Annual Report 2021

Kyabram & District Community Limited

Community Bank
Kyabram & District

ABN 79 605 600 217

Contents

Contact Us

Community Bank • Kyabram
Shop 1/171 Allan Street,
Kyabram VIC 3620
Phone: (03) 5852 3099
Fax: (03) 5852 3100

Franchisee: Kyabram & District Community Limited
ABN: 79 605 600 217
Shop 1/171 Allan Street,
Kyabram VIC 3620
Phone: (03) 5852 3099
Fax: (03) 5852 3100

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
Phone: 5443 0344
Fax: 5443 5304
Email: shareregistry@afsbendigo.com.au

Chair's Report

Whilst many businesses in many industries have really struggled through the Covid disruption of the last eighteen months, our Community Bank has been very fortunate to be one that has prospered greatly. The combination of government stimulus spending, people spending more time at home, and the desire of many in urban areas to relocate to regional areas has caused a dramatic upswing in the property and renovation markets. This in turn has led to a big surge in consumer home lending applications which has been the engine room of our growth and improved profitability.

We were well placed to capitalize on this opportunity with the tremendous skills of our lending staff, and as a result, had the highest growth in lending of any branch in our region. We also had the added benefit of the ANZ Bank closing its branch in Kyabram which led to a significant growth in account openings and deposits.

Our cash position continues to remain very strong, and this has allowed us to make some significant investments in our local community including the Water Tank Mural project ($10,000), Scholarships for local students entering tertiary education ($12,000), the Fauna Park regeneration ($40,000 in conjunction with the Ky Club), and the L2P Driver Education program's new car ($5,000).

In addition, we are pleased to be able to pay a 3 cent unfranked dividend to our shareholders, and given our strong cash reserves, we will in addition pay a special 2 cent unfranked dividend this year as well. The commitment of our shareholders has been wonderful from that very start over 5 years ago. It's great to be able to reward you for your support.

Moving forward, we need to be mindful that we are operating in disrupted times, where threats and disruptions can arise quickly and unexpectedly. The risk of shutdown via covid exposure is ever present. There is also a risk to our growth caused ironically by the same factors that drove our growth. Excess demand in the property market has led to a shortage of supply. The same has occurred in the home building and renovation markets with material shortages and greatly inflated prices constricting activity. These factors will in turn slow the number of lending settlements. The current high property prices have also encouraged some people with investment properties to capitalize by selling and discharging their mortgages.

Our challenge this year will be to fight harder for a share of what could be a smaller consumer lending market and to also expand our business in other areas that we haven't made much headway such as the business and rural markets.

Again, my thanks to you all - our great staff, our dedicated board, and our patient shareholders - for your ongoing support and commitment. Stay safe and let's hope we can navigate the year ahead successfully.

Vincent Curtis
Chair

Manager's report

It is with pleasure that I submit this report as Manager, Community Bank Kyabram & District.

It certainly has been another challenging and disruptive year with COVID-19, and we have continued to adapt, while showing care for our customers, communities, and each other. Despite the ongoing disruptions and challenges faced, I'm pleased to say we had a strong performance for the financial year with total growth of $24 million. This takes our total branch business (loans & deposits) to just short of $120 million. This result is testament to the hard work and dedication of the staff, and support of our customers.

We celebrated a milestone back in March 2021, being 5 years since we opened our doors in Kyabram. In that time, our branch has grown significantly which has enabled us to invest over $250,000 back into the local community.

I would like to once again thank our shareholders and customers that choose to do their banking with Community Bank Kyabram & District. Because you bank with us, it enables us to support local projects and community organisations.

I would also like to thank the board for their continued support of the branch team. We remain committed to working collaboratively for the success of our Community Bank branch.

Our staff are critical to our success, and I would like to thank Melissa, Alistair, Jude, Jenny and Meaghan for their hard work and great service they provide to our customers. They have done an amazing job in what has been a challenging period for everyone.

Ben Langley
Branch Manager

Kyabram & District Community Limited

ABN: 79 605 600 217

Financial Report

For the year ended
30 June 2021

Directors' Report

The directors present the financial statements of the company for the financial year ended 30 June 2021.

Directors

The directors of the company who held office during or since the end of the financial year are:

Christopher Neil Hunter
Non-executive director

Occupation: Agistment Farmer

Qualifications, experience and expertise: Senior Motor Mechanic for 6 years, a Dairy Farmer for 40 years and a Primary School CRE teacher for 26 years. Christopher is currently working as an Agistment Farmer/Grazier for the past 6 years. He has been involved with the Youth Leadership Uniting Church for 12 years and other senior leadership responsibilities at the church for 20

Special responsibilities: Nil

Interest in shares: 10,000 ordinary shares

Emily May Edgar
Non-executive director
(resigned 30 November 2020)

Occupation: Education

Qualifications, experience and expertise: Emily has lived in Kyabram for 8 years after growing up in regional NSW. She has coached the Kyabram swimming club for two seasons and is a committee member and football trainer at Lancaster Football Club. Emily is also a member of the Kyabram Blue Light Committee. Emily has worked as a teacher at Kyabram p-12 College for 5 years and currently works at KCLC as the Early Learning Coordinator. Emily has her Bachelor of Education.

Special responsibilities: Nil

Interest in shares: nil share interest held

Dale Phillip Denham
Non-executive director

Occupation: Building Designer

Qualifications, experience and expertise: Holds an Associate Diploma of Civil Engineering. Manager/owner of a building design business and a Registered Building Practitioner in Victoria. Present director of Kyabram District Health Service and committee member of Kyabram Development Group, past member of Kyabram P-12 College.

Special responsibilities: Marketing and Sponsorship Committee

Interest in shares: 501 ordinary shares

Brent John Sutton
Non-executive director

Occupation: Chartered Accountant

Qualifications, experience and expertise: Brent is a Chartered Accountant, Registered Tax Agent and ASIC Registered Self Managed Super Fund Auditor. He also has achieved a bachelor of Business (Accounting) and is the current Treasurer at Kyabram Northern Oval Committee of Management and the Stanhope Football Netball Club Inc. Brent is also the Owners Corp Manager - Aldersyde Estate Owners Corp and the past President - Kyabram Junior Football Club & Kyabram U16 Football Committee.

Special responsibilities: Finance Committee & Sponsorship Committee

Interest in shares: 16,001 ordinary shares

David James Blake
Non-executive director

Occupation: Business Owner

Qualifications, experience and expertise: Indentured fitter and machinist (15 years Melbourne & Metropolitan Board, 27 years KY General Engineering). Life member of APEX Australia. Current director of Kyabram Club, past President and member of Dawes Road School Council.

Special responsibilities: Marketing and Sponsorship Committee

Interest in shares: 4,001 ordinary shares

Ian Thomas Hamono
Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Holds a Bachelor of Engineering (Mech). Operates an intensive summer and winter cropping business. Horticulture/landscaping trainer. Retired professional engineer and past school councillor.

Special responsibilities: Finance Committee, Governance Committee

Interest in shares: 5,001 ordinary shares

John De Girolamo
Non-executive director

Occupation: Accountant

Qualifications, experience and expertise: Holds a Bachelor of Business Studies (Accounting). 30 years experience in the water industry in various accounting and managerial roles.

Special responsibilities: Finance Committee

Interest in shares: 2,501 ordinary shares

Rory John Kerr
Non-executive director

Occupation: Pharmacist

Qualifications, experience and expertise: Rory holds a Bachelor of Pharmacy from Monash University and owns a local pharmacy. He is also a company director and Justice of the Peace. Rory was a member of the Kyabram Community Bank Steering Committee. Special responsibilities: Nil

Interest in shares: 10,001 ordinary shares

John Francis Michael McQueen Thomson
Non-executive director

Occupation: Medical Practitioner

Qualifications, experience and expertise: Property developer and investor, company director. Chairman of Kyabram Squash Club, committee member of Kyabram Football Club, and committee member of Kyabram Salami Muster.

Special responsibilities: Marketing and Sponsorship Committee

Interest in shares: 5,001 ordinary shares

Vincent Anthony Curtis
Non-executive director

Occupation: Bakery Franchisee

Qualifications, experience and expertise: Holds a Bachelor of Economics (Business) from Monash University. 10 years as a manager of Abbeu Funerals in Melbourne, 15 years as a franchisee of Bakers Delight Kyabram. Vincent is also a past President of Rotary Club of Bundoora.

Special responsibilities: Marketing and Sponsorship Committee

Interest in shares: 25,502 ordinary shares

Directors' report (continued)

Company Secretary

The company secretary is Michelle Louise Baker. Michelle was appointed to the position of secretary on 29 November 2016.

Michelle is an experienced bookkeeper and holds a Bachelor of Arts and an Advanced Diploma of Business (Marketing).

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/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2021 $	Year ended 30 June 2020 $
(91,564)	10,560

The company has recognised a loss this year even though revenue has increased by $33K. This was partially due to the increased expenses from the prior year in the following accounts:

- $39k impairment loss recognised, refer to note 11b)
- $57k increase in employee benefits expenses
- $39k increase in charitable donations, sponsorship, advertising and promotion.

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at the end of the year
Vincent Anthony Curtis	25,502	-	25,502
Dale Phillip Denham	501	-	501
John De Girolamo	2,501	-	2,501
Brent John Sutton	16,001	-	16,001
David James Blake	4,001	-	4,001
Ian Thomas Hamono	5,001	-	5,001
Rory John Kerr	10,001	-	10,001
John Francis Michael McQueen Thomson	5,001	-	5,001
Christopher Neil Hunter	10,000	-	10,000
Emily May Edgar	-	-	-

Directors' report (continued)

Dividends

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

	Cents per share	Total amount $
Final unfranked dividend	2.00	17,087

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 other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Proceedings on behalf of the company

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

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

Directors' report (continued)

Directors' meetings

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

	Board Meetings Attended		Marketing & Sponsorship Meetings Attended	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Vincent Anthony Curtis	11	11	-	-
Dale Phillip Denham	11	11	5	5
John De Girolamo	11	11	-	-
Brent John Sutton	11	10	5	4
David James Blake	11	11	5	5
Ian Thomas Hamono	11	8	-	-
Rory John Kerr	11	5	5	4
John Francis Michael McQueen Thomson	11	8	5	4
Christopher Neil Hunter	11	7	-	-
Emily May Edgar	6	4	-	-

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 26 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 to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and

none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

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

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

Vincent Anthony Curtis, Chair
Dated this 9th day of September 2021

Auditor's independence declaration

AFS Partners in success Chartered Accountants

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

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

As lead auditor for the audit of Kyabram & District Community 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: 9 September 2021

Adrian Downing
Lead Auditor

6

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	548,308	488,941
Other revenue	9	33,985	60,086
Finance income	10	681	512
Employee benefit expenses	11d)	(396,242)	(338,922)
Charitable donations, sponsorship, advertising and promotion		(58,908)	(19,835)
Occupancy and associated costs		(12,863)	(11,238)
Systems costs		(43,148)	(42,419)
Depreciation and amortisation expense	11a)	(69,149)	(63,875)
Impairment losses	11b)	(39,273)	-
Finance costs	11c)	(9,502)	(9,163)
General administration expenses		(52,347)	(42,818)
Profit/(loss) before income tax (expense)/credit		(98,458)	21,269
Income tax (expense)/credit	12a)	6,894	(10,709)
Profit/(loss) after income tax (expense)/credit		(91,564)	10,560
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(91,564)	10,560
Earnings per share		¢	¢
- Basic and diluted earnings/(loss) per share:	29a)	(10.72)	1.24

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position

As at June 30 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	159,547	170,482
Trade and other receivables	14a)	46,680	36,968
Total current assets		206,227	207,450
Non-current assets			
Property, plant and equipment	15a)	94,662	120,620
Right-of-use assets	16a)	189,048	167,857
Intangible assets	17a)	61,311	61,273
Deferred tax asset	18a)	123,186	116,292
Total non-current assets		468,207	466,042
Total assets		674,434	673,492
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	40,581	9,473
Lease liabilities	20a)	14,285	13,562
Employee benefits	21a)	16,592	10,160
Total current liabilities		71,458	33,195
Non-current liabilities			
Trade and other payables	19a)	43,503	-
Lease liabilities	20b)	190,840	170,664
Employee benefits	21b)	17,566	9,915
Total non-current liabilities		251,909	180,579
Total liabilities		323,367	213,774
Net assets		351,067	459,718
EQUITY			
Issued capital	22a)	835,752	835,752
Accumulated losses	23	(484,685)	(376,034)
Total equity		351,067	459,718

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		835,752	(386,594)	449,158
Total comprehensive income for the year		-	10,560	10,560
Balance at 30 June 2020		835,752	(376,034)	459,718
Balance at 1 July 2020		835,752	(376,034)	459,718
Total comprehensive income for the year		-	(91,564)	(91,564)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28	-	(17,087)	(17,087)
Balance at 30 June 2021		835,752	(484,685)	351,067

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		630,761	608,327
Payments to suppliers and employees		(577,214)	(507,007)
Interest received		681	512
Lease payments (interest component)	11c)	(9,502)	(9,163)
Lease payments not included in the measurement of lease liabilities	11e)	(8,510)	(13,804)
Net cash provided by operating activities	24	36,216	78,865
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,625)
Payments for intangible assets		(11,808)	-
Net cash used in investing activities		(11,808)	(1,625)
Cash flows from financing activities			
Lease payments (principal component)		(18,256)	(12,929)
Dividends paid	28	(17,087)	-
Net cash used in financing activities		(35,343)	(12,929)
Net cash increase/(decrease) in cash held		(10,935)	64,311
Cash and cash equivalents at the beginning of the financial year		170,482	106,171
Cash and cash equivalents at the end of the financial year	13	159,547	170,482

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Kyabram & District Community 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
Unit 1 171 Allan Street Kyabram VIC 3620	Albion Arcade Shop 1 171 Allan Street Kyabram VIC 3620

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 27.

Note 2 Basis of preparation and statement of compliance

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

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

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 9 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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:

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

For the year ended 30 June 2021

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

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

Ability to change financial return

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

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

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

b) Other revenue

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

Revenue	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

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

d) Employee benefits *(continued)*

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

Notes to the Financial statements (continued)

For the year ended 30 June 2021

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	7 to 10 years
Plant and equipment	Straight-line	1 to 10 years
Furniture, fixtures and fittings	Straight-line	1 to 7 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:

Asset class	Method	Useful life
Franchise establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)
Other intangible assets	Assessed for impairment	Indefinite

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 and other debtors and creditors, cash and cash equivalents and lease liabilities.

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

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.

Notes to the Financial statements (continued)

For the year ended 30 June 2021

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

i) Financial instruments *(continued)*

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

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

Notes to the Financial statements (continued)

For the year ended 30 June 2021

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

m) Leases *(continued)*

As a lessee (continued)

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

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

a) Judgements

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

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

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 11b) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;

Note 6 Financial risk management

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

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

a) Credit risk

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

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

Notes to the Financial statements (continued)
For the year ended 30 June 2021

Note 6 Financial risk management *(continued)*

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	205,125	23,797	101,327	134,296
Trade payables	84,084	40,581	43,503	-
	289,209	64,378	144,830	134,296

30 June 2020

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	184,226	22,091	88,367	88,367
Trade payables	9,473	9,473	-	-
	193,699	31,564	88,367	88,367

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 $159,547 at 30 June 2021 (2020: $170,482). 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:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	457,759	401,407
- Fee income	41,451	38,527
- Commission income	49,098	49,007
	548,308	488,941

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	25,625	35,000
- Cash flow boost	8,360	25,086
	33,985	60,086

Note 10 Finance income

	2021 $	2020 $
- Term deposits	681	512

Notes to the Financial statements (continued)
For the year ended 30 June 2021

Note 11 Expenses

a) Depreciation and amortisation expense	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	21,680	21,681
- Plant and equipment	3,029	3,164
- Furniture and fittings	1,249	1,293
	25,958	26,138
Depreciation of right-of-use assets		
- Leased land and buildings	17,964	15,737
Amortisation of intangible assets:		
- Franchise fee	2,538	2,000
- Franchise establishment fee	20,000	20,000
- Franchise renewal process fee	2,689	-
	25,227	22,000
Total depreciation and amortisation expense	69,149	63,875

b) Impairment losses

Impairment of intangible assets:		
- Domiciled agency or branch business	39,273	-

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

As a result of the reassessment, the carrying amount was found to exceed the recoverable amount indicating the asset is now fully impaired. As such, an impairment loss of $39,273 has been recognised for the financial year.

c) Finance costs	2021 $	2020 $
- Lease interest expense	9,502	9,163

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

d) Employee benefit expenses

Wages and salaries	337,495	293,192
Contributions to defined contribution plans	33,911	26,902
Expenses related to long service leave	12,725	2,611
Other expenses	12,111	16,217
	396,242	338,922

e) Recognition exemption

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

	2021 $	2020 $
Expenses relating to low-value leases	14,471	13,804

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 $	2020 $
Current tax expense		
- Recoupment of prior year tax losses	-	12,228
- Future income tax benefit attributable to losses	(2,504)	-
- Movement in deferred tax	(9,317)	(11,957)
- Adjustment to deferred tax on AASB 16 retrospective application	-	3,729
- Reduction in company tax rate	4,927	6,709
	(6,894)	10,709

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of $4,927 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation	2021 $	2020 $
Operating profit/(loss) before taxation	(98,458)	21,269
Prima facie tax on profit/(loss) from ordinary activities at 26% (2020: 27.5%)	(25,599)	5,849
Tax effect of:		
- Non-deductible expenses	15,952	6,072
- Other deductible expenses	-	(1,024)
- Temporary differences	9,317	8,228
- Other assessable income	(2,174)	(6,897)
- Movement in deferred tax	(9,317)	(11,957)
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	4,927	6,709
- Leases initial recognition	-	3,729
	(6,894)	10,709

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	29,547	40,482
- Term deposits	130,000	130,000
	159,547	170,482

Note 14 Trade and other receivables

a) Current assets	2021 $	2020 $
Trade receivables	40,908	31,984
Prepayments	5,772	4,984
	46,680	36,968

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 15 Property, plant and equipment

a) Carrying amounts	2021 $	2020 $
Leasehold improvements		
At cost	201,704	201,704
Less: accumulated depreciation	(115,057)	(93,377)
	86,647	108,327
Plant and equipment		
At cost	23,147	23,147
Less: accumulated depreciation	(16,670)	(13,641)
	6,477	9,506
Furniture and fittings		
At cost	8,858	8,858
Less: accumulated depreciation	(7,320)	(6,071)
	1,538	2,787
Total written down amount	94,662	120,620

b) Reconciliation of carrying amounts

Leasehold improvements		
Carrying amount at beginning	108,327	130,008
Depreciation	(21,680)	(21,681)
	86,647	108,327
Plant and equipment		
Carrying amount at beginning	9,506	11,045
Additions	-	1,625
Depreciation	(3,029)	(3,164)
	6,477	9,506
Furniture and fittings		
Carrying amount at beginning	2,787	4,080
Depreciation	(1,249)	(1,293)
	1,538	2,787
Total written down amount	94,662	120,620

c) Changes in estimates

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

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 16 Right-of-use assets

a) Carrying amounts	2021 $	2020 $
Leased land and buildings		
At cost	275,204	236,049
Less: accumulated depreciation	(86,156)	(68,192)
Total written down amount	189,048	167,857

b) Reconciliation of carrying amounts	2021 $	2020 $
Leased land and buildings		
Initial recognition on transition	167,857	236,049
Accumulated depreciation on adoption	-	(52,455)
Remeasurement adjustments	39,155	-
Depreciation	(17,964)	(15,737)
Total written down amount	189,048	167,857

Note 17 Intangible assets

a) Carrying amounts	Note	2021 $	2020 $
Franchise fee			
At cost		20,756	10,000
Less: accumulated amortisation		(10,538)	(8,000)
		10,218	2,000
Franchise establishment fee			
At cost		100,000	100,000
Less: accumulated amortisation		(100,000)	(80,000)
		-	20,000
Franchise renewal process fee			
At cost		53,782	-
Less: accumulated amortisation		(2,689)	-
		51,093	-
Other intangible assets			
At cost		39,273	39,273
Less: accumulated impairment	11b)	(39,273)	-
		-	39,273
Total written down amount		61,311	61,273

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 17 Intangible assets *(continued)*

b) Reconciliation of carrying amounts	Note	2021 $	2020 $
Franchise fee			
Carrying amount at beginning		2,000	4,000
Additions		10,756	-
Amortisation		(2,538)	(2,000)
		10,218	2,000
Franchise establishment fee			
Carrying amount at beginning		20,000	40,000
Amortisation		(20,000)	(20,000)
		-	20,000
Franchise renewal process fee			
Additions		53,782	-
Amortisation		(2,689)	-
Carrying amount at end		51,093	-
Other intangible assets			
Carrying amount at beginning		39,273	39,273
Impairment	11b)	(39,273)	-
Carrying amount at end		-	39,273
Total written down amount		61,311	61,273

During the financial year, Kyabram & District Community franchise fees were renewed. Both are to be amortised over the next five years to March 2026.

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period. This excludes the impairment assessment completed in note 11b).

Note 18 Tax assets and liabilities

a) Deferred tax	2021 $	2020 $
Deferred tax assets		
- expense accruals	775	780
- employee provisions	8,540	5,220
- lease liability	51,282	47,899
- property, plant and equipment	11,124	5,864
- carried-forward tax losses	98,727	100,172
Total deferred tax assets	170,448	159,935
Deferred tax liabilities		
- right-of-use assets	47,262	43,643
Total deferred tax liabilities	47,262	43,643
Net deferred tax assets (liabilities)	123,186	116,292
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(6,894)	(10,710)
Movement in deferred tax charged to Statement of Changes in Equity	-	3,729

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 $
Other creditors and accruals	40,581	9,473
b) Non-current liabilities		
Other creditors and accruals	43,503	-

Note 20 Lease liabilities

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

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

The company's lease portfolio includes:

- Kyabram branch — The lease agreement commenced in March 2016. A five 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.

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 20 Lease liabilities *(continued)*

a) Current lease liabilities	2021 $	2020 $
Property lease liabilities	23,797	22,091
Unexpired interest	(9,512)	(8,529)
	14,285	13,562
b) Non-current lease liabilities		
Property lease liabilities	235,623	213,549
Unexpired interest	(44,783)	(42,885)
	190,840	170,664
c) Reconciliation of lease liabilities		
Balance at the beginning	184,226	-
Initial recognition on AASB 16 transition	-	197,155
Remeasurement adjustments	39,155	-
Lease interest expense	9,502	(9,163)
Lease payments - total cash outflow	(27,758)	(3,766)
	205,125	184,226
d) Maturity analysis		
- Not later than 12 months	23,797	22,091
- Between 12 months and 5 years	101,327	88,367
- Greater than 5 years	134,296	125,184
Total undiscounted lease payments	259,420	235,642
Unexpired interest	(54,295)	(51,416)
Present value of lease liabilities	205,125	184,226

During the financial year, there was a remeasurement to adjust for a backpay of three percent in rent that had not been given in prior periods.

Note 21 Employee benefits

a) Current liabilities	2021 $	2020 $
Provision for annual leave	16,592	10,160
b) Non-current liabilities		
Provision for long service leave	17,566	9,915

c) Key judgement and assumptions

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 22 Issued capital

a) Issued capital	2021 Number	2021 $	2020 Number	2020 $
Ordinary shares - fully paid	854,361	854,361	854,361	854,361
Less: equity raising costs	-	(18,609)	-	(18,609)
	854,361	835,752	854,361	835,752

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 239. As at the date of this report, the company had 265 shareholders (2020: 266 shareholders).

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

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 22 Issued capital *(continued)*

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

Prohibited shareholding interest (continued)

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

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

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

Note 23 Accumulated losses

	Note	2021 $	2020 $
Balance at beginning of reporting period		(376,034)	(376,761)
Adjustment for transition to AASB 16		-	(9,833)
Net profit (loss) after tax from ordinary activities	28a)	(91,564)	10,560
Dividends provided for or paid		(17,087)	-
Balance at end of reporting period		(484,685)	(376,034)

Note 24 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit (loss) after tax from ordinary activities	(91,564)	10,560
Adjustments for:		
- Depreciation	43,922	41,875
- Amortisation	64,500	22,000
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(9,711)	6,857
- (Increase)/decrease in other assets	(6,893)	10,709
- Increase/(decrease) in trade and other payables	21,879	(19,660)
- Increase/(decrease) in employee benefits	14,083	6,524
Net cash flows provided by operating activities	36,216	78,865

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 25 Financial instruments

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

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	29,547	40,482
Term deposits	13	130,000	130,000
Trade and other receivables	14	40,908	31,984
		200,455	202,466
Financial liabilities			
Trade and other payables	19	84,084	9,473
Lease liabilities	20	205,125	184,225
		289,209	9,473

Note 26 Auditor's remuneration

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

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,710	2,210
- Share registry services	3,190	1,900
Total auditor's remuneration	11,500	9,510

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Vincent Anthony Curtis
Dale Phillip Denham
John De Girolamo
Brent John Sutton
David James Blake
Ian Thomas Hamono
Rory John Kerr
John Francis Michael McQueen Thomson
Christopher Neil Hunter
Emily May Edgar

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 27 Related parties *(continued)*

b) Key management personnel compensation

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

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

c) Related party transactions

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

Note 28 Dividends provided for and paid

a) Dividends provided for and paid

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

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Unfranked dividend	2.00	17,087	-	-

Note 29 Earnings per share

a) Basic and diluted earnings per share

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

	2021	2020
	$	$
Profit/(loss) attributable to ordinary shareholders	(91,564)	10,560
	Number	Number
Weighted-average number of ordinary shares	854,361	854,361
	Cents	Cents
Basic and diluted earnings/(loss) per share	(10.72)	1.24

Note 30 Commitments

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

Note 31 Contingencies

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

Note 32 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Kyabram & District Community 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.

Vincent Anthony Curtis, Chair

Dated this 9th day of September 2021

Independent audit report

AFS Partners in success Chartered Accountants

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

Independent auditor's report to the Directors of Kyabram & District Community Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kyabram & District Community 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 Kyabram & District Community 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.

afsbendigo.com.au

Independent audit report (continued)

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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.

Independent audit report (continued)

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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: 9 September 2021

Adrian Downing
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337

This page is intentionally blank.

This page is intentionally blank.

Community Bank • Kyabram
Shop 1/171 Allan Street,
Kyabram VIC 3620
Phone: (03) 5852 3099
Fax: (03) 5852 3100

Franchisee: Kyabram & District Community Limited
ABN: 79 605 600 217
Shop 1/171 Allan Street,
Kyabram VIC 3620
Phone: (03) 5852 3099
Fax: (03) 5852 3100

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
Phone: 5443 0344
Fax: 5443 5304
Email: shareregistry@afsbendigo.com.au

Bendigo Bank