

# Annual Report 2021

Kiewa Mitta Murray  
Community Enterprises  
Limited

Community Bank  
Mount Beauty & District  
and Corryong  
ABN 87 126 422 062

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# Chairman's report

For year ending 30 June 2021

It gives me great pleasure to report on the progress of our Company for the year ended 30th June 2021.

I wrote last year that 2019-20 had been the most challenging year we had ever faced: firstly, our region was devastated by the bushfire devastation which swept through the Upper Murray and several parts of the Alpine Shire from November 2019 and secondly, by the first wave of the Covid-19 pandemic which came hot on its heels. Who could then have imagined that we would now be up to lockdown number 7. These events have had a profound effect on our customers and also our general population which relies so heavily on tourism and rural industries. As I write, Regional Victoria may be about to come out of that lockdown and many businesses have been possibly totally destroyed. We can only hope that the majority are able to rebuild and prosper again.

Our Enterprise has struggled to stay growing and, although we managed a small gain in overall footings which kept us ahead of so many of our sister companies, it has not been easy. Even our community involvement has suffered with the forced cancellation of so many events in our region. Our Senior Manager, Shelley Maher, has been ably supported by CRM Lucinda Wiseman and CROs Jacqui Russell, Kate Butler and Carli Emond, with CSO Emma Williams completing our team, and they have all provided great support and excellent service in the very difficult times. Our year has seen some departures with Erin, Chris and Braden all departing to pursue other interests but we welcome back Alana Goznic as Assistant Branch Manager and Matt Spurgeon as our Corryong based CRM.

We continue to provide banking services to the Corryong community and the Upper Murray area through both our Corryong Business Service Centre and our Corryong agency. Tangambalanga, and the Mitta Valley also continue to provide many new business opportunities. These ventures have been – and will continue to be - very important to our growth strategy and to our bottom line. In the last 12 months, we have made a profit of \$49,213 after tax. This profit comes after a total of \$242,624 was committed to the community by way of sponsorships and other charitable donations, so our notional profit was \$291,837 - a wonderful result. Since our inception, we have now returned almost \$2million to our local communities. In addition, we continue to pay annual dividends to shareholders and last year this was 8c. per share fully franked.

Community sponsorships are precisely the reason we decided to launch the Community Bank Branch and thus sought your support for the project. More and more local entities have been sponsorship recipients, and it is very pleasing to see the total distributions continue to grow. In 2020-21, we have also sponsored a local student, Cody Allport, with the Dave Harley Memorial Scholarship to assist with his university studies. This year we also introduced the Susie Cohn Memorial Bursary for the Creative Arts to assist a local to further their development in any creative arts field. The first recipient of this award is Axel Mero who has been offered a place with the Royal Ballet School in London.

Now that we have reached this level of profitability we are in a position to consider larger and more significant community projects that will be undertaken with the support of Local, State and Federal Government grants. As examples of this, we provided \$60000 to the Rotary Club of Mount Beauty towards the installation of outdoor exercise equipment and pledged \$200,000 to the Mount Beauty Golf Club towards their proposed development of a new clubhouse and community facilities.

Community Bank – Mount Beauty & District, Corryong Business Centre and Corryong Agency (through the franchise of Kiewa Mitta Murray Community Enterprises Limited) is a part of an ever-growing family of community banks and we pay tribute to the foresight shown by the Bendigo & Adelaide Bank Ltd. in developing the concept which is continuing to evolve. We thank our Regional Manager Tracie Kyne for her support. We have also received strong support from the Rural Bank team.

Lastly, I wish to thank all Board members for their efforts. Again, this is a team effort and each Director gives freely of their individual time and talents. I would like particularly to acknowledge the vast amount of time and effort put in by our Secretary, Dorothy Morrison. I also recognise the input and support of Vice-Chair Barb Pyle whose diligence in our sponsorship and marketing areas is very much appreciated.

As Chairman, I am proud to be associated with an outstanding success story and look forward to its continuation. Your support for this venture has strengthened our communities and we will be able to do even more in the future now that we have achieved a solid base to build on.

A handwritten signature in black ink, appearing to read 'Andrew Randell', with a stylized flourish at the end.

**Andrew Randell, Chairman**

# Senior Manager's report

For year ending 30 June 2021

As Senior Manager of Community Bank - Mount Beauty & District I am very pleased to submit my Report on a year which has been a year like no other, posing so many unexpected difficulties due to the very challenging and ever-changing conditions caused by the continuing Covid-19 pandemic. Despite all the uncertainty, we still managed to achieve business growth and a profit, although slightly less than 2020.

I am very privileged to lead the enthusiastic staff members of Community Bank - Mount Beauty & District both at the Mount Beauty site and the Corryong Business Service Centre. With increased business opportunities in the Kiewa, Mitta and Upper Murray Valleys, our dedicated staff members have adapted smoothly to the ever-changing workloads which were necessary due to the many updates to operational banking systems and also workplace limitations due to compliance with Covid regulations. Their teamwork, dedication and support ensured that our high standards of service provision were maintained at all times.

During the year there were some staff changes. Erin Peacock completed her traineeship and is now extending her working experience elsewhere. Braden Coy (Corryong BSC) changed his career path. Christopher Brumby also resigned and Lynne Short is no longer on our "casual" list. We welcomed back Alana Goznic on a short term contract assisting me with banking documentation. We also welcome Matthew Spurgeon who will be based mainly in Corryong but travelling throughout the Upper Murray area to support our banking customers in that area. These changes have all been seamlessly absorbed and our community bank team continues to excel.

I am extremely proud of my team members and their commitment, hard work and dedication to our communities. While all staff members are an important asset for our business growth, we could not achieve these results without our customers and supportive community members. Ongoing community commitment by both staff, bank customers and supportive community members ensured that the business was able to support many (and varied!) community events, projects and educational grants. Our community bank has, since its inception, returned approximately \$1.8 million to local communities throughout our operating area. My personal thanks goes to each and every customer who has made the commitment to be a part of the Community Bank - Mount Beauty & District operations throughout our local region, as without their loyalty and constant support we would not be able to achieve such fantastic results.

We are also all very grateful for the input and support of the Bendigo & Adelaide Bank and Rural Bank teams with which we are now working more closely since Rural Bank came under the Bendigo & Adelaide Bank Ltd. umbrella. I am confident that this partnership will be of great benefit to our rural customers and communities.

On behalf of myself and my team I express our thanks to Chairman Andrew Randell and all our board members: Vice-Chair Barbara Pyle, Secretary Dorothy Morrison and Directors Bill Best, Mac Paton, Justin Costello, Luke Heiser and Sarah Gardiner. Their policy management, vision for the future and voluntary commitment ensures that our community bank will continue to prosper and serve the communities throughout the Kiewa, Mitta and Upper Murray valleys.

In closing, I would like to express my continuing enthusiasm for the year ahead as the banking team and I work together with the Board of Directors to develop further business growth and a positive future for us all.

**Shelley Maher**

A handwritten signature in black ink, appearing to read 'Shelley Maher', written in a cursive style.

**Senior Manager**

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# Kiewa Mitta Murray Community Enterprises Limited

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ABN: 87 126 422 062

Financial Report

For the year ended

30 June 2021

# Kiewa Mitta Murray Community Enterprises Limited

## Directors' Report

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

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### Directors

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

Andrew John Randell

Chairman

Occupation: Building Contractor

Qualifications, experience and expertise: Registered Commercial & Domestic Building Practitioner. Director & Chairman of KMMCEL since 2008. Past Chairman of Alpine Health. Past Alpine Shire Councillor. Past President of Dederang Mt Beauty Football & Netball Club. Charter Member, Past President twice. Paul Harris Fellow.

Special responsibilities: Chairman of Board of Directors and ex office member of all committees.

Interest in shares: 26,001 ordinary shares

Dorothy Morrison

Secretary

Occupation: Retired Legal Executive

Qualifications, experience and expertise: Fellow of the Institute of Legal Executives (Victoria). Extensive experience in legal sphere administration including relevant financial advice and estate planning. Community involvement over many years as member of management committees and advisory groups. Company Secretary since 2009, Director since 2010 and is also currently acting Treasurer to the Board.

Special responsibilities: Supervision and maintenance of company share registry, Governance & Management Committee, Sponsorship & Marketing Committee and administrative and corporate support to Board and Committees.

Interest in shares: 500 ordinary shares

William Charles Best

Non-executive director

Occupation: Software Development

Qualifications, experience and expertise: Senior Manager for Defence and Special Projects - RMS Software Development Co. Previously Alpine Shire Councillor, currently a member of several community-based committees, including Upper Kiewa Valley Community Association.

Special responsibilities: Governance and Risk Management committee, Human Resources Committee

Interest in shares: 1,001 ordinary shares

Barbara Jean Pyle

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Deputy Chair of Board of Directors. Trained Infant school teacher. Diploma in Transport at Monash University. Past Chairperson of Falls Creek Resort Management Board. Executive positions on Falls Creek Chamber of Commerce, Tawonga School Council, Mt. Beauty Secondary College Council. Past President of Mt. Beauty Rotary Club.

Special responsibilities: Deputy Chair of Board of Directors, Chair of the Marketing and Sponsorship Committee

Interest in shares: 21,000 ordinary shares



# Kiewa Mitta Murray Community Enterprises Limited

## Directors' Report

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### Directors (*continued*)

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Justin Troy Costello

Non-executive director

Occupation: Stock and Station Agent

Qualifications, experience and expertise: Justin has a lifelong association with the Upper Murray, having grown up on in Corryong and working locally as a stock agent for the past eight years. Experience with several multi-national real estate companies in Melbourne in the area of industrial and residential properties for twelve years adds to his scope of knowledge and expertise in asset management and farm activities. Justin holds an Associate Diploma in Business and is a licensed real estate agent in both Victoria and New South Wales.

Special responsibilities: Nil

Interest in shares: 500 ordinary shares

John McMeekin Paton

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Dairy farming, beef farming, sheep farming. Diploma Agriculture, Diploma Valuation and Farm Management (NZ). Mitta Football Club President. Chair of Mitta Valley Advancement Forum. Chair "Our Valley Our Future" Project. Chair Mitta (Inc). Director Gippsland Northern. Towong Shire Councillor and Commissioner. Member of Vic Farmers Federation and Goulburn Murray Water.

Special responsibilities: Nil

Interest in shares: 1,500 ordinary shares

Luke Anthony Heiser

Non-executive director

Occupation: Teacher/Restaurateur

Qualifications, experience and expertise: Qualified radiographer, business proprietor and is currently Mathematics teacher at Corryong High school. Luke also owns his very successful hospitality business in Corryong. He also works extensively to assist young people in his community to maximise their potential and opportunities.

Special responsibilities: Nil

Interest in shares: 1,000 ordinary shares

Sarah Jane Gardner

Non-executive director (appointed 29 July 2020)

Occupation: Accounts Manager

Qualifications, experience and expertise: Sarah Gardiner has called the Upper Kiewa Valley home for 14 years, and joined the Board in July 2020. She is passionate about the community and the environment. Sarah has travelled extensively overseas and since her return has worked in the travel industry with a focus on leisure accommodation. She is currently Accounts Manager for Traverse Alpine Group and focuses on Falls Creek, Mount Beauty and Lake Hume and the development of those regions and the unique environment of those outstanding areas.

Special responsibilities: Nil

Interest in shares: nil share interest held

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

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

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### Company Secretary

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The company secretary is Dorothy Morrison. Dorothy was appointed to the position of secretary on 29 October 2009.

# Kiewa Mitta Murray Community Enterprises Limited

## Directors' Report

### 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
\$	\$
49,213	159,837

### Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Andrew John Randell	26,001	-	26,001
Dorothy Morrison	500	-	500
William Charles Best	1,001	-	1,001
Barbara Jean Pyle	21,000	-	21,000
Justin Troy Costello	500	-	500
John McMeekin Paton	1,500	-	1,500
Luke Anthony Heiser	1,000	-	1,000
Sarah Jane Gardner	-	-	-

### Dividends

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

	Cents per share	Total amount \$
Final fully franked dividend	8	49,062

### 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 companies 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 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

In the opinion of the directors there were no 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.

# Kiewa Mitta Murray Community Enterprises Limited

## Directors' Report

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### Likely developments

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

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### Environmental regulation

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The company is not subject to any significant environmental regulation.

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### Directors' benefits

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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 29 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.

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### Directors' meetings

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

<i>E - eligible to attend</i> <i>A - number attended</i>	Board Meetings Attended	
	<i>E</i>	<i>A</i>
Andrew John Randell	11	11
Dorothy Morrison	11	11
William Charles Best	11	10
Barbara Jean Pyle	11	10
Justin Troy Costello	11	5
John McMeekin Paton	11	11
Luke Anthony Heiser	11	4
Sarah Jane Gardner	11	9

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### Proceedings on behalf of the company

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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*.

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### Non audit services

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

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

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

# Kiewa Mitta Murray Community Enterprises Limited

## Directors' Report

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### Auditor's independence declaration

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A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



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**Andrew John Randell, Chair**

Dated this 18th day of August 2021

## Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Kiewa Mitta Murray Community Enterprises Limited

As lead auditor for the audit of Kiewa Mitta Murray Community Enterprises 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: 18<sup>th</sup> August 2021



**Joshua Griffin**  
Lead Auditor

Kiewa Mitta Murray Community Enterprises Limited

Statement of Profit or Loss and Other

Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	1,179,463	1,298,164
Other revenue	9	29,186	58,643
Finance income	10	1,760	3,580
Employee benefit expenses	11c)	(550,876)	(592,042)
Charitable donations, sponsorship, advertising and promotion	11b)	(252,392)	(241,551)
Occupancy and associated costs		(32,792)	(26,750)
Systems costs		(28,421)	(29,133)
Depreciation and amortisation expense	11a)	(106,639)	(87,613)
Finance costs	11b)	(7,482)	(9,896)
General administration expenses		(176,190)	(173,439)
<b>Profit before income tax expense</b>		<b>55,617</b>	<b>199,963</b>
Income tax expense	12a)	(6,404)	(40,126)
<b>Profit after income tax expense</b>		<b>49,213</b>	<b>159,837</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>49,213</b>	<b>159,837</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	31a)	8.02	26.06

The accompanying notes form part of these financial statements

Kiewa Mitta Murray Community Enterprises Limited

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	389,341	313,560
Trade and other receivables	14a)	86,093	121,526
<b>Total current assets</b>		<b>475,434</b>	<b>435,086</b>
<b>Non-current assets</b>			
Property, plant and equipment	15a)	242,402	303,317
Right-of-use assets	16a)	104,382	131,532
Intangible assets	17a)	18,732	31,953
<b>Total non-current assets</b>		<b>365,516</b>	<b>466,802</b>
<b>Total assets</b>		<b>840,950</b>	<b>901,888</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19a)	31,316	24,266
Current tax liabilities	18a)	5,651	4,273
Loans and borrowings	20a)	-	16,981
Lease liabilities	21a)	36,337	34,377
Employee benefits	23a)	20,740	32,740
<b>Total current liabilities</b>		<b>94,044</b>	<b>112,637</b>
<b>Non-current liabilities</b>			
Lease liabilities	21b)	84,506	119,002
Employee benefits	23b)	10,676	6,932
Provisions	22a)	15,785	15,077
Deferred tax liability	18b)	15,233	27,685
<b>Total non-current liabilities</b>		<b>126,200</b>	<b>168,696</b>
<b>Total liabilities</b>		<b>220,244</b>	<b>281,333</b>
<b>Net assets</b>		<b>620,706</b>	<b>620,555</b>
<b>EQUITY</b>			
Issued capital	24a)	585,438	585,438
Retained earnings	25	35,268	35,117
<b>Total equity</b>		<b>620,706</b>	<b>620,555</b>

The accompanying notes form part of these financial statements

Kiewa Mitta Murray Community Enterprises Limited  
Statement of Changes in Equity  
for the year ended 30 June 2021

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2019</b>		585,438	(75,658)	509,780
Total comprehensive income for the year		-	159,837	159,837
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	30a)	-	(49,062)	(49,062)
<b>Balance at 30 June 2020</b>		<b>585,438</b>	<b>35,117</b>	<b>620,555</b>
<b>Balance at 1 July 2020</b>		585,438	35,117	620,555
Total comprehensive income for the year		-	49,213	49,213
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	30a)	-	(49,062)	(49,062)
<b>Balance at 30 June 2021</b>		<b>585,438</b>	<b>35,268</b>	<b>620,706</b>

The accompanying notes form part of these financial statements



Kiewa Mitta Murray Community Enterprises Limited

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,353,077	1,466,518
Payments to suppliers and employees		(1,145,948)	(1,229,181)
Interest received		2,497	2,821
Interest paid		(396)	(1,387)
Lease payments (interest component)	11b)	(6,377)	(7,831)
Lease payments not included in the measurement of lease liabilities	11d)	(5,662)	(9,817)
Income taxes paid		(17,479)	(10,421)
<b>Net cash provided by operating activities</b>	26	<b>179,712</b>	<b>210,702</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3,339)	(92,885)
Proceeds from sale of property, plant and equipment		-	14,545
<b>Net cash used in investing activities</b>		<b>(3,339)</b>	<b>(78,340)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings		(16,981)	(24,030)
Lease payments (principal component)		(34,549)	(32,560)
Dividends paid	30a)	(49,062)	(49,062)
<b>Net cash used in financing activities</b>		<b>(100,592)</b>	<b>(105,652)</b>
<b>Net cash increase in cash held</b>		<b>75,781</b>	<b>26,710</b>
Cash and cash equivalents at the beginning of the financial year		313,560	286,850
<b>Cash and cash equivalents at the end of the financial year</b>	13a)	<b>389,341</b>	<b>313,560</b>

The accompanying notes form part of these financial statements

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 1 Reporting entity

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This is the financial report for Kiewa Mitta Murray Community Enterprises 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
28 Hollonds Street Mount Beauty VIC 3699	28 Hollonds Street Mount Beauty VIC 3699

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 29.

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

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The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International 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 18 August 2021.

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

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

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### Note 4 Summary of significant accounting policies

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

#### a) Revenue from contracts with customers

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

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

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### 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).

#### *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.

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

#### b) Other revenue

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

<u>Revenue</u>	<u>Revenue recognition policy</u>
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

##### *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.

#### 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.

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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**c) Economic dependency - Bendigo Bank (*continued*)**

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

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

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

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

**d) Employee benefits***Short-term employee benefits*

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

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

*Defined superannuation contribution plans*

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

*Other long-term employee benefits*

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

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

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

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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**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.

**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.

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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#### 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	1 to 40 years
Plant and equipment	Straight-line	1 to 40 years
Motor vehicles	Straight-line	3 to 4 years

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

#### h) Intangible assets

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

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

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

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

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

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

#### 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 debtors and creditors, 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.

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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**j) Impairment***Non-derivative financial assets*

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

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

*Non-financial assets*

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

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

**k) Issued capital**

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

**l) Provisions**

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

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

**m) Leases**

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

*As a lessee*

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

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

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



# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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#### m) Leases (*continued*)

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

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

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

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

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

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

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

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

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

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

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

#### a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

#### 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 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

### 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.

#### 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>
Chattel Mortgage	-	-	-	-
Lease liabilities	120,843	41,136	53,141	46,887
Trade payables	18,272	18,272	-	-
	<u>139,115</u>	<u>59,408</u>	<u>53,141</u>	<u>46,887</u>

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

#### b) Liquidity risk (*continued*)

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>
Chattel Mortgage	16,981	16,981	-	-
Trade payables	5,964	5,964	-	-
	22,945	39,926	-	-

#### c) Market risk

##### *Market risk*

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

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

##### *Price risk*

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

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

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

The company held cash and cash equivalents of \$389,341 at 30 June 2021 (2020: \$313,560). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

### 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:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- 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.

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	866,712	1,013,935
- Fee income	66,599	70,950
- Commission income	246,152	213,279
	<u>1,179,463</u>	<u>1,298,164</u>

### Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	-	10,000
- Cash flow boost	29,186	48,643
	<u>29,186</u>	<u>58,643</u>

### Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	<u>1,760</u>	<u>3,580</u>

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

### Note 11 Expenses

<b>a) Depreciation and amortisation expense</b>	<b>2021 \$</b>	<b>2020 \$</b>
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	15,561	15,742
- Plant and equipment	3,811	3,553
- Motor vehicles	44,882	26,211
	<u>64,254</u>	<u>45,506</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>29,163</u>	<u>28,885</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,203	2,204
- Franchise renewal process fee	11,019	11,018
	<u>13,222</u>	<u>13,222</u>
Total depreciation and amortisation expense	<u>106,639</u>	<u>87,613</u>
<b>b) Finance costs</b>		
- Bank loan interest paid or accrued	397	1,388
- Lease interest expense	6,377	7,831
- Unwinding of make-good provision	708	677
	<u>7,482</u>	<u>9,896</u>

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

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 11 Expenses (continued)

c) Employee benefit expenses	2021 \$	2020 \$
Wages and salaries	480,436	507,131
Non-cash benefits	905	470
Contributions to defined contribution plans	44,662	46,938
Expenses related to long service leave	(4,009)	2,315
Other expenses	28,882	35,188
	<u>550,876</u>	<u>592,042</u>

### d) Recognition exemption

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

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>11,302</u>	<u>9,817</u>

### Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
- Current tax	18,857	14,050
- Movement in deferred tax	(11,844)	16,695
- Adjustment to deferred tax on AASB 16 retrospective application	-	10,978
- Reduction in company tax rate	(609)	(1,597)
	<u>6,404</u>	<u>40,126</u>

### b) Prima facie income tax reconciliation

Operating profit before taxation	55,617	199,963
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	14,460	54,990
Tax effect of:		
- Non-deductible expenses	140	110
- Temporary differences	11,845	(27,673)
- Other assessable income	(7,588)	(13,377)
- Movement in deferred tax	(11,844)	16,695
- Leases initial recognition	-	10,978
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	(609)	(1,597)
	<u>6,404</u>	<u>40,126</u>

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 13 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	178,706	106,418
- Term deposits	210,635	207,142
	<u>389,341</u>	<u>313,560</u>

### Note 14 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	79,412	105,530
Prepayments	6,395	6,104
Other receivables and accruals	286	9,892
	<u>86,093</u>	<u>121,526</u>

### Note 15 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	307,957	307,957
Less: accumulated depreciation	(139,142)	(123,581)
	<u>168,815</u>	<u>184,376</u>
<i>Plant and equipment</i>		
At cost	63,640	60,301
Less: accumulated depreciation	(47,485)	(43,674)
	<u>16,155</u>	<u>16,627</u>
<i>Motor vehicles</i>		
At cost	136,748	136,748
Less: accumulated depreciation	(79,316)	(34,434)
	<u>57,432</u>	<u>102,314</u>
Total written down amount	<u>242,402</u>	<u>303,317</u>
<b>b) Reconciliation of carrying amounts</b>		
<i>Leasehold improvements</i>		
Carrying amount at beginning	184,376	200,118
Additions	-	-
Depreciation	(15,561)	(15,742)
	<u>168,815</u>	<u>184,376</u>

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

b) Reconciliation of carrying amounts ( <i>continued</i> )	2021 \$	2020 \$
<i>Plant and equipment</i>		
Carrying amount at beginning	16,627	18,859
Additions	3,339	1,321
Depreciation	(3,811)	(3,553)
	<u>16,155</u>	<u>16,627</u>
<i>Motor vehicles</i>		
Carrying amount at beginning	102,314	54,358
Additions	-	91,564
Disposals	-	(17,397)
Depreciation	(44,882)	(26,211)
	<u>57,432</u>	<u>102,314</u>
Total written down amount	<u>242,402</u>	<u>303,317</u>

### c) Changes in estimates

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

### Note 16 Right-of-use assets

a) Carrying amounts	2021 \$	2020 \$
<i>Leased land and buildings</i>		
At cost	432,973	430,961
Less: accumulated depreciation	(328,591)	(299,429)
Total written down amount	<u>104,382</u>	<u>131,532</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	131,532	-
Initial recognition on transition	-	429,286
Accumulated depreciation on adoption	-	(270,544)
Remeasurement adjustments	2,013	1,675
Depreciation	(29,163)	(28,885)
Total written down amount	<u>104,382</u>	<u>131,532</u>

### Note 17 Intangible assets

a) Carrying amounts	2021 \$	2020 \$
<i>Franchise fee</i>		
At cost	32,555	32,555
Less: accumulated depreciation	(29,433)	(27,230)
	<u>3,122</u>	<u>5,325</u>

Kiewa Mitta Murray Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

**Note 17 Intangible assets (continued)**

<b>a) Carrying amounts (continued)</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise renewal process fee</i>		
At cost	112,777	112,777
Less: accumulated depreciation	(97,167)	(86,149)
	<u>15,610</u>	<u>26,628</u>
Total written down amount	<u>18,732</u>	<u>31,953</u>
<b>b) Reconciliation of carrying amounts</b>		
<i>Franchise fee</i>		
Carrying amount at beginning	5,325	7,529
Amortisation	(2,203)	(2,204)
	<u>3,122</u>	<u>5,325</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	26,628	37,647
Amortisation	(11,018)	(11,019)
	<u>15,610</u>	<u>26,628</u>
Total written down amount	<u>18,732</u>	<u>31,953</u>
<b>c) Changes in estimates</b>		

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.

**Note 18 Tax assets and liabilities**

<b>a) Current tax</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Income tax payable	<u>5,651</u>	<u>4,273</u>
<b>b) Deferred tax</b>		
<i>Deferred tax assets</i>		
- expense accruals	775	780
- employee provisions	7,854	10,315
- make-good provision	3,946	3,920
- lease liability	30,210	39,878
Total deferred tax assets	<u>42,785</u>	<u>54,893</u>



# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 18 Tax assets and liabilities (continued)

b) Deferred tax (continued)	2021 \$	2020 \$
<i>Deferred tax liabilities</i>		
- income accruals	72	266
- property, plant and equipment	31,851	48,114
- right-of-use assets	26,095	34,198
Total deferred tax liabilities	58,018	82,578
Net deferred tax assets (liabilities)	(15,233)	(27,685)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	11,844	-
Movement in deferred tax charged to Statement of Changes in Equity	-	10,978

### 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	18,272	5,964
Other creditors and accruals	13,044	18,302
	31,316	24,266

### Note 20 Loans and borrowings

a) Current liabilities	2021 \$	2020 \$
Chattel mortgage	-	16,981

The borrowing consisted of a chattel mortgage for a 2018 Subaru Outback that finished in June 2021.

### b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Chattel mortgage	4.5%	2021	-	-	16,981	16,981

### Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.60%.

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.

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 21 Lease liabilities (*continued*)

The company's lease portfolio includes:

- **Mount Beauty branch** The lease agreement commenced in December 2007. A five year renewal option was exercised in December 2012 and December 2017. 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 December 2022.
- **KMMCEL premises designated as the Corryong Business Service Centre at Shop 2, 61 Hanson Street, Corryong** The lease agreement commenced in August 2016. A 5 year renewal option was exercised in March 2021. The company has one additional five year renewal option available, which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is March 2031.

#### a) Current lease liabilities

	2021 \$	2020 \$
Property lease liabilities	41,136	40,714
Unexpired interest	(4,799)	(6,337)
	<u>36,337</u>	<u>34,377</u>

#### b) Non-current lease liabilities

Property lease liabilities	100,028	138,943
Unexpired interest	(15,522)	(19,941)
	<u>84,506</u>	<u>119,002</u>

#### c) Reconciliation of lease liabilities

Balance at the beginning	153,379	-
Initial recognition on AASB 16 transition	-	184,263
Remeasurement adjustments	2,013	1,675
Lease interest expense	6,377	7,831
Lease payments - total cash outflow	(40,926)	(40,390)
	<u>120,843</u>	<u>153,379</u>

#### d) Maturity analysis

- Not later than 12 months	41,136	40,714
- Between 12 months and 5 years	53,141	83,125
- Greater than 5 years	46,887	55,818
Total undiscounted lease payments	<u>141,164</u>	<u>179,657</u>
Unexpired interest	(20,321)	(26,278)
Present value of lease liabilities	<u>120,843</u>	<u>153,379</u>

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 22 Provisions

a) Non-current liabilities	2021 \$	2020 \$
Make-good on leased premises	15,785	15,077

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term. The company has estimated the provision 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 leases are due to expire per below, at which time it is expected the face-value costs to restore the premises will fall due.

<u>Lease</u>	<u>Lease term expiry date per AASB 16</u>	<u>Estimated provision</u>
Mount Beauty Branch	November 2022	\$10,000
KMMCEL premises designated as the Corryong Business Service Centre at Shop 2, 61 Hanson Street, Corryong	February 2031	\$10,000

### Note 23 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	15,611	24,375
Provision for long service leave	5,129	8,365
	20,740	32,740
b) Non-current liabilities		
Provision for long service leave	10,676	6,932

### 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 24 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	613,278	613,278	613,278	613,278
Less: equity raising costs	-	(27,840)	-	(27,840)
	613,278	585,438	613,278	585,438

### 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.

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 24 Issued capital (*continued*)

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

##### *Ordinary shares (continued)*

##### Voting rights (*continued*)

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

##### Dividends

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

##### Transfer

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

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

##### *Prohibited shareholding interest*

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 223. As at the date of this report, the company had 230 shareholders (2019: 230 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.

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 25 Retained earnings

	2021 \$	2020 \$
Balance at beginning of reporting period	35,117	(46,715)
Adjustment for transition to AASB 16	-	(28,943)
Net profit after tax from ordinary activities	49,213	159,837
Dividends provided for or paid	(49,062)	(49,062)
Balance at end of reporting period	35,268	35,117

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

	2021 \$	2020 \$
Net profit after tax from ordinary activities	49,213	159,837
Adjustments for:		
- Depreciation	93,417	74,391
- Amortisation	13,222	13,222
- (Profit)/loss on disposal of non-current assets	-	2,852
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	35,433	(31,468)
- (Increase)/decrease in other assets	-	10,978
- Increase/(decrease) in trade and other payables	7,050	(43,756)
- Increase/(decrease) in employee benefits	(8,256)	5,243
- Increase/(decrease) in provisions	708	677
- Increase/(decrease) in tax liabilities	(11,075)	18,726
Net cash flows provided by operating activities	179,712	210,702

### Note 27 Financial instruments

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

	Note	2021 \$	2020 \$
<b>Financial assets</b>			
Cash and cash equivalents	13	178,706	106,418
Trade and other receivables	14	79,698	115,422
Term deposits	13	210,635	207,142
		469,039	428,982
<b>Financial liabilities</b>			
Trade and other payables	19	18,272	5,964
Chattel Mortgage	20	-	16,981
		18,272	22,945

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 28 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	4,600
<i>Non audit services</i>		
- Taxation advice and tax compliance services	1,000	1,295
- General advisory services	2,330	2,630
Total auditor's remuneration	8,330	8,525

### Note 29 Related parties

#### a) Details of key management personnel

The directors of the company during the financial year were:

Andrew John Randell  
Dorothy Morrison  
William Charles Best  
Barbara Jean Pyle  
Justin Troy Costello  
John McMeekin Paton  
Luke Anthony Heiser  
Sarah Jane Gardner

#### b) Key management personnel compensation

Key management personnel compensation comprised the following.	2021 \$	2020 \$
Short-term employee benefits	15,000	18,000

The only Director who received remuneration was Dorothy Morrison for performing her duties as Company Secretary.

#### c) Related party transactions

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

<i>Transactions with related parties</i>	2021 \$	2020 \$
- Andrew John Randell received remuneration for building maintenance services provided by Barton St Developments Pty Ltd.	-	9,480

### Note 30 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 Changes in Equity and Statement of Cash Flows.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	8.00	49,062	8.00	49,062

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

# Kiewa Mitta Murray Community Enterprises Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 30 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	34,483	42,672
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	15,428	11,797
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	2,051	(1,376)
- Franking debits from the payment of franked distributions	(17,238)	(18,610)
Franking account balance at the end of the financial year	34,724	34,483
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	5,651	4,273
Franking credits available for future reporting periods	40,375	38,756

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

### Note 31 Earnings per share

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

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	49,213	159,837
	<b>Number</b>	<b>Number</b>
Weighted-average number of ordinary shares	613,278	613,278
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	8.02	26.06

### Note 32 Commitments

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

### Note 33 Contingencies

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

### Note 34 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.

# Kiewa Mitta Murray Community Enterprises Limited

## Directors' Declaration

In accordance with a resolution of the directors of Kiewa Mitta Murray Community Enterprises Limited, we state that:

In the opinion of the directors:

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

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



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**Andrew John Randell, Chair**

Dated this 18th day of August 2021



# Independent auditor's report to the Directors of Kiewa Mitta Murray Community Enterprises Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Kiewa Mitta Murray Community Enterprises 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 Kiewa Mitta Murray Community Enterprises Limited, is in accordance with the *Corporations Act 2001*, including:

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

### Basis for Opinion

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

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

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

## Other Information

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

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

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

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

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

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

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

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 18th August 2021



**Joshua Griffin**  
Lead Auditor



**Rotary Park Exercise Station**  
Photo courtesy of Rotary Club of Mount Beauty

**Dederang/Mt Beauty F-N Club electronic scoreboard**  
Photo courtesy of Club



Community Bank - Mount Beauty & District  
28 Hollonds Street,  
Mount Beauty VIC 3699  
Phone: 03 5754 4484

Corryong  
2-61 Hanson Street,  
Corryong VIC 3707  
Phone: 02 6076 1744

Franchisee: Kiewa Mitta Murray Community Enterprises Limited  
ABN: 87 126 422 062  
28 Hollonds Street (PO Box 125),  
Mount Beauty VIC 3699  
Phone: 0437 693 333 (Corporate)  
Email: [kmmcel@westnet.com.au](mailto:kmmcel@westnet.com.au)

Share Registry:  
Mrs. Dorothy Morrison  
PO Box 125, Mount Beauty 3699  
Phone: 0437 693 333  
Email: [kmmcel@westnet.com.au](mailto:kmmcel@westnet.com.au)

