307,195</u>	<u>322,447</u>

**e) Recognition exemption**

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

	2021 \$	2020 \$
Expenses relating to low-value leases	14,309	14,187
	<u>14,309</u>	<u>14,187</u>

**Note 11 Income tax expense**

**a) Amounts recognised in profit or loss**

	2021 \$	2020 \$
<i>Current tax expense:</i>		
- Recoupment of prior year tax losses	16,475	16,265
- Movement in deferred tax	607	(30,960)
- Adjustment to deferred tax on AASB 16 retrospective application	-	30,793
- Reduction in company tax rate	11,516	18,260
	<u>28,598</u>	<u>34,358</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of \$11,547 related to the remeasurement of deferred tax assets and liabilities of the company.

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

	2021 \$	2020 \$
Operating profit before taxation	85,087	77,563
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	22,123	21,330
Tax effect of:		
- Non-deductible expenses	40	3,723
- Temporary differences	(607)	168
- Other assessable income	(5,081)	(8,956)
- Movement in deferred tax	607	(30,960)
- Leases initial recognition	-	30,793
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	11,516	18,260
	<u>28,598</u>	<u>34,358</u>

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**Note 12**      **Cash and cash equivalents**

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**a) Cash and cash equivalents**

	2021 \$	2020 \$
Cash at bank and on hand	19,202	124
	<u>19,202</u>	<u>124</u>

**b) Reconciliation to statement of cash flows**

For the purposes of the statement of cash flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts. Bank overdrafts are presented with loans and borrowings.

The below figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2021 \$	2020 \$
- Cash at bank and on hand	19,202	124
- Bank overdraft	-	(20,220)
	<u>19,202</u>	<u>(20,096)</u>

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**Note 13**      **Investment property**

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The company sub-leases some of its property. The company initially measures the head lease in accordance with AASB 16 before separately identifying the sub lease portion under AASB 140 Investment Property. The investment property is initially measured at cost under AASB 16 and subsequently measured at cost less accumulated depreciation under AASB 140 and assessed for impairment under AASB 136 Impairment of Assets.

**a) Carrying amounts**

	2021 \$	2020 \$
<i>Investment properties – sub-lease</i>		
At cost	108,052	108,052
Less: accumulated depreciation	(103,463)	(85,475)
Total written down amount	<u>4,589</u>	<u>22,577</u>

**b) Reconciliation of carrying amounts**

	2021 \$	2020 \$
<i>Investment properties – sub-lease</i>		
Carrying amount at beginning	22,577	
Initial recognition on transition – at cost	-	108,051
Initial recognition on transition – accumulated depreciation	-	(67,183)
Depreciation	(17,988)	(17,991)
Total written down amount	<u>4,589</u>	<u>22,577</u>

### c) Maturity analysis

The operating sub-lease is a 6 year lease which commenced 1 October 2015. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 \$	2020 \$
- Within 12 months	5,956	17,869
- Greater than 12 months	-	5,956
Total undiscounted lease receivable	5,956	23,825

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## Note 14 Trade and other receivables

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### a) Current assets

	2021 \$	2020 \$
Trade receivables	40,631	37,645
Prepayments	11,323	7,345
Other receivables and accruals	3,868	17,917
	55,822	62,907

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## Note 15 Property, plant and equipment

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### a) Carrying amounts

	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	195,563	195,563
Less: accumulated depreciation	(92,935)	(87,576)
	102,628	107,987
<i>Plant and equipment</i>		
At cost	44,432	44,432
Less: accumulated depreciation	(35,915)	(34,470)
	8,517	9,962
Total written down amount	111,145	117,949

## b) Reconciliation of carrying amounts

	2021 \$	2020 \$
<i>Leasehold improvements</i>		
Carrying amount at beginning	107,987	113,433
Depreciation	(5,359)	(5,446)
	<u>102,628</u>	<u>107,987</u>
<i>Plant and equipment</i>		
Carrying amounts at beginning	9,962	11,407
Additions	-	286
Depreciation	(1,445)	(1,731)
	<u>8,517</u>	<u>9,962</u>
	<u>111,145</u>	<u>117,949</u>
Total written down amount		

## c) Changes in estimates

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

## Note 16 Right-of-use assets

### a) Carrying amounts

	2021 \$	2020 \$
<i>Leased land and buildings</i>		
At cost	432,208	432,206
Less: accumulated depreciation	(283,721)	(265,692)
Total written down amount	<u>148,487</u>	<u>166,514</u>

### b) Reconciliation of carrying amounts

	2021 \$	2020 \$
<i>Leased land and buildings</i>		
Carrying amount at beginning	166,514	-
Initial recognition on transition	-	499,689
Accumulated depreciation on adoption	-	(315,150)
Remeasurement adjustments	2	-
Depreciation	(18,029)	(18,025)
Carrying amount at end	<u>148,487</u>	<u>166,514</u>
Total written down amount	<u>148,487</u>	<u>166,514</u>

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**Note 17      Intangible assets**


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**a) Carrying amounts**

	2021 \$	2020 \$
<i>Franchised fee</i>		
At cost	32,053	21,297
Less: accumulated amortisation	(22,128)	(19,868)
	<u>9,925</u>	<u>1,429</u>
<i>Franchise renewal process fee</i>		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	<u>-</u>	<u>-</u>
<i>Franchise renewal process fee</i>		
At cost	110,266	56,484
Less: accumulated amortisation	(60,639)	(49,338)
	<u>49,627</u>	<u>7,146</u>
<i>Cash-generating unit – domiciled accounts</i>		
At cost	12,360	12,360
Less: impairment	(12,360)	(12,360)
	<u>-</u>	<u>-</u>
Total written down amount	<u>59,552</u>	<u>8,575</u>

**b) Reconciliation of carrying amounts**

	2021 \$	2020 \$
<i>Franchised fee</i>		
Carrying amount at beginning	1,429	3,694
Additions	10,756	
Amortisation	(2,260)	(2,265)
Carrying amount at end	<u>9,925</u>	<u>1,429</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	7,146	18,467
Additions	53,782	
Amortisation	(11,301)	(11,321)
Carrying amount at end	<u>49,627</u>	<u>7,146</u>
<i>Cash-generating unit – domiciled accounts</i>		
Carrying amount at beginning	-	12,360
Impairment	-	(12,360)
Carrying amount at end	<u>-</u>	<u>-</u>
Total written down amount	<u>59,552</u>	<u>8,575</u>

### c) Changes in estimates

There were no changes noted except for the renewed franchise fees recognised in the period which are both being amortised over the next 5 years until 2026.

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## Note 18 Tax assets and liabilities

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### a) Deferred tax

	2021	2020
	\$	\$
<i>Deferred tax assets</i>		
- Expense accruals	-	988
- Employee provisions	4,073	2,942
- Make-good provision	7,956	69,242
- Lease liability	55,303	7,841
- Carried-forward tax losses	265,235	292,320
Total deferred tax assets	332,567	373,333
<i>Deferred tax liabilities</i>		
- Property, plant and equipment	6,388	7,661
- Right-of-use assets	38,269	49,163
Total deferred tax liabilities	44,657	56,824
Net deferred tax assets (liabilities)	287,910	316,509
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	28,599	(34,358)
Movement in deferred tax charged to Statement of Changes in Equity	-	30,793

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## Note 19 Trade creditors and other payables

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

### a) Current liabilities

	2021	2020
	\$	\$
Trade creditors	5,373	525
Other creditors and accruals	35,748	39,458
	41,121	39,983

### b) Non-current liabilities

Other creditors and accruals	43,804	-
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## Note 20 Loans and borrowings

### a) Current liabilities

	2021 \$	2020 \$
Bank overdraft	-	20,220
Secured bank loans	39,800	39,998
	<u>39,800</u>	<u>60,218</u>

#### Bank overdraft

The company has an approved overdraft limit of \$75,000 which was not drawn upon at 30 June 2021.

### b) Non-current liabilities

	2021 \$	2020 \$
Secured bank loans	<u>322,693</u>	<u>374,110</u>

### c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	0.0%	Floating	-	-	20,220	20,220
Secured bank loans	2.9%	2028	362,493	362,493	414,108	414,108

## Note 21 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:

- Healesville Branch      The lease agreement commenced in October 2010. A 5 year renewal option was exercised in October 2020. As such, the lease term end date used in the calculation of the lease liability is October 2025.

### a) Current lease liabilities

	2021 \$	2020 \$
Property lease liabilities	58,355	58,355
Unexpired interest	(10,758)	(13,251)
	<u>47,597</u>	<u>45,104</u>

**b) Non-current lease liabilities**

	2021 \$	2020 \$
Property lease liabilities	189,655	248,009
Unexpired interest	(16,038)	(26,797)
	<u>173,617</u>	<u>221,212</u>

**c) Reconciliation of lease liabilities**

	2021 \$	2020 \$
Balance at the beginning	266,316	-
Initial recognition on AASB 16 transition	-	308,502
Remeasurement adjustments	2	-
Lease interest expense	13,251	15,608
Lease payments – total cash outflow	(58,355)	(57,794)
	<u>221,214</u>	<u>266,316</u>

**d) Maturity analysis**

	2021 \$	2020 \$
- Not later than 12 months	58,355	58,355
- Between 12 months and 5 years	189,655	233,419
- Greater than 5 years	-	14,590
Total undiscounted lease payments	<u>248,010</u>	<u>306,364</u>
Unexpired interest	<u>(26,796)</u>	<u>(40,048)</u>
Present value of lease liabilities	<u>221,214</u>	<u>266,316</u>

**Note 22 Provisions****a) Non-current liabilities**

	2021 \$	2020 \$
Make-good on leased premises	31,825	30,158
	<u>31,825</u>	<u>30,158</u>

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be \$40,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 30 September 2025 at which time it is expected the face-value costs to restore the premises will fall due.

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**Note 23 Employee benefits**

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**a) Current liabilities**

	2021	2020
	\$	\$
Provision for annual leave	11,290	8,518

**b) Non-current liabilities**

	2021	2020
	\$	\$
Provision for long service leave	4,653	2,034

**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.

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**Note 24 Issued capital**

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**a) Issued capital**

	2021		2020	
	Number	\$	Number	\$
Ordinary shares – fully paid	899,026	899,026	899,026	899,026
Less: equity raising costs	-	(26,946)	-	(26,946)
	899,026	872,080	899,026	872,080

**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).

## b) Rights attached to issued capital (cont.)

### 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 259. As at the date of this report, the company had 330 shareholders (2020: 325 shareholders).

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

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

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

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

<b>Note 25</b>	<b>Accumulated losses</b>		
		<b>2021</b>	<b>2020</b>
		<b>\$</b>	<b>\$</b>
Balance at beginning of reporting period		(958,262)	(920,286)
Adjustment for transition to AASB 16		-	(81,181)
Net profit after tax from ordinary activities		56,489	43,205
Balance at end of reporting period		<u>(901,773)</u>	<u>(958,262)</u>

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**Note 26      Reconciliation of cash flows from operating activities**

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	2021 \$	2020 \$
Net profit after tax from ordinary activities	56,489	43,205
Adjustments for:		
- Depreciation	42,821	43,193
- Amortisation	13,561	13,586
- Impairment losses on intangible assets	-	12,360
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	7,086	(2,246)
- (Increase)/decrease in other assets	28,598	34,358
- Increase/(decrease) in trade and other payables	(8,200)	5,240
- Increase/(decrease) in employee benefits	5,391	218
- Increase/(decrease) in provisions	1,667	1,580
Net cash flows provided by operating activities	147,413	151,494

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**Note 27      Financial instruments**

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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	12	19,202	124
Trade and other receivables	14	44,499	55,562
		44,499	55,686
<b>Financial liabilities</b>			
Trade and other payables	19	84,925	39,983
Bank overdrafts	20	-	20,220
Secured bank loans	20	362,493	414,108
Lease liabilities	21	248,010	306,364
		695,428	780,675

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**Note 28      Auditor's remuneration**

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	2021 \$	2020 \$
Amount received or due and receivable by the auditor of the company for the financial year.		
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
	5,000	4,800
<i>Non audit services</i>		
- General advisory services	2,310	2,590
Total auditor's remuneration	7,310	7,390

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<b>Note 29</b>	<b>Related parties</b>
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**a) Details of key management personnel**

The directors of the company during the financial year were:

Bruce Leonard Argyle  
Kathleen Therese Gannaway  
Daniel Zemp  
Helen Maree Wood  
Susan Ellen Jackson  
Caroline Anne Evans  
Joanne Lee Bagg  
Leigh Harry  
Damian Michael North  
Geoffrey Allan Sherman  
Laurence Webb

**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.

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<b>Note 30</b>	<b>Earnings per share</b>
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**a) Basic and diluted earnings per share**

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	56,489	43,205
	<b>Number</b>	<b>Number</b>
Weighted-average number of ordinary shares	899,026	899,026
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	6.28	4.81

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<b>Note 31</b>	<b>Commitments</b>
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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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<b>Note 32</b>	<b>Contingencies</b>
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There were contingent liabilities or contingent assets at the date of this report to affect the financial statements.

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<b>Note 33</b>	<b>Subsequent events</b>
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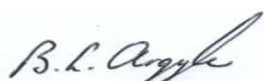
There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

In accordance with a resolution of the directors of Healesville & District Community Enterprise Limited, we state that:

In the opinion of the directors:

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

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



**Bruce Leonard Argyle, Chairman**

Dated this 7th day of September 2021

# Independent auditor's report to the Directors of Healesville & District Community Enterprise Limited

## Report on the Audit of the Financial Report

### Opinion

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

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

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

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

### Basis for Opinion

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

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

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



## 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.

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: 7 September 2021



**Adrian Downing**  
Lead Auditor

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