

2021 Annual Report

**Indigo Community
Development Group
Limited**

ABN 38 146 766 725

Contents

Chairperson's report	2
Manager's report	3
Directors' report	5
Auditor's independence declaration	11
Financial statements	12
Notes to the financial statements	16
Directors' declaration	40
Independent audit report	41

Chairperson's report

For year ending 30 June 2021

It is with great pleasure I present the tenth Annual Report on behalf of the Indigo Community Development Group Limited. The year has yet again seen challenging times due to COVID-19 and record low interest rates, but your Community Bank Beechworth & District has once again experienced growth. We ended the financial year with funds under management totalling over \$110 million.

Our after-tax profit was \$80,833 for the financial year and we also contributed \$130,000 to the Community Enterprise Foundation™. We now have \$359,565 in this foundation for philanthropic projects. We are currently looking at a project in conjunction with Indigo Shire for a Water Park.

Over the past 12 months your Community Bank Beechworth & District has returned in excess of \$34,000 in grants and sponsorships to our community. Since our opening we have returned more than \$414,000 back to the Beechworth and District community. A modified Grants and Sponsorship Program was conducted this year due to COVID-19 and we are hopeful for its resumption early 2022 as restrictions are lifted.

All the grants and sponsorships to the community groups have only been made possible by the ongoing support of our shareholders and banking customers. The more we can all support Community Bank Beechworth & District, the more we are able to support the community.

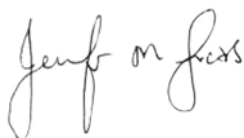
This year was the first year that we have participated in the Bendigo Bank Scholarship Program, and our successful recipient was Grace Rutherford. We are looking to continue to participate in this program next financial year.

This financial year we paid a dividend of 5 cents unfranked per share which is pleasing to be able to reward the shareholders.

We had a change of Branch Manager, Rani Macaulay left in November to pursue a career with Bendigo Bank as a Mobile Lender and our current Branch Manager is Sam Johansen who started with us in December 2020. We also have three new Customer Service Officers in our branch, Lorraine Campbell, Melody McHale and Lauren Bell. On behalf of the Board, we thank them for their efforts and commitment to our Community Bank.

Community Bank Beechworth & District celebrated its 10th Birthday on 9 September 2021, what a wonderful achievement!

Finally, I must thank my fellow Directors for the time that they make available to make our Community Bank a success. Things have been quite challenging for us due to COVID-19 and we have continued to meet via Zoom conferences. We are all very positive about the future and believe your Community Bank will remain profitable and an integral part of the Beechworth and District community.



Jennifer Lucas
Chairperson

Manager's report

For year ending 30 June 2021

Financial year 2021 saw continued growth for Community Bank Beechworth & District. It is a pleasing result for all involved, from the staff, volunteer Directors, our customers, our shareholders but most of all, a great result for our local Indigo Shire community.

It is my pleasure to deliver this, my first annual Manager's report for Community Bank Beechworth & District.

Community Bank Beechworth & District ended the financial year with funds under management totalling over \$110 million. This represents a year-on-year increase of 6.2%. We also increased our customer numbers by 2.7%. I believe that the growth we continue to achieve is a testament to the Community Bank model and the unique point of difference we offer with what we can contribute back to our local communities.

The current climate we operate in, is a market of low interest rates, thin margins, strong competition and a continued focus on data integrity and reporting. From an operational perspective, achieving sustainable growth, whilst managing risk is an ongoing balancing act, of which we strive to maintain healthy levels in both parameters. These profits allow us to meet our charter to return our profits back into the local community.

2021 has been a year of continual change for our people here at Community Bank Beechworth & District.

Our Branch Manager Rani Macaulay left to pursue an opportunity with Bendigo Bank as a Mobile Relationship Manager. I would like to personally thank Rani for her contribution to Community Bank Beechworth & District, and the ongoing assistance she provides to the branch.

2021 saw a number of staff leave our branch to pursue opportunities elsewhere; Aliza, Clare, Kylie, Heather and Holly, we thank each of you for your hard work, dedication and significant impact during your time with our Community Bank.

For those of you who may not be as familiar with our current team of staff, a little about each of us: Melody McHale joined us in June as our Customer Service Officer. Mel's most recent experience was with a mortgage broking firm in Melbourne. Prior to this, she had a number of years in the hospitality industry. Mel has lived Beechworth for a number of years, however, she still calls Ireland home. She spends her free time keeping active, looking after her cats Felix and Fireball. Mel recently received her Australian Citizenship, so be sure to welcome her aboard.

Lauren Bell commenced with us in June and has come from a hospitality background, spending the last seven years with McDonald's, most recently as a crew trainer. She is our Trainee Customer Service Officer and is completing her Certificate III in Financial Services through the Australian College of Commerce and Management, as part of her employment. Outside of work, Lauren is an avid knitter and enjoys her crocheting. Welcome aboard Lauren.

Lorri Campbell commenced in Christmas of 2020 and brings with her nine years of Bendigo Bank experience, in a wide range of customer facing roles, most recently in the Wangaratta branch. Lorri began as a Customer Service Officer, and as a testament to her work ethic, has since been promoted to Senior Customer Service Officer.

I also began in Christmas 2020, with a background also consisting of nine years of Bendigo Bank experience. Several branch roles, as well as four years in Business Banking in North East Victoria. Most recently I relocated back to North East Victoria following a 12 month secondment as the Relief Branch Manager for Western Australia.

The past twelve months has been a challenging period for not only the Community Bank, but the wider community. Regular lockdowns have affected the towns tourism trade and have also presented challenges with ways in which we do business. It has brought forward many digital changes, with Bendigo Bank continuing to invest in improved technology, adapting to new ways of doing business with customers, and allowing a growing ability to transact online which has allowed the bank to operate effectively throughout, and continue to meet customer's expectations.

The growth in our business has supported Community Bank Beechworth & District to continue providing grants and sponsorships to local community groups.

Manager's report (continued)

Given the abnormal year that was, with many events unable to proceed, and groups / associations unable to partake in their normal activities, we ran a Special Covid Grants Round which saw a number of groups successful in receiving funding. These included Beechworth Arthritis Swim Group, Beechworth Tidy Towns Committee, Winterwords Autonomous Collective, Friends of the Robert O'Hara Burke Memorial Museum, Beechworth RSL, Beechworth Community Meals, and the Beechworth Men's Shed to name a few. It gives us great pleasure to be able to give back to the Community and support various groups.

We are also fortunate to receive great support from our Business Bankers Craig Copeland and Genine Phabmixay, our many Rural Bank Managers and our Commercial Insurance Specialist Stacey Higgins. They are experts in their respective areas of business and provide great support and service to our branch and our customers.

I would like to acknowledge our Bendigo and Adelaide Bank Limited support team of Tracie Kyne (Regional Manager) and Tim Dean (Risk & Compliance Manager) and their teams who provide a high level of support to our branch. I would also like to sincerely thank Chair of the Board Jenny Lucas, and all Board members for their ongoing support and assistance. The Board of the Community Bank Beechworth & District company, Indigo Community Development Group Limited, are volunteers and we thank them for their tireless work, their passion and dedication to their local community.

Most of all I would like to thank our local shareholders, and the local community members, businesses and associations that choose Community Bank Beechworth & District as their bank of choice. It is only because of this, that we can continue to provide the level of support to our local community. We focus on the success of our customers, and the success of our community, for us to be successful as a bank.

We look forward to another year of supporting our new and existing customers in achieving their goals and continuing the sustainable growth of our business and in-turn our community support, well into the future.



Sam Johanson
Branch Manager

Directors' report

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

Directors

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

Jennifer Margaret Lucas

Chair

Occupation: Business Owner/Manager Lucas Mill Pty Ltd and Business Owner/Manager W & J Lucas Pty Ltd (Agricultural business)

Qualifications, experience and expertise: Jenny continues to live in Wooragee with her husband Warren and has done so for past 34 years. She is a Business Owner/Manager of her family owned business Lucas Mill Pty Ltd and employ 30 staff. She and Warren also run their agricultural business in Wooragee and Leneva where they produce Prime lambs, Wool and Angus vealers each year. Jenny has a past history of nursing and has a very keen interest with local health issues. She has been on the board for six years and currently holds the position of Vice chair for the third year. Jenny has previously held treasurer and president in number of local community groups, but is currently only on the board of our local Community Bank branch. Executive Committee for our Community Bank branch.

Special responsibilities: Executive Committee & Collaborative Marketing Representative for our community bank

Interest in shares: 10,000 ordinary shares

Darren John Carr

Non-executive director

Occupation: Owner Beechworth Home Hardware

Qualifications, experience and expertise: Darren has been involved in various committees including the Beechworth Chamber of Commerce and the Beechworth Men's Shed. He currently owns and operates Beechworth home Hardware and has served on the Board since 2011.

Special responsibilities: Chairperson

Interest in shares: 20,000 ordinary shares

Lynette Anne Clark

Non-executive director

Occupation: Self Employed Bookkeeper/BAS Agent

Qualifications, experience and expertise: Lynette holds an Associate Diploma Business Accounting. She is a registered BAS Agent as well as being a Public Practice Member of the Association of Accounting Technicians. Lynette is also a member of the Australian Bookkeepers Network. Lynette is currently Treasurer for the Beechworth & District Chamber of Commerce and B2B. Lynette is also a graduate of the Alpine Valleys Leadership Program 2012-2013.

Special responsibilities: Treasurer

Interest in shares: 1,196 ordinary shares

Susan Maree Humphris

Non-executive director

Occupation: Owner / operator Beechworth Lake Sambell Caravan Park

Qualifications, experience and expertise: Certificate in Caravan Park operations, Frontline Management, Office Administration & Workplace Training & Assessment. Past Secretary of the Beechworth Chamber of Commerce and current secretary of the Victorian Caravan Parks North East Division. Contributed to many local organisations. Has been self employed and working in the caravan park industry for the past 14 years.

Special responsibilities: Secretary, Public Officer and manage Low Volume Market

Interest in shares: 10,001 ordinary shares

Directors' report (continued)

Directors (continued)

Stephen Graham

Non-executive director

Occupation: Project Manager

Qualifications, experience and expertise: Currently holding a senior management position with Rivalea Australia Pty Ltd with 24 years of experience in Sales and Account Management, Strategic Planning and Project Management with previous experiences in retail management roles. Holding a Diploma in Business Management along with a long term employment in regional area, a passion for local community has grown.

Special responsibilities: Grants Committee

Interest in shares: nil share interest held

Beryl Strang

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Beryl is a retired primary school teacher, with 40 years of experience in city and country schools, in Victoria and England. She has a B. Education, Diploma of Education (Primary) and a Graduate Diploma Librarianship. Beryl is involved currently in re-cataloguing and re-organising library collection of the Wangaratta Family History Society; volunteer with Beechworth Community Support Program. She was previously involved in Beechworth community groups, including Golden Horseshoes festival, Swimming Club, Hockey Club.

Special responsibilities: Nil

Interest in shares: 5,000 ordinary shares

Benjamin Merritt

Non-executive director

Occupation: Land Management - Victorian Government

Qualifications, experience and expertise: He has a Forest Science degree from the University of Melbourne and a degree in Adult education and training from the University of Tasmania. He has spent 26 years working for land and vegetation fire management agencies in Victoria and Tasmania and am currently the Community Partnership Support Officer for the Ovens district of Forest Fire Management Victoria. He has played a variety of sports including football and hockey and believe that everybody should make a larger contribution to their community than just paying their rates and taxes. As a result he has been on the committee of the Beechworth and District Hockey club and also the local sports park committee of management, each for more than 6 years since 2010 and also has coached junior sports teams. He has just commenced with the community bank board and is looking forward to remaining in this role for years to come

Special responsibilities:

Interest in shares: 1,000 ordinary shares

Adrian Haddock

Non-executive director (appointed 1 February 2021)

Occupation:

Qualifications, experience and expertise: Adrian has been in business for 41 years, including 15 years as a Senior Executive at Coles Supermarkets State & National. He also had 26 years experience as an owner of a retail industry consulting business working in advising, training and coaching over 10,000 business executives from across 43 countries from multinational and local companies.

Special responsibilities: Nil

Interest in shares: nil share interest held

Directors' report (continued)

Directors (continued)

Alexander Fletcher

Non-executive director (resigned 28 October 2020)

Occupation: Painter Decorator

Qualifications, experience and expertise: Alexander attended Sunshine Technical School Year 9. He is a Lithographic Printer (Apprentice of the year 1st, 2nd and 3rd year). VOF scholarship to work overseas. He is currently a qualified painter. He has over 30 years as a Community Radio Broadcaster. He has long term involvement with many voluntary community groups. Alexander was co-founder of the Beechworth Music Festival. He also judges competitive surfing and was Westpac Bank Printing Apprentice of the Year.

Special responsibilities: Nil

Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Susan Humphris. Susan was appointed to the position of secretary on 11 October 2010.

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
\$	\$
80,833	57,902

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Jennifer Margaret Lucas	10,000	-	10,000
Darren John Carr	20,000	-	20,000
Lynette Anne Clark	1,196	-	1,196
Susan Maree Humphris	10,001	-	10,001
Stephen Graham	-	-	-
Beryl Strang	5,000	-	5,000
Benjamin Merritt	1,000	-	1,000
Adrian Haddock	-	-	-
Alexander Fletcher	-	-	-

Directors' report (continued)

Dividends

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

	Cents per share	Total amount \$
Final unfranked dividend	5	41,145

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Directors' report (continued)

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	
	<i>E</i>	<i>A</i>
<i>E</i> - eligible to attend		
<i>A</i> - number attended		
Jennifer Margaret Lucas	11	11
Darren John Carr	11	10
Lynette Anne Clark	11	10
Susan Maree Humphris	11	11
Stephen Graham	11	10
Beryl Strang	11	10
Benjamin Merritt	11	10
Adrian Haddock	7	5
Alexander Fletcher	-	-

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 27 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.

Directors' report (continued)

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 11.

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



Jennifer Margaret Lucas, Chair

Dated this 14th day of September 2021

Auditor's independence declaration



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

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Indigo Community Development Group Limited

As lead auditor for the audit of Indigo Community Development Group 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 14 September 2021

Joshua Griffin
Lead Auditor



Financial statements

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

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	683,997	688,903
Other revenue	9	41,405	66,175
Finance income	10	3,650	9,028
Employee benefit expenses	11e)	(281,269)	(322,290)
Charitable donations, sponsorship, advertising and promotion	11d)	(170,500)	(145,787)
Occupancy and associated costs		(11,090)	(14,041)
Systems costs		(31,501)	(34,314)
Depreciation and amortisation expense	11a)	(55,030)	(55,962)
Impairment losses	11b)	-	(24,971)
Finance costs	11c)	(9,945)	(11,663)
General administration expenses		(66,568)	(76,717)
Profit before income tax expense		103,149	78,361
Income tax expense	12a)	(22,316)	(20,459)
Profit after income tax expense		80,833	57,902
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		80,833	57,902
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	9.82	7.04

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	521,830	467,598
Trade and other receivables	14a)	59,105	73,969
Current tax assets	18a)	3,933	-
Total current assets		584,868	541,567
Non-current assets			
Property, plant and equipment	15a)	132,975	143,081
Right-of-use assets	16a)	119,641	156,496
Intangible assets	17a)	2,238	15,669
Deferred tax asset	18b)	9,379	12,476
Total non-current assets		264,233	327,722
Total assets		849,101	869,289
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	11,752	15,367
Current tax liabilities	18a)	-	197
Lease liabilities	20a)	28,825	31,718
Employee benefits	22a)	960	18,981
Total current liabilities		41,537	66,263
Non-current liabilities			
Lease liabilities	20b)	145,219	179,174
Employee benefits	22b)	25	2,066
Provisions	21a)	18,039	17,193
Total non-current liabilities		163,283	198,433
Total liabilities		204,820	264,696
Net assets		644,281	604,593
EQUITY			
Issued capital	23a)	802,117	802,117
Accumulated losses	24	(157,836)	(197,524)
Total equity		644,281	604,593

The accompanying notes form part of these financial statements

Financial statements (continued)

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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019		802,117	(197,823)	604,294
Total comprehensive income for the year		-	57,902	57,902
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(57,603)	(57,603)
Balance at 30 June 2020		802,117	(197,524)	604,593
Balance at 1 July 2020		802,117	(197,524)	604,593
Total comprehensive income for the year		-	80,833	80,833
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(41,145)	(41,145)
Balance at 30 June 2021		802,117	(157,836)	644,281

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		805,463	839,603
Payments to suppliers and employees		(642,034)	(683,676)
Interest received		3,650	7,088
Interest paid		-	(348)
Lease payments (interest component)	11c)	(9,099)	(10,516)
Lease payments not included in the measurement of lease liabilities	11f)	(14,372)	(14,187)
Income taxes paid		(21,311)	(4,737)
Net cash provided by operating activities	25	122,297	133,227
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,880)
Net cash used in investing activities		-	(2,880)
Cash flows from financing activities			
Lease payments (principal component)		(26,920)	(26,739)
Dividends paid	29a)	(41,145)	(57,603)
Net cash used in financing activities		(68,065)	(84,342)
Net cash increase in cash held		54,232	46,005
Cash and cash equivalents at the beginning of the financial year		467,598	421,593
Cash and cash equivalents at the end of the financial year	13	521,830	467,598

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Indigo Community Development Group 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
78 Ford Street Beechworth VIC 3747	78 Ford Street Beechworth VIC 3747

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

Note 2 Basis of preparation and statement of compliance

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

The financial statements have been prepared on an accrual and historical cost basis. 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 14 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

Notes to the financial statements (continued)

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Notes to the financial statements (continued)

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

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

Ability to change financial return

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

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

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

b) Other revenue

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

Revenue

Revenue recognition policy

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

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

Cash flow boost

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

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

Notes to the financial statements (continued)

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

Notes to the financial statements (continued)

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

d) Employee benefits (*continued*)

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line 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	1 to 40 years
Motor vehicles	Straight-line	5 years

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

h) Intangible assets

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

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

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

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

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

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

Notes to the financial statements (continued)

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

i) Financial instruments

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

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.

Notes to the financial statements (continued)

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

m) Leases

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

As a lessee

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

Notes to the financial statements (continued)

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

a) Judgements

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

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

b) Assumptions and estimation uncertainties

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

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

Note 6 Financial risk management

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

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

a) Credit risk

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

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

Notes to the financial statements (continued)

Note 6 Financial risk management (*continued*)

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	174,044	36,534	157,047	3,427
Trade and other payables	11,752	11,752	-	-
	<u>185,796</u>	<u>48,286</u>	<u>157,047</u>	<u>3,427</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	210,892	41,030	157,047	45,779
Trade and other payables	15,367	15,367	-	-
	<u>226,259</u>	<u>56,397</u>	<u>157,047</u>	<u>45,779</u>

c) Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$521,830 at 30 June 2021 (2020: \$467,598). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Notes to the financial statements (continued)

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	589,749	588,284
- Fee income	39,682	42,878
- Commission income	54,566	57,741
	<u>683,997</u>	<u>688,903</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	22,500	31,667
- Cash flow boost	18,928	31,548
- Other income	(23)	2,960
	<u>41,405</u>	<u>66,175</u>

Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	<u>3,650</u>	<u>9,028</u>

Notes to the financial statements (continued)

Note 11 Expenses

a) Depreciation and amortisation expense

2021	2020
\$	\$

Depreciation of non-current assets:

- Leasehold improvements	12,573	12,573
- Plant and equipment	1,964	2,111
- Motor vehicles	3,411	-
	<u>17,948</u>	<u>14,684</u>

Depreciation of right-of-use assets

- Leased land and buildings	23,651	24,436
- Leased motor vehicles	-	3,411
	<u>23,651</u>	<u>27,847</u>

Amortisation of intangible assets:

- Franchise fee	2,238	2,238
- Franchise renewal process fee	11,193	11,193
	<u>13,431</u>	<u>13,431</u>

Total depreciation and amortisation expense

<u>55,030</u>	<u>55,962</u>
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b) Impairment expense

Impairment of intangible assets:

- Domiciled customer accounts	-	14,880
- Domiciled agency or branch business	-	10,091
	<u>-</u>	<u>24,971</u>

Refer to note 17c) for information on impairment losses.

c) Finance costs

- Lease interest expense	9,081	10,516
- Unwinding of make-good provision	846	799
- Other	18	348
	<u>9,945</u>	<u>11,663</u>

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

d) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

2021	2020
\$	\$

- Direct sponsorship, advertising, and promotion payments	40,500	65,787
- Contribution to the Community Enterprise Foundation™ (CEF)	130,000	80,000
	<u>170,500</u>	<u>145,787</u>

Notes to the financial statements (continued)

Note 11 Expenses (*continued*)

d) Charitable donations, sponsorship, advertising and promotion (*continued*)

The funds contributed are held by the Community Enterprise Foundation™ (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

e) Employee benefit expenses	2021 \$	2020 \$
Wages and salaries	237,416	265,837
Contributions to defined contribution plans	31,422	42,854
Expenses related to long service leave	714	1,152
Other expenses	11,717	12,447
	<u>281,269</u>	<u>322,290</u>

f) Recognition exemption

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

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>14,372</u>	<u>14,187</u>

Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense</i>		
- Current tax	19,220	24,491
- Movement in deferred tax	2,721	(25,234)
- Adjustment to deferred tax on AASB 16 retrospective application	-	20,482
- Reduction in company tax rate	375	720
	<u>22,316</u>	<u>20,459</u>

Notes to the financial statements (continued)

Note 12 Income tax expense (continued)

b) <i>Prima facie</i> income tax reconciliation	2021 \$	2020 \$
Operating profit before taxation	103,149	78,361
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	26,819	21,549
Tax effect of:		
- Non-deductible expenses	43	6,866
- Temporary differences	(2,721)	4,752
- Other assessable income	(4,921)	(8,676)
- Movement in deferred tax	2,721	(25,234)
- Leases initial recognition	-	20,482
- Reduction in company tax rate	375	720
	<u>22,316</u>	<u>20,459</u>

Note 13 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	113,526	62,944
- Term deposits	408,304	404,654
	<u>521,830</u>	<u>467,598</u>

Note 14 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	50,962	59,091
Prepayments	5,157	5,582
Other receivables and accruals	2,986	9,296
	<u>59,105</u>	<u>73,969</u>

Note 15 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	219,492	219,492
Less: accumulated depreciation	(103,358)	(90,785)
	<u>116,134</u>	<u>128,707</u>
<i>Plant and equipment</i>		
At cost	43,250	43,250
Less: accumulated depreciation	(30,840)	(28,876)
	<u>12,410</u>	<u>14,374</u>

Notes to the financial statements (continued)

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

a) Carrying amounts (*continued*)

	Note	2021 \$	2020 \$
<i>Motor vehicles</i>			
At cost		17,056	-
Less: accumulated depreciation		(12,625)	-
		<u>4,431</u>	<u>-</u>
Total written down amount		<u>132,975</u>	<u>143,081</u>

b) Reconciliation of carrying amounts

Leasehold improvements

Carrying amount at beginning		128,707	141,280
Additions		-	-
Depreciation		(12,573)	(12,573)
		<u>116,134</u>	<u>128,707</u>

Plant and equipment

Carrying amount at beginning		14,374	13,606
Additions		-	2,879
Depreciation		(1,964)	(2,111)
		<u>12,410</u>	<u>14,374</u>

Motor vehicles

Carrying amount at beginning		-	11,253
Leased asset transferred in / (out) - at cost	16b)	17,056	(17,056)
Leased asset transferred (in) / out - accumulated depreciation	16b)	(9,214)	5,803
Depreciation		(3,411)	-
		<u>4,431</u>	<u>-</u>
Total written down amount		<u>132,975</u>	<u>143,081</u>

Following the adoption of AASB 16 in the previous financial year, the company now groups its leased assets previously recognised in 'property, plant and equipment' in 'right-of-use assets'. During the financial year the motor vehicle lease finished meaning it is no longer a leased asset and as such has been transferred back to 'property, plant and equipment'.

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.

Notes to the financial statements (continued)

Note 16 Right-of-use assets

a) Carrying amounts		2021	2020
	Note	\$	\$
<i>Leased land and buildings</i>			
At cost		361,182	366,544
Less: accumulated depreciation		(241,541)	(217,890)
		<u>119,641</u>	<u>148,654</u>
<i>Leased motor vehicles</i>			
At cost		-	17,056
Less: accumulated depreciation		-	(9,214)
		<u>-</u>	<u>7,842</u>
Total written down amount		<u>119,641</u>	<u>156,496</u>
b) Reconciliation of carrying amounts			
<i>Leased land and buildings</i>			
Carrying amount at beginning		148,654	-
Initial recognition on transition		-	366,544
Accumulated depreciation on adoption		-	(193,454)
Remeasurement adjustments		(5,362)	-
Depreciation		(23,651)	(24,436)
		<u>119,641</u>	<u>148,654</u>
<i>Leased motor vehicles</i>			
Carrying amount at beginning		7,842	-
Leased asset transferred in / (out) - at cost	15b)	(17,056)	17,056
Leased asset transferred (in) / out - accumulated depreciation	15b)	9,214	(5,803)
Depreciation		-	(3,411)
		<u>-</u>	<u>7,842</u>
Total written down amount		<u>119,641</u>	<u>156,496</u>

Note 17 Intangible assets

a) Carrying amounts		2021	2020
		\$	\$
<i>Franchise fee</i>			
At cost		21,192	21,192
Less: accumulated amortisation		(20,818)	(18,580)
		<u>374</u>	<u>2,612</u>
<i>Franchise renewal process fee</i>			
At cost		55,961	55,961
Less: accumulated amortisation		(54,097)	(42,904)
		<u>1,864</u>	<u>13,057</u>

Notes to the financial statements (continued)

Note 17 Intangible assets (continued)

a) Carrying amounts (continued)

	2021 \$	2020 \$
<i>Cash-generating unit - domiciled accounts</i>		
At cost	14,880	14,880
Less: accumulated impairment	(14,880)	(14,880)
	-	-
<i>Cash-generating unit - domiciled agency business</i>		
At cost	10,091	10,091
Less: accumulated impairment	(10,091)	(10,091)
	-	-
Total written down amount	2,238	15,669

b) Reconciliation of carrying amounts

Franchise fee

Carrying amount at beginning	2,612	4,850
Amortisation	(2,238)	(2,238)
	374	2,612

Franchise renewal process fee

Carrying amount at beginning	13,057	24,250
Amortisation	(11,193)	(11,193)
	1,864	13,057

Cash-generating unit - domiciled accounts

Carrying amount at beginning	-	14,880
Impairment	-	(14,880)
	-	-

Cash-generating unit - domiciled agency business

Carrying amount at beginning	-	10,091
Impairment	-	(10,091)
	-	-

Total written down amount

2,238 15,669

c) Changes in estimates

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

There were no changes in estimates for the current reporting period.

In the prior period the company has re-assessed the useful life of its cash-generating unit for business domiciled from Bendigo Bank to the company based on new information from Bendigo Bank relating to the customer product life cycle.

As a result of the reassessment, the carrying amount was found to exceed the recoverable amount indicating the asset is now fully impaired. As such, an impairment loss of \$24,971 has been recognised for the financial year ending 30 June 2020.

Notes to the financial statements (continued)

Note 18 Tax assets and liabilities

a) Current tax	2021 \$	2020 \$
Income tax payable/(refundable)	(3,933)	197
b) Deferred tax		
<i>Deferred tax assets</i>		
- expense accruals	43	45
- employee provisions	246	5,472
- make-good provision	4,510	4,470
- lease liability	43,511	54,413
Total deferred tax assets	48,310	64,400
<i>Deferred tax liabilities</i>		
- income accruals	747	776
- property, plant and equipment	8,274	12,498
- right-of-use assets	29,910	38,650
Total deferred tax liabilities	38,931	51,924
Net deferred tax assets (liabilities)	9,379	12,476
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	3,097	4,032
Movement in deferred tax charged to Statement of Changes in Equity	-	20,482

Note 19 Trade creditors and other payables

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

a) Current liabilities	2021 \$	2020 \$
Trade creditors	245	3,456
Other creditors and accruals	11,507	11,911
	11,752	15,367

Note 20 Lease liabilities

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

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

The company's lease portfolio includes:

- Beechworth Branch The lease agreement commenced in August 2011. A 5 year renewal option was exercised in August 2021. The company has no renewal options available in the current lease agreement. As such, the lease term end date used in the calculation of the lease liability is August 2026.

Notes to the financial statements (continued)

Note 20 Lease liabilities (continued)

a) Current lease liabilities	2021 \$	2020 \$
Property lease liabilities	36,534	39,401
Unexpired interest	(7,709)	(9,294)
	<u>28,825</u>	<u>30,107</u>
Motor vehicle lease liabilities	-	1,629
Unexpired interest	-	(18)
	<u>-</u>	<u>1,611</u>
	<u>28,825</u>	<u>31,718</u>
b) Non-current lease liabilities		
Property lease liabilities	160,474	202,826
Unexpired interest	(15,255)	(23,652)
	<u>145,219</u>	<u>179,174</u>
c) Reconciliation of lease liabilities		
Balance at the beginning	210,892	-
Initial recognition on AASB 16 transition	-	231,175
Remeasurement adjustments	(9,928)	6,456
Lease interest expense	9,099	10,516
Lease payments - total cash outflow	(36,019)	(37,255)
	<u>174,044</u>	<u>210,892</u>
d) Maturity analysis		
- Not later than 12 months	36,534	41,030
- Between 12 months and 5 years	157,047	157,047
- Greater than 5 years	3,427	45,779
Total undiscounted lease payments	<u>197,008</u>	<u>243,856</u>
Unexpired interest	(22,964)	(32,964)
Present value of lease liabilities	<u>174,044</u>	<u>210,892</u>

Note 21 Provisions

a) Non-current liabilities	2021 \$	2020 \$
Make-good on leased premises	<u>18,039</u>	<u>17,193</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 as at \$23,000 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 1 August 2026 at which time it is expected the face-value costs to restore the premises will fall due.

Notes to the financial statements (continued)

Note 22 Employee benefits

a) Current liabilities	2021	2020
	\$	\$
Provision for annual leave	960	18,981
b) Non-current liabilities		
Provision for long service leave	25	2,066
c) Key judgement and assumptions		

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

Note 23 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	822,897	822,897	822,897	822,897
Less: equity raising costs	-	(20,780)	-	(20,780)
	<u>822,897</u>	<u>802,117</u>	<u>822,897</u>	<u>802,117</u>

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Notes to the financial statements (continued)

Note 23 Issued capital (*continued*)

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

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 280. As at the date of this report, the company had 320 shareholders (2020: 320 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.

Note 24 Accumulated losses

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		(197,524)	(143,826)
Adjustment for transition to AASB 16		-	(53,997)
Net profit after tax from ordinary activities		80,833	57,902
Dividends provided for or paid	29a)	(41,145)	(57,603)
Balance at end of reporting period		<u>(157,836)</u>	<u>(197,524)</u>

Notes to the financial statements (continued)

Note 25 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	80,833	57,902
Adjustments for:		
- Depreciation	41,599	42,531
- Amortisation	13,431	13,431
- Impairment losses on intangible assets	-	24,971
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	14,864	(4,650)
- (Increase)/decrease in other assets	(837)	26,128
- Increase/(decrease) in trade and other payables	(8,180)	(22,415)
- Increase/(decrease) in employee benefits	(20,062)	6,371
- Increase/(decrease) in provisions	846	799
- Increase/(decrease) in tax liabilities	(197)	(11,841)
Net cash flows provided by operating activities	<u>122,297</u>	<u>133,227</u>

Note 26 Financial instruments

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

	Note	2021 \$	2020 \$
Financial assets			
Cash and cash equivalents	13	113,526	62,944
Term deposits	13	408,304	404,654
Trade and other receivables	14	53,948	68,387
		<u>521,830</u>	<u>467,598</u>
Financial liabilities			
Trade and other payables	19	11,752	15,367
Lease liabilities	20	174,044	210,892
		<u>185,796</u>	<u>226,259</u>

Notes to the financial statements (continued)

Note 27 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	3,460	3,540
- Share registry services	3,721	5,530
Total auditor's remuneration	12,781	14,470

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Darren John Carr
Jennifer Margaret Lucas
Lynette Anne Clark
Susan Maree Humphris
Stephen Graham
Beryl Strang
Benjamin Merritt
Adrian Haddock
Alexander Fletcher

b) Key management personnel compensation

2021 \$	2020 \$
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Key management personnel compensation comprised the following.

Short-term employee benefits	4,800	4,800
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Compensation of the company's key management personnel includes Lynnette Anne Clark's remuneration for role as treasurer

c) Related party transactions

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

Note 29 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Unfranked dividend	5.00	41,145	7.00	57,603

Notes to the financial statements (continued)

Note 29 Dividends provided for or paid (continued)

b) Franking account balance	2021	2020
	\$	\$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	57,377	39,023
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	17,365	32,469
- franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	198	(14,115)
Franking account balance at the end of the financial year	<u>74,940</u>	<u>57,377</u>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	1,855	197
Franking credits available for future reporting periods	<u>76,795</u>	<u>57,574</u>
The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.		

Note 30 Earnings per share

a) Basic and diluted earnings per share

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

	2021	2020
	\$	\$
Profit attributable to ordinary shareholders	<u>80,833</u>	<u>57,902</u>
	Number	Number
Weighted-average number of ordinary shares	<u>822,897</u>	<u>822,897</u>
	Cents	Cents
Basic and diluted earnings per share	<u>9.82</u>	<u>7.04</u>

Note 31 Commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

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

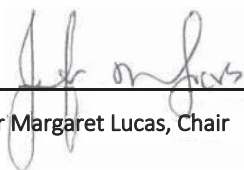
Directors' declaration

In accordance with a resolution of the directors of Indigo Community Development Group 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.



Jennifer Margaret Lucas, Chair

Dated this 14th day of September 2021

Independent audit report



61 Bull Street
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03 5443 0344

Independent auditor's report to the Directors of Indigo Community Development Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Indigo Community Development Group 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 Indigo Community Development Group Limited, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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





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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 14 September 2021

Joshua Griffin
Lead Auditor

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