Annual Report 2021

Macedon Ranges Community Enterprises Ltd

Community Bank Gisborne & District

ABN 57 130 493 499

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Chairman's report

For year ending 30 June 2021

Community banking is based on a 'profit with purpose' model.

Since our inception in November 2008 it is timely to reflect on the $7.446 milion we have injected back into our communities through our operation and distribution of profit.

Welcome to Macedon Ranges Community Enterprises Ltd Annual Report for the year ended 30 June 2021.

COVID-19 continues to disrupt our lives and continually tests our resilience to comply with and understand the many restrictions which have been placed on our way of life. The simple acts of greeting each other and conducting business across a counter have been replaced with face masks, hand sanitisers, perspex screens and QR codes.

As a community we have adapted to this ever changing environment and continually see or hear about random acts of kindness and ways in which our communities have found positive ways to overcome these uncertain times and retain our sense of community.

We are immensely proud of the way in which our staff led by Branch Manager Sarah Barton continue to respond to the challenges of COVID-19, ensuring that our branch is a safe and enjoyable place to visit.

We are also very grateful for the advice and assistance that Bendigo continues to provide to meet the various challenges that are posed by COVID-19.

Operations

Despite the 'Covid presence' revenue share received from Bendigo grew by 8.7%. We also received $26,520 via the Commonwealth Government 'cash flow boost'. Operating expenses increased by 1.9% reflecting reduced activity and expenditure in the current environment.

Operating profit before community investments increased by 16.9%. Profit after tax increased by 7.7% resulting in earnings per share of 13.21 cents.

Community investing

Our Autumn 2021 community investing evening was able to be conducted as a 'real' event and provided an opportunity for community groups to come together and share their stories of planned activities – always an evening of great excitement and enthusiasm. It was also an example of how our communities refuse to let COVID-19 rule our lives with plans and projects being undertaken during and post the pandemic.

Gary speaks at Autumn 2021 Community Investment Evening

We are proud to have invested $208,474 into our communities which included recognising our frontline workers and assist community groups to be 'Covid compliant'. We also provided a further $58,832 from our Community Enterprise Account for various projects.

We were also able to transfer a further $175,000 to our account with Community Enterprise Foundation™ increasing that account to $572,000 which provides us with significant funds for future projects.

Dividend

Given our sustained financial result and our positive outlook for the future I am pleased to advise that the dividend declared for the current year has been increased to 10 cents per ordinary share fully franked.

Outlook

Based on our experience to date with COVID-19 and our modelling of possible future developments we retain a positive outlook for the company and continuing growth for the branch banking operations. Our budget for the current year is based on continuing growth with strong control over our expense base.

Profit with purpose

Community banking is based on a 'profit with purpose' model.

Since our inception in November 2008 it is timely to reflect on the $7.446 million we have injected back into our communities through our operation and distribution of profit.

	$million
Local employment, occupancy and administration expenses	4.999
Tertiary scholarships	0.157
Community Investing	1.292
Shareholder dividends	0.426
CEF – future projects fund	0.572
Total	**7.446**

Our staff

We receive constant feedback confirming that our staff provide exceptional and caring customer service. We also know that they take great pride and personal satisfaction knowing that the business they help transact is responsible for generating funds which are reinvested back into their communities.

We are also grateful for the support provided to the Board by Corinne Shaddock (Marketing & Community Engagement Officer) and Alice McMahon (Executive Officer & Company Secretary). Their roles in 'telling our story' and ensuring that our business is well managed and governed is greatly appreciated.

Directors

The success of the company since its inception in November 2008 can in part be attributed to the 33 Directors who have given freely of their time and expertise to establish and manage a profitable and growing community asset.

During the year Imogen Corrie and Bart McDermott joined our Board, however for personal reasons they were both unable to continue, we thank them for their interest and time involved.

Our communities have a great record of voluntary service which is reinforced and enhanced by this Board, my thanks to the current Board for their involvement and service.

In closing I would like to confirm that I will not be seeking re-election to the Board at the forthcoming annual general meeting – it has been an honour and privilege to serve on the Board and I wish the company well as it continues to grow and prosper as a valuable community asset.

Gary McSwain
Chair

Manager's report

For year ending 30 June 2021

Due to strong community support we have been able to create a sustainable and profitable operation that has enabled us to fund significant community investments and pay a healthy dividend to our shareholders.

The 2021 financial year was another busy and successful year for Community Bank Gisborne & District. We benefited from an increase in staff members, continued to grow our total footings, responded positively to changes in the network to increase efficiency and adapted to the new working environments created by the COVID-19 Pandemic.

We are proud to be part of Bendigo and Adelaide Bank, one of Australia's most trusted brands.

I am pleased to share that during the 2021 financial year we increased our overall 'footings' by $27.3 million mainly made up by $9.5 million in lending and $12.1 million in deposits.

Due to strong community support we have been able to create a sustainable and profitable operation that has enabled us to fund significant community investments and pay a healthy dividend to our shareholders.

With the uncertainty created by community lockdowns we have helped our customers transition to digital and online banking solutions, enabling them to conduct their banking transactions whilst protecting their personal safety.

Sarah presents $4,363 for new timing gates to members of Gisborne Little Athletics Club in May 2021.

We continue to adjust our collective skill sets to meet customer demands and respond to the changes that are occurring within the banking industry.

In the coming year we will be appointing our first Trainee, providing an employment opportunity for a young local person along with a structured course of study.

My thanks to the branch staff, Edyta Wyatt, Michelle Morrison, Zoe Olive, Jodie Schinck, Rebecca Baber and Courtney Alexander for their dedication and hard work in caring for our customers and communities.

We were sad to say farewell to Daniel Barre who has left to pursue other opportunities within the Bendigo network, and we wish Daniel all the best in his new role.

My thanks to the Board, Alice McMahon and Corinne Shaddock for the leadership and support you provide to the branch operations, enabling us to cope with the rapidly changing environment over the last 12 months. This has supported the branch to continue its strong growth and adapt the business so that we continue to keep the doors open.

Manager’s report (continued)

To the company shareholders, thank you for your foresight in creating this wonderful community asset.

To the customers of Community Bank Gisborne & District, thank you – you are playing an important role in supporting your community.

My team are ready for your referrals; and growing the positive difference our Community Bank makes.

As we continue to adapt to this changing world it’s important that as a Community Bank we continue to support each other and our local community.

Sarah Barton
Branch Manager

Community Investment

Balance Sheet 2020/21

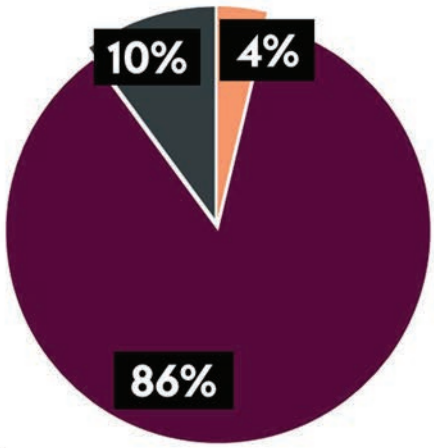
COMMUNITY $272m since 1998 INVESTMENT

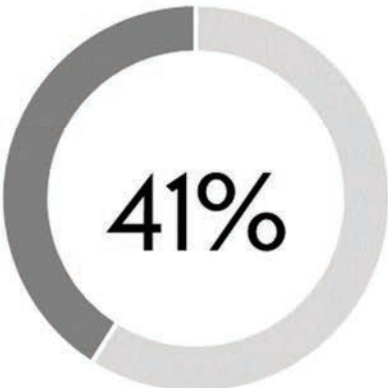
Macedon Ranges Community Enterprises Limited

Projects Funded	**61**
Community Project Investment	**$267,306.20**

Biggest Impact Area:

Sport & Recreation



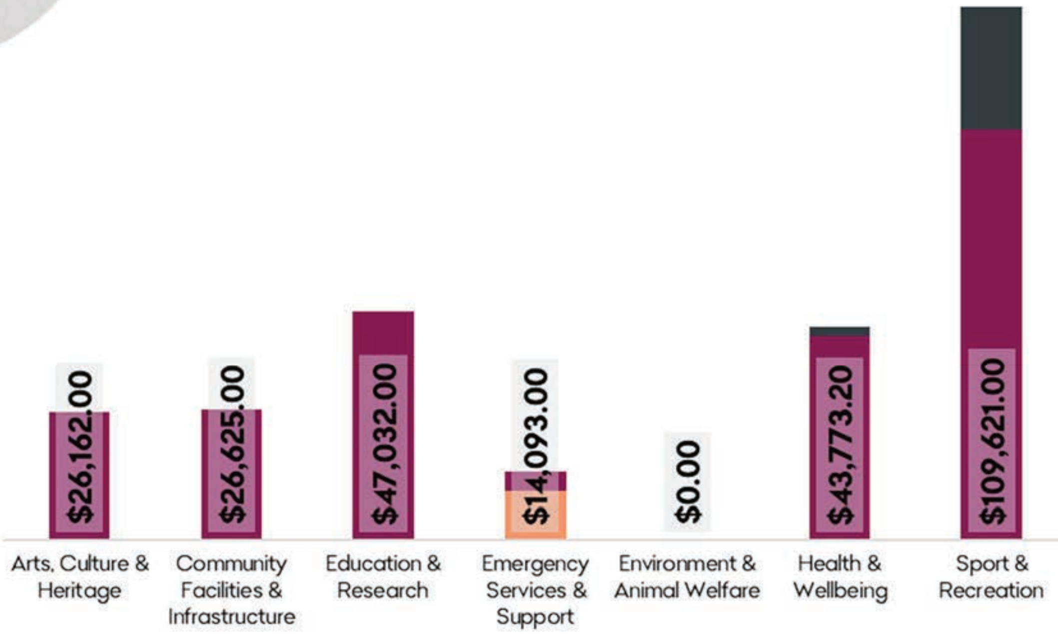


Total Investment by Theme:

Donations	$10,000.00
Grants	$230,334.20
Sponsorships	$26,972.00

Donations
Grant
Sponsorships

Total Investment by Sector:



Bendigo Bank

Community Bank Gisborne and District

COVID-19-related community support

June 2020-July 2021

Made possible by

Community Bank
Gisborne & District

Bendigo Bank

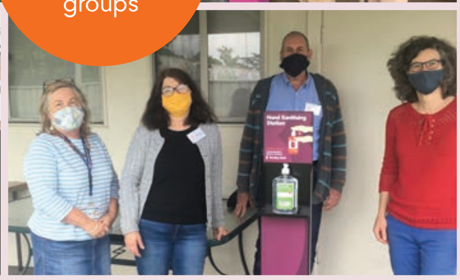
Increased printing & distribution of Riddell Roundup ($2,000)

Activity books for residents of the Oaks aged care

Free coffees for local essential workers

Macedon Ranges Gift Shop ($3,000)

Free hand sanitiser stands for community groups



Community support

June 2020-July 2021

Made possible by

Community Bank
Gisborne & District

Bendigo Bank

Autumn 2021 Community Investment Evening

Six carbon cylinders for Macedon Fire Brigade ($3,015)

Coach training for Macedon Ranges Running Club ($1,600)

New clubhouse at IR Robertson Reserve ($30,000 in 2018)

Project Ready at Gisborne Secondary College ($10,000)

Laptop & online booking system for Riddells Creek Neighbourhood House ($4,900)

Flying Fox for Ash Wednesday Park, Macedon ($18,725)

Trailer for 1st Gisborne Scouts ($2,000)

New stairs for Mountview Theatre, Macedon ($4,400)

Renewed major sponsorship of Macedon Ranges Netball Association - $51,600 over three years

Sponsor of Gisborne Masters Football Club ($4,900)

Green house for New Gisborne Community Garden ($1,942)

Computer upgrade for Historical Society ($4,982)

Return of L2P driver education program to Macedon Ranges ($2,880)

Gisborne Secondary College & Community Chaplaincy ($5,000)

Healthy Eating & Sustainability Program at Swinburne Kindergarten ($2,000)

New hose washer for Riddells Creek Fire Brigade ($1,078)


Major Community Partner of Riddell District Football Netball League 2021

Kids ROAR personal safety program at Riddells Creek Kindergarten ($850)


Major sponsor of Macedon Ranges Music Festival 2022 ($4,300)


Sponsorship of Riddell Cricket Club ($1,000)


Sponsorship of Community Day to Celebrate MND Fundraising ($2,450) – postponed to 2022


Mt Macedon ANZAC Day Dawn Service video ($3,500)

Team supplies & coach uniform for Riddells Creek Basketball Club ($1,586)


Macedon Ranges Arts Collective workshops ($1,500)


2021 Loddon Murray Community Leadership Program scholarship - Andrew Smyth of Riddells Creeek


Sponsor of 2020/21 Community Bowls at Gisborne Bowling Club


New goals for Gisborne Soccer Club ($2,500)

Macedon Ranges Mentally Active Sports project (led by Macedon Ranges Suicide Prevention Trial Site) - activities to support mental wellbeing at Gisborne Cricket Club

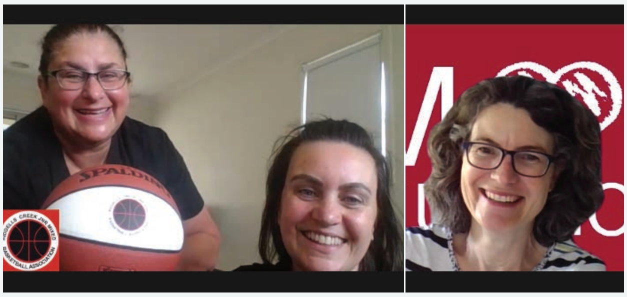
Expansion of Macedon Ranges Health TWEENS clinic to all local primary schools ($12,450)


Scout Hut for New Gisborne Scout Group ($7,500)


2021 branch university scholarships (4 x $5,000)


Bus transport to Victorian State Schools Spectacular for Gisborne Secondary College ($3,000)

GRIP Leadership Conference for St Brigid's' senior students ($1,485)


New set of club uniforms for Riddells Creek Junior Mixed Basketball Association ($1,340)


Riddells Creek Carols in the Park ($750)

Directors' report

For the financial year ended 30 June 2021

The Directors present their report, together with the financial statements, on Macedon Ranges Community Enterprises Ltd for the financial year ended 30 June 2021.

Board of Directors

The following persons were Directors of Macedon Ranges Community Enterprises Ltd during the whole of the financial year up to the date of this report, unless otherwise stated:

Gary Robert McSwain

Title:	Chairman
Qualifications:	Dip. Bus. Stud., Grad. Dip. Acc & Corp. Gov., CPA, AGIA ACG
Experience & Expertise:	Accountant, extensive finance and general management experience in insurance sector.

Karen Anne Clifford

Title:	Director
Qualifications:	B.App.Sc (Phys.Ed), MBM
Experience & Expertise:	Extensive experience in consultancy roles and community not-for-profit organisations.

Corinne Shaddock

Title:	Director and Community Engagement & Marketing Officer
Qualifications:	BA, MBA
Experience & Expertise:	Marketing and communications at multinational, national and local level.

Dominic Andreacchio

Title:	Director and Chair of the HR Committee
Qualifications:	Master of Business Management, Post Grad. Dip. Business Management, Diploma of HR, Member AHRI
Experience & Expertise:	Extensive public and private sector board and HR experience, including non-profits and clubs. Lecturer at Australian Institute of Management MBA Program.

Sarah Jane Matthee

Title:	Director and Chair of the Finance Audit & Risk Management ('FARM') Committee
Qualifications:	LLB / B.Eng (Chemical)
Experience & Expertise:	Non-practising lawyer, extensive experience in community not-for-profit sector.

Erin McKinnon

Title:	Director and Chair of the Marketing and Community Investment Committee
Qualifications:	BA, MA, GradDipEd
Experience & Expertise:	Extensive management experience in community not-for-profit sector.

Graham Charles Stewart – resigned on 30 November 2020

Title:	Director
Qualifications:	B.Ag.Sc.
Experience & Expertise:	Business Proprietor, extensive experience agricultural goods and logistics.

Directors' report (continued)

Board of Directors (continued)

Bart McDermott – appointed 26 April 2021

Title: Director

Qualifications: Nil

Experience & Expertise: Extensive experience in recruitment solutions, HR support and sales leadership.

Imogen Corrie – appointed 26 April 2021, resigned 21 May 2021

Title: Director and ex-officio Member of FARM Committee

Qualifications: B.Bus, CA

Experience & Expertise: Experience in commercial and financial leadership.

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

No Directors have material interests in contracts or proposed contracts with the company.

Directors' Meetings

Attendances by each Director during the year were as follows:

	Board Meetings		Audit Committee Meetings	
Director	A	B	A	B
Gary Robert McSwain	13	13	3	3
Karen Anne Clifford	13	11*	--	--
Corinne Shaddock	13	12	2	2
Dominic Andreacchio	13	11	--	--
Sarah Jane Matthee	13	12	3	3
Erin McKinnon	13	11	--	--
Graham Charles Stewart	5	5	--	--
Bart McDermott	4	4	--	--
Imogen Corrie	1	1	1	1

A - The number of meetings eligible to attend.
B - The number of meetings attended.
- - Not a member of that committee.
* - Leave of absence granted for 1 meeting

Company Secretary

The following person held the position of Company Secretary at the end of the financial year.

Alice McMahon

Qualifications: B.Comm, B.Arts, CA (Post-Grad Dip)

Experience & Expertise: Alice is a Chartered Accountant with experience in accounting & corporate governance in a range of industries.

Principal Activities

The principal activities of the company during the course of the financial year were in providing Community Bank branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating Results

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

	30 June 2021 ($)	30 June 2020 ($)	Movement
Profit After Tax	95,531	104,474	-9%

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.

Director's Interests

	Fully paid ordinary shares		
Director	Balance at 1 July 2020	Changes during the year	Balance at 30 June 2021
Gary Robert McSwain	-	-	-
Karen Anne Clifford	26,000	-	26,000
Corinne Shaddock	5,001	-	5,001
Dominic Andreacchio	-	-	-
Sarah Jane Matthee	-	-	-
Erin McKinnon	-	-	-
Graham Charles Stewart	-	-	-
Bart McDermott	-	-	-
Imogen Corrie	-	-	-

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	9.0	65,089
Total Amount	**9.0**	**65,089**

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant Changes in the State of Affairs

During the financial year, the Australian economy continued to be greatly impacted by COVID-19. Bendigo Bank, as franchisor, maintained measures aimed at providing relief to customers affected by the COVID-19 pandemic. The uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, 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.

Directors' report (continued)

Events Since the end of the Financial Year

No matters or circumstances have arisen since the end of the financial year that significantly impact or may significantly impact the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Likely Developments

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

Environmental Regulations

The company is not subject to any significant environmental regulation.

Indemnification & Insurance of Directors & Officers

The company has indemnified all directors and the managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or managers 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*.

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 14 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Gisborne, Victoria.

Gary Robert McSwain
Chairman

Dated this 10th day of September, 2021

Auditor's independence declaration

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Macedon Ranges Community Enterprises Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Macedon Ranges Community Enterprises Limited. As the lead audit partner for the audit of the financial report for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

P. P. Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 7 September 2021

Financial statements

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

	Notes	2021 $	2020 $
Revenue			
Revenue from contracts with customers	7	1,542,382	1,418,504
Other revenue	8	26,520	54,200
Finance income	9	1,163	4,751
		1,570,065	**1,477,455**
Expenses			
Employee benefits expense	10	(730,957)	(673,966)
Depreciation and amortisation	10	(123,445)	(121,248)
Finance costs	10	(8,620)	(11,146)
IT expenses		(37,018)	(37,679)
Occupancy expenses		(30,815)	(33,610)
Marketing and advertising		(22,635)	(36,112)
Insurance expense		(20,324)	(18,158)
Professional services		(20,193)	(19,760)
ATM costs		(16,911)	(20,322)
Printing and stationery		(9,630)	(8,666)
Bad debts written off		(2,920)	(372)
Other expenses		(41,600)	(64,113)
		(1,065,068)	**(1,045,152)**
Operating profit before charitable donations and sponsorship		**504,997**	**432,303**
Charitable donations and sponsorship	10	(383,474)	(303,912)
Profit before income tax		**121,523**	**128,391**
Income tax expense	11	(25,992)	(23,917)
Profit for the year after income tax		**95,531**	**104,474**
Other comprehensive income		-	-
Total comprehensive income for the year		**95,531**	**104,474**
Profit attributable to the ordinary shareholders of the company		95,531	104,474
Total comprehensive income attributable to ordinary shareholders of the company		**95,531**	**104,474**
Earnings per share		**¢**	**¢**
- basic and diluted earnings per share	31	13.21	14.45

The accompanying notes form part of these financial statements.

Statement of Financial Position
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	12	280,215	195,572
Trade and other receivables	13	117,611	124,628
Financial assets	14	292,149	292,149
Other assets	15	6,871	6,426
Total current assets		**696,846**	**618,775**
Non-current assets			
Property, plant and equipment	16	136,902	185,079
Right-of-use assets	17	147,968	210,053
Intangible assets	18	31,497	44,680
Deferred tax assets	19	17,979	6,950
Total non-current assets		**334,346**	**446,762**
Total assets		**1,031,192**	**1,065,537**
Liabilities			
Current liabilities			
Trade and other payables	20	70,966	55,418
Current tax liability	19	9,361	18,153
Franchise fee payable	21	14,082	14,082
Lease liabilities	22	62,785	58,392
Employee benefits	23	43,200	43,671
Provision for dividends		911	641
Total current liabilities		**201,305**	**190,357**
Non-current liabilities			
Franchise fee payable	21	14,082	28,164
Lease liabilities	22	96,728	159,513
Employee benefits	23	7,864	6,732
Total non-current liabilities		**118,674**	**194,409**
Total liabilities		**319,979**	**384,766**
Net assets		**711,213**	**680,771**
Equity			
Issued capital	24	704,766	704,766
Retained earnings/(Accumulated losses)	25	6,447	(23,995)
Total equity		**711,213**	**680,771**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2019		**704,766**	**(63,379)**	**641,387**
Comprehensive income for the year				
Profit for the year		-	104,474	104,474
Transactions with owners in their capacity as owners				
Dividends paid or provided	30	-	(65,090)	(65,090)
Balance at 30 June 2020		**704,766**	**(23,995)**	**680,771**
Balance at 1 July 2020		**704,766**	**(23,995)**	**680,771**
Comprehensive income for the year				
Profit for the year		-	95,531	95,531
Transactions with owners in their capacity as owners				
Dividends paid or provided	30	-	(65,089)	(65,089)
Balance at 30 June 2021		**704,766**	**6,447**	**711,213**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,701,849	1,590,491
Payments to suppliers and employees		(1,426,643)	(1,401,790)
Interest paid		(8,620)	(11,146)
Interest received		1,163	4,751
Income tax refunds received		-	3,733
Income tax paid		(45,813)	(27,813)
Net cash flows provided by operating activities	**26**	**221,936**	**158,226**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(13,635)
Purchase of intangible assets		(14,082)	(14,082)
Net cash flows used in investing activities		**(14,082)**	**(27,717)**
Cash flows from financing activities			
Repayment of lease liabilities		(58,392)	(54,233)
Dividends paid		(64,819)	(64,839)
Net cash flows used in financing activities		**(123,211)**	**(119,072)**
Net increase in cash held		**84,643**	**11,437**
Cash and cash equivalents at beginning of financial year		195,572	184,135
Cash and cash equivalents at end of financial year	**26a**	**280,215**	**195,572**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2021

Note 1. Corporate Information

These financial statements and notes represent those of Macedon Ranges Community Enterprises Ltd (the Company) as an individual entity. Macedon Ranges Community Enterprises Ltd is a company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for issue by the Directors on 10th September 2021.

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

Note 2. Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

Note 3. Summary of Significant Accounting Policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

(a) Economic Dependency

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Gisborne.

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

Note 3. Summary of Significant Accounting Policies (continued)

(a) Economic Dependency (continued)

- 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.

(b) Revenue From Contracts With Customers

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

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

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

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

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

Deposit returns (i.e. interest return applied by BABL on deposits)

minus

Any costs of funds (i.e. interest applied by BABL to fund a loan)

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank. If this reflects a loss, the company incurs a share of that loss. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin.

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 and Adelaide Bank 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.

Note 3. Summary of Significant Accounting Policies (continued)

(b) Revenue From Contracts With Customers (continued)

Ability to Change Financial Return

Under the franchise agreement, Bendigo and Adelaide Bank may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

Bendigo and Adelaide 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 and Adelaide Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank may make.

(c) 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. (2021: nil)
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary Financial Contributions

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

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

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

Cash Flow Boost

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

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

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

(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 (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Note 3. Summary of Significant Accounting Policies (continued)

(d) Employee Benefits (continued)

Short-term Employee Benefits (continued)

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.

Other Long-term Employee Benefits

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

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

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

(e) Tax

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 & 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.
- when receivables and payables are stated with the amount of GST included.

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 & Cash Equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Note 3. Summary of Significant Accounting Policies (continued)

(g) Property, Plant & Equipment

Recognition & Measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent Expenditure

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

Depreciation

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

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

Asset Class	Method	Useful Life
Plant & equipment	Straight line	5 years
Motor vehicles	Straight line	8 years

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

(h) Intangible Assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition & Measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation

Intangible assets 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
Establishment fee	Straight line	Franchise term (5 years)
Franchise fee	Straight line	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, leases.

Sub-note (i) and (j) refer to the following acronyms:

Acronym	Meaning
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Note 3. Summary of Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Recognition & Initial Measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification & Subsequent Measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets - Business Model Assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial Assets - Subsequent Measurement, Gains & Losses

For financial assets at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial Liabilities - Classification, Subsequent Measurement, Gains & Losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial Assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial Liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Note 3. Summary of Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Offsetting

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 Instruments

The company recognises a loss allowance for estimated credit losses (ECL)'s on its trade receivables.

ECL's 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.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (i.e. diversity of its customer base, appropriate groupings of its historical loss experience etc.).

Recognition of ECL in Financial Statements

At each reporting date, the entity recognises the movement in the loss allowance 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 and Adelaide Bank, which is received 14 days post month end. Due to the reliance on Bendigo and Adelaide 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 and Adelaide Bank and found no instances of default. As a result no impairment loss allowance 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 amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

(k) Issued Capital

Ordinary Shares

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) Leases

As Lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of 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, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

Note 3. Summary of Significant Accounting Policies (continued)

(l) Leases (continued)

As Lessee (continued)

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 the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the company is reasonably certain to exercise that option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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.

Short-term Leases & 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.

As Lessor

The company has not been a party in an arrangement where it is a lessor.

(m) Standards Issued But Not Yet Effective

There are no new standards effective for annual reporting periods beginning after 1 January 2020 that are expected to have a significant impact on the company's financial statements.

(n) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 4. Significant Accounting Judgements, Estimates & Assumptions

During preparation of the 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 outcomes and balances may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to these 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:

Note	Judgement
Note 7 - Revenue	Whether revenue is recognised over time or at a point in time
Note 22 - Leases:	
(a) Control	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	Whether the company is reasonably certain to exercise extension options, termination periods, and purchase options

Note 4. Significant Accounting Judgements, Estimates & Assumptions (continued)

(a) Judgements (continued)

Note	Judgement
(c) Discount rates	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 · any other relevant factors

(b) Assumptions & Estimation Uncertainty

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	Assumption
Note 19 - Recognition of deferred tax assets	Availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised
Note 16 - Estimation of asset useful lives	Key assumptions on historical experience and the condition of the asset
Note 23 - Long service leave provision	Key assumptions on attrition rate of staff and expected pay increases though promotion and inflation

Note 5. Financial Risk Management

The company has considered its exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

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 utilise any 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 has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank.

(b) Liquidity Risk

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

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2021		Contractual Cash Flows		
Non-derivative Financial Liability	Carrying Amount	< 12 Months	1 - 5 Years	> 5 Years
Lease liabilities	159,513	68,688	100,041	-

Note 5. Financial Risk Management (continued)

(c) Market Risk

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

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

Price Risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. There is no exposure to the company in regard to commodity price risk.

Cash Flow & Fair Values Interest Rate Risk

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

The company held cash and cash equivalents of $280,215 at 30 June 2021 (2020: $195,572). The cash and cash equivalents are held with Bendigo & Adelaide Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 6. 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 7. Revenue From Contracts With Customers

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

	2021 $	2020 $
Revenue		
- Revenue from contracts with customers	1,542,382	1,418,504
	1,542,382	**1,418,504**
Disaggregation of Revenue From Contracts With Customers		
- Margin income	1,348,500	1,230,108
- Fee income	92,987	94,651
- Commission income	100,895	93,745
	1,542,382	**1,418,504**

All revenue from contracts customers shown above was recognised at a point in time. There was no revenue from contracts with customers recognised over time during the financial year.

Note 8. Other Revenue

The company generates other sources of revenue as outlined below.

	2021 $	2020 $
Other Revenue		
- Market development fund income	-	10,000
- Cash flow boost	26,520	44,200
	26,520	**54,200**

Note 9. Finance Income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2021 $	2020 $
Finance Income		
At amortised cost:		
- Interest from term deposits	1,163	4,751
	1,163	**4,751**

Note 10. Expenses

Profit before income tax from continuing operations includes the following specific expenses:

	2021 $	2020 $
(a) Employee Benefits Expense		
Employee Benefits Expense		
- Wages & salaries	584,552	544,015
- Superannuation costs	113,668	76,455
- Other expenses related to employees	32,737	53,496
	730,957	**673,966**
(b) Depreciation & Amortisation Expense		
Depreciation of Non-current Assets		
- furniture and fittings	(45,714)	(43,516)
- motor vehicles	(2,463)	(2,463)
	(48,177)	**(45,979)**
Amortisation of Right-of-use Assets		
- leased buildings	(62,085)	(62,085)
	(62,085)	**(62,085)**
Amortisation of Intangible Assets		
- franchise fees	(13,183)	(13,184)
	(13,183)	**(13,184)**
Total depreciation & amortisation expense	**(123,445)**	**(121,248)**

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 3(g) and 3(h) for details).

Note 10. Expenses (continued)

	2021 $	2020 $
(c) Finance Costs		
Finance Costs		
- Interest paid	8,620	11,146
	8,620	**11,146**

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

(d) Community Investments & Sponsorship

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

	Note	2021 $	2020 $
Community Investments & Sponsorship			
- Direct sponsorship and grant payments		208,474	103,913
- Contribution to the Community Enterprise Foundation™	10(e)	175,000	199,999
		383,474	**303,912**

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

The CEF is a donor advised foundation. While the directors are involved in the payment of grants, the funds are not refundable to the company.

(e) Community Enterprise Foundation™ Contributions

During the financial year the company contributed funds to the CEF, the philanthropic arm of the Bendigo Bank. These contributions paid in, form part of community investments and sponsorship expenditure included in profit or loss.

	Note	2021 $	2020 $
Disaggregation of CEF Funds			
Opening balance		452,708	275,574
Contributions paid	10(d)	184,211	214,735
Grants paid out		(58,832)	(25,800)
Interest received		2,870	2,934
Management fees incurred	10(d)	(9,211)	(14,735)
Balance available for distribution		**571,746**	**452,708**

Note 11. Income Tax Expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

(a) The Components of Tax Expense

	2021 $	2020 $
Current tax expense	37,020	39,013
Deferred tax expense	(12,127)	(15,096)
Adjustments due to changes in company tax rate	1,099	-
	25,992	**23,917**

Note 11. Income Tax Expense (continued)

(b) Prima Facie Tax Payable

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2021 $	2020 $
Prima facie tax on profit before income tax at 26% (2020: 27.5%)	31,596	35,308
Add Tax Effect Of:		
- Revaluation of deferred taxes due to changes in company tax rate	1,099	-
- Non-assessable income	(6,895)	(12,155)
- Non-deductible expenses	192	764
Income tax attributable to the entity	**25,992**	**23,917**
The applicable weighted average effective tax rate is:	21.39%	18.63%

Note 12. Cash & Cash Equivalents

	2021 $	2020 $
Cash at bank and on hand	280,215	195,572
	280,215	**195,572**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less. Any bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

Note 13. Trade & Other Receivables

	2021 $	2020 $
Current		
Trade receivables	117,542	109,083
Other receivables	69	15,545
	117,611	**124,628**

Trade and other receivables are initially measured at the transaction price. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

The Company's main debtor relates to the Bendigo & Adelaide Bank monthly profit share distribution, which is deposited within a reasonable timeframe each month. There are no items that require the application of the lifetime expected credit loss model.

Note 14. Financial Assets

	2021 $	2020 $
At Amortised Cost		
Term deposits	292,149	292,149
	292,149	**292,149**

Term deposits classified as financial assets include only those with a maturity period greater than three months. Where maturity periods are less than three months, these investments are recorded as cash and cash equivalents.

Note 15. Other Assets

	2021 $	2020 $
Prepayments	6,871	6,426
	6,871	**6,426**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

Note 16. Property, Plant & Equipment

(a) Carrying Amounts

	2021 $			2020 $		
	At cost / Valuation	Accumulated depreciation	Written down value	At cost / Valuation	Accumulated depreciation	Written down value
Furniture & fittings	366,750	238,230	128,520	366,750	192,516	174,234
Motor vehicles	19,704	11,322	8,382	19,704	8,859	10,845
	386,454	**249,552**	**136,902**	**386,454**	**201,375**	**185,079**

(b) Movements in Carrying Amounts

2021	Furniture & Fittings $	Motor Vehicles $
Opening carrying value	174,234	10,845
Additions	-	-
Disposals	-	-
Depreciation expense	(45,714)	(2,463)
Closing carrying value	**128,520**	**8,382**

2020	Furniture & Fittings $	Motor Vehicles $
Opening carrying value	217,750	13,308
Additions	-	-
Disposals	-	-
Depreciation expense	(43,516)	(2,463)
Closing carrying value	**174,234**	**10,845**

(c) Capital Expenditure Commitments

The entity does not have any capital expenditure commitments as at 30 June 2021 (2020: None).

(d) 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 17. Right-of-use Assets

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

The company's lease portfolio includes buildings.

Options to Extend or Terminate

"The option to extend or terminate are contained in the property lease of the Company. All extension or

termination options are only exercisable by the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the right-of-use asset."

AASB 16 Amounts Recognised in the Statement of Financial Position

	Leased Buildings $	Total ROU Asset $
Leased asset	272,138	272,138
Accumulated amortisation	(124,170)	(124,170)
	147,968	**147,968**

Movements in carrying amounts:

	Leased Buildings $	Total ROU Asset $
Opening carrying value	210,053	210,053
Amortisation expense	(62,085)	(62,085)
Net carrying amount	**147,968**	**147,968**

AASB 16 Amounts Recognised in the Statement of Financial Position

	2021 $	2020 $
Amortisation expense related to right-of-use assets	62,085	62,085
Interest expense on lease liabilities	8,620	11,146

Note 18. Intangible Assets

(a) Carrying Amounts

	2021 $			2020 $		
	At cost / Valuation	Accumulated amortisation	Written down value	At cost / Valuation	Accumulated amortisation	Written down value
Franchise fee	65,919	34,422	31,497	65,919	21,239	44,680
Establishment fee	104,286	104,286	-	104,286	104,286	-
	170,205	**138,708**	**31,497**	**170,205**	**125,525**	**44,680**

Note 18. Intangible Assets (continued)

(b) Movements in Carrying Amounts

2021	Franchise Fee $	Establishment Fee $
Opening carrying value	44,680	-
Additions	-	-
Disposals	-	-
Amortisation expense	(13,183)	-
Closing carrying value	**31,497**	**-**

2020	Franchise Fee $	Establishment Fee $
Opening carrying value	57,864	-
Additions	-	-
Disposals	-	-
Amortisation expense	(13,184)	-
Closing carrying value	**44,680**	**-**

Note 19. Tax Assets & Liabilities

(a) Current Tax

	2021 $	2020 $
Income tax payable	9,361	18,153

(b) Deferred Tax

Movement in the company's deferred tax balances for the year ended 30 June 2021:

	30 June 2020 $	Recognised in P & L $	30 June 2021 $
Deferred Tax Assets			
- Expense accruals	12,250	(3,988)	8,262
- Lease liability & Right of use asset	2,159	727	2,886
- Franchise fee	775	(775)	-
- Employee provisions	13,861	(1,095)	12,766
Total deferred tax assets	**29,045**	**(5,131)**	**23,914**
Deferred Tax Liabilties			
- Prepayments	(1,767)	49	(1,718)
- Accrued income	(4,275)	4,258	(17)
- Franchise fee	-	(833)	(833)
- Property, plant & equipment	(16,053)	12,686	(3,367)
Total deferred tax liabilities	**(22,095)**	**16,160**	**(5,935)**
Net deferred tax assets	**6,950**	**11,029**	**17,979**

Note 19. Tax Assets & Liabilities (continued)

(b) Deferred Tax (continued)

Movement in the company's deferred tax balances for the year ended 30 June 2020:

	30 June 2019 $	Recognised in P & L $	30 June 2020 $
Deferred Tax Assets			
- Expense accruals	3,692	8,558	12,250
- Lease liability & Right of use asset	-	2,159	2,159
- Franchise fee	1,022	(247)	775
- Employee provisions	10,721	3,140	13,861
Total deferred tax assets	**15,435**	**13,610**	**29,045**
Deferred Tax Liabilties			
- Prepayments	(1,774)	7	(1,767)
- Accrued income	(794)	(3,481)	(4,275)
- Property, plant & equipment	(21,013)	4,960	(16,053)
Total deferred tax liabilities	**(23,581)**	**1,486**	**(22,095)**
Net deferred tax assets	**(8,146)**	**15,096**	**6,950**

Note 20. Trade & Other Payables

	2021 $	2020 $
Current		
Trade creditors	12,698	9,946
Salary & wages payable	23,798	23,845
GST payable	18,752	2,587
PAYG withheld from wages	6,468	5,290
Accounting & audit fees accrued	9,250	9,250
Community investments accrued	-	4,500
	70,966	**55,418**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Note 21. Franchise fee payable

	2021 $	2020 $
Current		
Franchise fee payable within 12 months	14,082	14,082
	14,082	**14,082**
Non-Current		
Franchise fee payable after 12 months	14,082	28,164
	14,082	**28,164**
Total franchise fee payable	**28,164**	**42,246**

Note 21. Franchise fee payable (continued)

The remaining franchise fee payable is due in 2 instalments of $14,082 to be deducted from the revenue share for November each year, with the final instalment to be deducted on 19 November 2022. The current franchise agreement runs until 18 November 2023.

Note 22. 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 4.5%

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

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

(a) Lease Portfolio

The company's lease portfolio includes:

Lease	Details
Gisborne Branch	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in November 2018.

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.

(b) Lease Liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2021 $	2020 $
Current	62,785	58,392
Non-current	96,728	159,513
	159,513	**217,905**

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2021 were as follows:

	Minimum lease payments due				
	< 1 Year	1 - 2 Years	3 - 5 Years	> 5 years	Total
30 June 2021					
Lease payments	68,688	70,405	29,636	-	168,729
Finance charges	(5,903)	(2,983)	(330)	-	(9,216)
Net present values	**62,785**	**67,422**	**29,306**	**-**	**159,513**
30 June 2020					
Lease payments	67,012	68,688	100,041	-	235,741
Finance charges	(8,620)	(5,903)	(3,313)	-	(17,836)
Net present values	**58,392**	**62,785**	**96,728**	**-**	**217,905**

Note 23. Employee Benefits

	2021 $	2020 $
Current		
Provision for annual leave	26,721	28,689
Provision for long service leave	16,479	14,982
	43,200	**43,671**
Non-Current		
Provision for long service leave	7,864	6,732
	7,864	**6,732**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

Employee Attrition Rates

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	723,214	723,214	723,214	723,214
Less: equity raising costs		(18,448)		(18,448)
	723,214	**704,766**	**723,214**	**704,766**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(b) Movements in share capital

	2021 $	2020 $
Fully paid ordinary shares:		
At the beginning of the reporting period	723,214	723,214
Shares issued during the year	-	-
At the end of the reporting period	**723,214**	**723,214**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Note 25. Retained Earnings

	Note	2021 $	2020 $
Balance at the beginning of the reporting period		(23,995)	(63,379)
Profit for the year after income tax		95,531	104,474
Dividends paid	30	(65,089)	(65,090)
Balance at the end of the reporting period		**6,447**	**(23,995)**

Note 26. Cash Flow Information

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2021 $	2020 $
Cash and cash equivalents (Note 12)	280,215	195,572
As per the Statement of Cash Flows	**280,215**	**195,572**

(b) Reconciliation of cash flow from operations with profit after income tax

	2021 $	2020 $
Profit for the year after income tax	95,531	104,474
Non-cash flows in profit		
- Depreciation	48,177	45,979
- Amortisation	75,268	75,269
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	7,017	(25,072)
- (Increase) / decrease in prepayments and other assets	(445)	24
- (Increase) / decrease in deferred tax asset	(11,029)	(15,096)
- Increase / (decrease) in trade and other payables	15,548	(53,704)
- Increase / (decrease) in current tax liability	(8,792)	14,933
- Increase / (decrease) in employee benefits	661	11,419
Net cash flows from operating activities	**221,936**	**158,226**

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 $
Financial Assets			
Trade and other receivables	13	117,611	124,628
Cash and cash equivalents	12	280,215	195,572
Term deposits	14	292,149	292,149
		689,975	**612,349**
Financial Liabilities			
Trade and other payables	20	70,966	55,418
Franchise fee payable	21	28,164	42,246
Lease liabilities	22	159,513	217,905
		258,643	**315,569**

Note 28. Related Parties

(a) Key Management Personnel

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company. The only key management personnel identified for the company are the Board of Directors, the members of which are listed in the Directors' report.

Note 28. Related Parties

(b) Key Management Personnel Compensation

No Director of the company receives remuneration for services as a company director or committee member. These positions are held on a voluntary basis.

(c) Other Related Parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(d) Transactions With Key Management Personnel & Related Parties

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of Related Party	Description of Goods or Services Provided	Value $
Corinne Shaddock	Community relations & marketing	43,309

(d) Key Management Personnel Shareholdings

The number of ordinary shares in the company held by each key management personnel during the financial year has been disclosed in the Director's Report.

(e) Other Key Management Transactions

There has been no other transactions key management or related parties other than those described above.

Note 29. Auditor's Remuneration

The appointed auditor of Macedon Ranges Community Enterprises Ltd for the year ended 30 June 2021 is RSD Audit. Amounts paid or due and payable to the auditor are outlined below.

	2021 $	2020 $
Audit & Review Services		
Audit and review of financial statements (RSD Audit)	5,250	5,250
Total auditor's remuneration	**5,250**	**5,250**

Note 30. Dividends

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.

	2021		2020	
	Number	$	Number	$
Fully franked dividend	-	65,089	-	65,090
Dividends provided for and paid during the year	**-**	**65,089**	**-**	**65,090**

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

Note 31. 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	95,531	104,474
	Number	**Number**
Weighted average number of ordinary shares	723,214	723,214
	¢	**¢**
Basic and diluted earnings per share	13.21	14.45

Note 32. Events After the Reporting Period

There have been no significant events after the end of the financial year that would have a material impact on the financial statements or the company's state of affairs.

Note 33. Commitments & Contingencies

Any commitments for future expenditure associated with leases are recorded in Note 22. Details about any capital commitments are detailed in Note 16(d).

The company has no other commitments requiring disclosure.

There were no contingent liabilities or assets at the date of this report that would have an impact on the financial statements.

Note 34. Company Details

The registered office of the company is:

Macedon Ranges Community Enterprises Ltd
11 Nexus Way, Gisborne VIC 3437

The principal place of business is:

Gisborne Branch
11 Nexus Way, Gisborne VIC 3437

Directors' declaration

In accordance with a resolution of the directors of Macedon Ranges Community Enterprises Ltd, 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.

Gary Robert McSwain
Chairman

Dated this 10th day of September, 2021

rsd Audit
41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MACEDON RANGES COMMUNITY ENTERPRISES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Macedon Ranges Community Enterprises Limited (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Macedon Ranges 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 performance for the year then ended; 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. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

We 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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.

We 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 obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information, 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, based on rsd Audit

the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 7 September 2021

Community Bank · Gisborne & District
11 Nexus Way,
Gisborne VIC 3437
Phone: 5420 7210 Fax: 5420 7346
Web: bendigobank.com.au/Gisborne

Franchisee: Macedon Ranges Community Enterprises Ltd
ABN: 57 130 493 499
PO Box 757
Gisborne VIC 3437
Phone: 5420 7210 Fax: 5420 7346
Email: eo@mrceltd.com.au

Share Registry:
RSD Registry
PO Box 30, Bendigo VIC 3552
Phone: 5445 4222
Fax: 5444 4344
Email: shares@rsdregistry.com.au

/CommunityBankGisborneDistrict

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Bendigo Bank