



2021 Annual Report



Acacia Ridge Financial Services Limited

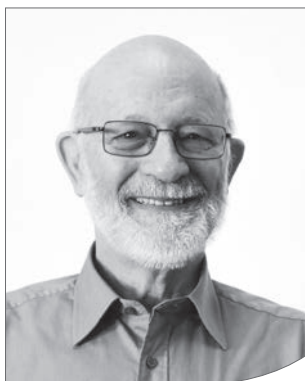
ABN 73 116 060 916

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Chairman's report

For year ending 30 June 2021



Our Community Bank company has played a key role in supporting our community, returning more than \$944,000 for use in our local community organisations (and some further afield) since our opening in 2005. We think this is an outstanding achievement for a single branch and is possible only because local people and businesses bank with us.

Welcome to the sixteenth Annual Report for the company for the financial year ending 30 June 2021.

Community Bank Acacia Ridge was established on 23 November 2005 following withdrawal of banking services at the Elizabeth St Shopping Centre. The Community Bank continues to provide valuable banking and financial services to Acacia Ridge and surrounding areas.

Very successful events in which staff and Directors were involved included the Great South Run in 2021. Some events were deferred in 2020/21 due to COVID-19 restrictions.

Financial

The net profit after income tax for the year was \$42,297, a decrease of \$23,433 on the figure for the previous year. Net profit can fluctuate each year, depending partly on donations and sponsorships to the community. Revenue from customers decreased by 6.9%, the result of low interest rates with the consequent squeeze on margins. Directors in conjunction with the Manager and Bank support staff are continuing to work on ways to further increase the size of the revenue and profits.

The result for the year was driven by our Branch Manager Mark Coxhead, who joined in September 2013. Mark was ably supported by Yuvi, Sandy and Pooja, and since July 2021 Linda Wu has joined as our Mobile Relationship Manager. Our branch staff has developed strong relationships with customers and community groups and give of their own time to contribute to community events.

Board of Directors

There has been no change to the Board of Directors during the year. Linda Beaumont continues as Company Secretary and Director and Amanda Harward remains as Treasurer and Director. Earle Johnston is the Chair of the Marketing and Sponsorship Committee and Vicki Maguire is the Chair of the Business Development Committee. All seven Directors, including Jane Carlisle and Kellie Griffiths serve on various committees and attend community functions throughout the year.

Dividends to shareholders

The Directors will be considering the payment of a dividend following receipt of audited accounts for the year. The amount of any dividend will depend on a number of factors including profitability and cash flow. Dividends paid since establishment until November 2020 total 76.5 cents per share, or a total of \$408,883. Dividends have been fully franked since the payment in November 2013, a useful additional source of income for many shareholders.

The company continues to have approximately 140 shareholders with a total shareholding of 534,487 shares.

Chairman's report (continued)

Community Investment

Our Community Bank company has played a key role in supporting our community, returning more than \$944,000 for use in our local community organisations (and some further afield) since our opening in 2005. We think this is an outstanding achievement for a single branch and is possible only because local people and businesses bank with us.

These community grants and sponsorships have made a significant difference to a number of organisations including St Thomas More College, Acacia Ridge YMCA, PCYC Inala, Great South Run and local schools. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

We have been holding our Board meetings each month free of charge in the boardroom of Ice World Beaudesert Road, Acacia Ridge and we thank that organisation for use of facilities.

This arrangement had ceased for a period due to COVID-19 restrictions, but resumed in 2021.

Our partner

The company has negotiated a new five (5) year Franchise Agreement with two options of five years with Bendigo and Adelaide Bank Limited to continue our relationship with the Bank. The new Agreement expires on 22 November 2025. Concurrently the company has negotiated an extension of our lease with the landlord JL Lander Pty Ltd.

Bendigo and Adelaide Bank provides invaluable support to our company and we acknowledge the contribution of our Regional Manager Ms Michelle Johnston and other members of the team.

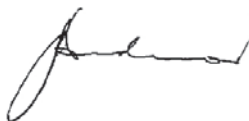
The future

Our Manager Mark Coxhead continues to provide banking expertise to current and new customers and plays an important role in the community. Mark continues to meet the needs of customers with a comprehensive range of products.

The success of our Community Bank relies on funds generated through your banking, so I urge you increase your support which will help bring big benefits to our community. We encourage you to refer family and friends to our staff to discuss their banking needs.

Our Annual General Meeting which is planned to be held on Thursday 18 November 2021 will depend on any restrictions imposed by Queensland Government requirements in relation to COVID-19. We hope to be able to hold the usual face-to-face meeting where you will be able to meet and chat with your Directors and branch staff.

I wish to thank my fellow Directors for their expertise and dedication over the year. Thanks are also extended to our administration assistant Maris Dirkx, our staff and customers for their continuing support.



Peter Henderson
Chairman

Manager's report

For year ending 30 June 2021



My goal as always, is to continue to lead and develop my team to help us grow our business, create stronger and deeper relationships with our customers and our local community by having meaningful and relevant conversations as to how we can help our customers achieve their financial goals and aspirations.

It is with great pleasure that I present to you the Manager's report for the 2020/21 year.

The year has presented many opportunities and challenges, especially with COVID-19 having now become a part of our lives. However, we should all be proud of the achievements we have made throughout the year.

During the past year we achieved a number of great outcomes including:

- We returned and set aside more than \$46,269 in profits for use in our local community
- Participated and supported a number of local community events and projects to help our community continue to grow and prosper. It is through our involvement with these events that continue to lift our profile within the community and highlights the fantastic achievements that we as a Community Bank have made in the Acacia Ridge area
- We continued to build stronger, deeper relationships with our customers by having relevant and meaningful conversations about how we can help our customers achieve their financial goals and aspirations.

A snapshot of our business as at 30 June 2021:

- 2,473 customers
- 1,881 products per customer
- \$98.8 million in total business

With the support and efforts of our shareholders, Directors and staff we continue to make a real difference to both our customers and the local Acacia Ridge community.

I would also like to take this opportunity to thank the efforts of all our staff, including Sandy Ernst, Yuvi Yuvika, Pooja Shrestha and Michelle Johnston.

Without their ongoing hard work, dedication and support, the branch would not have been able to achieve the successes of the past year.

I would also like to thank you, the shareholders, who have continued to show support and commitment to Community Bank Acacia Ridge.

In addition, I would like to make special mention and thanks to our volunteer Directors – Chairman Peter Henderson and his team, who spend countless hours being advocates of your Community Bank.

Without their continued hard work and unwavering support of your Community Bank, we would not have been able to achieve the great successes and results that we have since we commenced on 23 November 2005.

Manager's report (continued)

The year ahead

The year ahead will certainly present many opportunities for us to continue to build and grow our business in the local Acacia Ridge community and surrounding suburbs, and promote the great work that we do in helping our community become an even better place to live, work and play.

My goal as always, is to continue to lead and develop my team to help us grow our business, create stronger and deeper relationships with our customers and our local community by having meaningful and relevant conversations as to how we can help our customers achieve their financial goals and aspirations.


In July 2021 Linda Wu joined our team as a Mobile Relationship Manager, and I'm looking forward to the growth in our business as a result of Linda coming on board with us here at Community Bank Acacia Ridge.

I encourage you all, including your family and friends, to call in and have a talk with our team so that we may assist you with all your financial needs.

By helping our customers grow, we in turn also grow, which enables us to further help our local Acacia Ridge community to prosper and thrive.

I am committed to working closely with you all over the next year to help achieve these outcomes, and I look forward to the challenges and successes that are ahead of us.

Once again, my appreciation and thanks to you all for your continued dedication and support over the past 12 months.



Mark Coxhead
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.


Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each another and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



Collin Brady
Head of Community Development

Directors' report

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

Directors

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

Peter Geoffrey Henderson OAM

Chairman

Occupation: Company Director

Qualifications, experience and expertise: Involved in banking, finance and accounting since 1962. Involved in community organisations for over 50 years. Holds a Bachelor of Business degree, as well as Graduate Diplomas in Finance & Investment and Management. Fellow of CPA Australia and the Securities Institute.

Special responsibilities: Marketing & Sponsorship Committee, Audit & Finance Committee, Business Development Committee.

Interest in shares: 32,001 ordinary shares

Amanda Lee Harward

Treasurer

Occupation: Accountant

Qualifications, experience and expertise: Amanda is a Chartered Accountant and Director of a local accountancy firm. She holds a Bachelor of Commerce/ Bachelor of Business (Management) from the University of Queensland. She is a registered tax agent with over 20 years' experience in assisting small business clients with their accounting, business and taxation needs.

Special responsibilities: Chair of Audit & Finance Committee.

Interest in shares: 10,000 ordinary shares

Linda Anne Beaumont

Non-executive director

Occupation: Pharmacist

Qualifications, experience and expertise: Linda has worked as a community pharmacist since 1979. At present she is self-employed performing home medicine reviews and locum pharmacist jobs. She has a Bachelor of Pharmacy and a post-graduate certificate in Medication Management. Linda has been involved with softball for over 20 years as a player, coach and other club roles, she has returned to playing socially. Linda was the South Brisbane softball association treasurer in 1997-98 and has been involved with Acacia Ridge Community Bank since its inception and a director since 2005. Linda was the managing partner of the Elizabeth St Chemmart Pharmacy from 1999-2007.

Special responsibilities: Marketing and Sponsorship Committee.

Interest in shares: 7,501 ordinary shares

Earle Alexander Johnston

Non-executive director

Occupation: Relationship Manager Philanthropy, Queensland

Qualifications, experience and expertise: Earle is a fundraising professional and has worked for The Salvation Army since July 2012. Previously, he was Fundraising Manager at 96.5 Family Radio (2 years) and a Senior Business Analyst at Telstra (12 years). Earle is President, QUT Alumni Board (elected as a member in 2012) and was appointed to QUT Council in March 2018. He has been a member of CHC (Christian Heritage College) Council Fundraising sub-committee since 2017. He previously held directorships in media and education. He is a member of AICD, Fundraising Institute Australia (FIA), holds Certified Fundraising Executive (CFRE) international accreditation and his most recent qualification is Master of Business, Philanthropy & Non Profit Studies QUT.

Special responsibilities: Chairman, Marketing & Sponsorship Committee.

Interest in shares: 400 ordinary shares

Victoria Louise Maguire

Non-executive director

Occupation: Property Management

Qualifications, experience and expertise: Psychologist (retired), small business, M.A. (Psychology).

Special responsibilities: Business Development Committee.

Interest in shares: 50,001 ordinary shares

Directors' report (continued)

Directors (continued)

Jane Baxter Carlisle

Non-executive director

Occupation: Consultant

Qualifications, experience and expertise: Jane has extensive previous experience as a Senior Queensland Government Officer responsible for delivering health service improvements. The experience involved engaging and partnering with health service providers, community groups, advocacy and non-government organisations to define and develop the service improvements. Extensive past and current experience in developing frameworks to support organisational governance including quality systems, policies, risk management, project management, data analysis and reporting. Jane has a Graduate Diploma in Health Administration and Information Systems and an Associate Diploma in Clinical Laboratory Techniques.

Special responsibilities: Marketing and Sponsorship Committee, Audit & Finance Committee.

Interest in shares: 500 ordinary shares

Angela Kellie Griffiths

Non-executive director

Occupation: Manager

Qualifications, experience and expertise: Centre Manager of St David's Neighbourhood Centre. Passionate community member who believes in social justice and assisting people to reach their full potential. Coach for a masters swim squad.

Special responsibilities: Audit & Finance Committee.

Interest in shares: 200 ordinary shares

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

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

Company Secretary

The company secretary is Linda Beaumont. Linda was appointed to the position of secretary on 1 January 2014.

Principal activity

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

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

Operating results

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

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
42,297	65,730

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Peter Geoffrey Henderson OAM	31,501	500	32,001
Amanda Lee Harward	10,000	-	10,000
Linda Anne Beaumont	7,501	-	7,501
Victoria Louise Maguire	50,001	-	50,001
Earle Alexander Johnston	400	-	400
Jane Baxter Carlisle	500	-	500
Angela Kellie Griffiths	-	200	200

Directors' report (continued)

Dividends

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

	Cents per share	Total amount \$
Final fully franked dividend	6	32,069

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 29 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Board Meetings		Committee Meetings					
			Audit & Finance		Marketing & Sponsorship		Business Development	
	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
Peter Geoffrey Henderson OAM	12	12	11	9	5	4	3	3
Amanda Lee Harward	12	12	11	11	-	-	-	-
Linda Anne Beaumont	12	12	-	-	5	5	-	-
Victoria Louise Maguire	12	10	-	-	-	-	3	3
Earle Alexander Johnston	12	12	-	-	5	5	-	-
Jane Baxter Carlisle	12	10	11	11	5	5	-	-
Angela Kellie Griffiths	12	10	11	7	-	-	-	-

Proceedings on behalf of the company

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

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

Non audit services

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

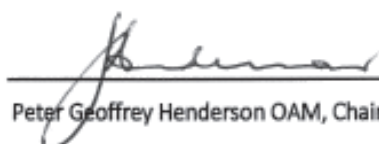
The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Audit & Finance Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the directors at Acacia Ridge, Queensland.


Peter Geoffrey Henderson OAM, Chair

Dated this 23rd day of September 2021

Auditor's independence declaration



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

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Acacia Ridge Financial Services Limited

As lead auditor for the audit of Acacia Ridge Financial Services Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 23rd September 2021

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

Adrian Downing
Lead Auditor



Financial statements

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

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	659,905	708,588
Other revenue	9	57,741	62,048
Finance income	10	1,801	3,392
Employee benefit expenses	11e)	(394,183)	(376,888)
Charitable donations, sponsorship, advertising and promotion	11c)	(46,269)	(83,380)
Occupancy and associated costs	11f)	(20,057)	(15,701)
Systems costs		(20,198)	(19,067)
Depreciation and amortisation expense	11a)	(69,640)	(68,396)
Finance costs	11b)	(30,230)	(32,276)
General administration expenses		(85,756)	(90,920)
Profit before income tax expense		53,114	87,400
Income tax expense	12a)	(10,817)	(21,670)
Profit after income tax expense		42,297	65,730
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Net gain on fair value increment of investments	24b)	18,030	(3,227)
Other comprehensive income for the year, net of income tax		18,030	(3,227)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		60,327	62,503
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	7.91	12.30

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	201,790	211,807
Trade and other receivables	15a)	46,123	43,736
Current tax assets	19a)	-	-
Total current assets		247,913	255,543
Non-current assets			
Other investments	14a)	183,330	135,091
Property, plant and equipment	16a)	61,973	64,382
Right-of-use assets	17a)	750,368	513,676
Intangible assets	18a)	56,772	69,927
Deferred tax asset	19b)	5,478	8,213
Total non-current assets		1,057,921	791,289
Total assets		1,305,834	1,046,832
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	32,351	18,172
Current tax liabilities	19a)	362	14,321
Lease liabilities	21a)	44,705	42,724
Total current liabilities		77,418	75,217
Non-current liabilities			
Trade and other payables	20b)	44,301	59,068
Lease liabilities	21b)	774,986	531,965
Provisions	22a)	6,024	5,735
Total non-current liabilities		825,311	596,768
Total liabilities		902,729	671,985
Net assets		403,105	374,847
EQUITY			
Issued capital	23a)	405,476	405,476
Reserves	24b)	18,471	441
Accumulated losses	25	(20,842)	(31,070)
Total equity		403,105	374,847

The accompanying notes form part of these financial statements

Financial statements (continued)

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

	Notes	Issued capital \$	Fair value reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019		405,476	3,668	(62,058)	347,086
Total comprehensive income for the year		-	(3,227)	65,730	62,503
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	30a)	-	-	(34,742)	(34,742)
Balance at 30 June 2020		405,476	441	(31,070)	374,847
Balance at 1 July 2020		405,476	441	(31,070)	374,847
Total comprehensive income for the year		-	18,030	42,297	60,327
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	30a)	-	-	(32,069)	(32,069)
Balance at 30 June 2021		405,476	18,471	(20,842)	403,105

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		768,136	811,136
Payments to suppliers and employees		(621,542)	(638,322)
Interest received		2,166	3,886
Interest paid		-	(8)
Lease payments (interest component)	11b)	(29,977)	(31,968)
Lease payments not included in the measurement of lease liabilities	11f)	(8,040)	(6,442)
Distributions received		16,393	4,933
Income taxes paid		(22,041)	(12,852)
Net cash provided by operating activities	26	105,095	130,363
Cash flows from investing activities			
Payments for property, plant and equipment		(2,825)	(4,261)
Payments for intangible assets		(13,424)	-
Payments for investments		(23,887)	(66,259)
Net cash used in investing activities		(40,136)	(70,520)
Cash flows from financing activities			
Lease payments (principal component)		(42,907)	(40,247)
Dividends paid	30a)	(32,069)	(34,742)
Net cash used in financing activities		(74,976)	(74,989)
Net cash decrease in cash held		(10,017)	(15,146)
Cash and cash equivalents at the beginning of the financial year		211,807	226,953
Cash and cash equivalents at the end of the financial year	13	201,790	211,807

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Acacia Ridge Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop 5/28 Elizabeth Street Acacia Ridge QLD 4110	Shop 5/28 Elizabeth Street Acacia Ridge QLD 4110

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

Note 2 Basis of preparation and statement of compliance

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

The financial statements have been prepared on an accrual and historical cost basis, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 23 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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:

Notes to the financial statements (continued)

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

Notes to the financial statements (continued)

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

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

Ability to change financial return (continued)

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

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

b) Other revenue

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

<u>Revenue</u>	<u>Revenue recognition policy</u>
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

Notes to the financial statements (continued)

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

d) Employee benefits

Bendigo Bank seconded employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

e) Taxes

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

Current income tax

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	1 to 40 years
Plant and equipment	Straight-line and diminishing value	2 to 27 years
Computer Software	Straight-line	2 to 10 years

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

Notes to the financial statements (continued)

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

h) Intangible assets

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

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

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

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

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

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

i) Financial instruments

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

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

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value through other comprehensive income. The company has elected to do this and as such, net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends are recognised as income in profit or loss.

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

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

j) Impairment

Non-derivative financial assets

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

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

Notes to the financial statements (continued)

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

j) Impairment (*continued*)

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

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

m) Leases (*continued*)

As a lessee (continued)

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

Short-term leases and leases of low-value assets

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

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

n) Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

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

Notes to the financial statements (continued)

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

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 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 useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

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

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

a) Credit risk

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

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

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	819,691	73,000	292,000	681,333
Trade and other payables	76,652	32,351	44,301	-
	<u>896,343</u>	<u>105,351</u>	<u>336,301</u>	<u>681,333</u>

Notes to the financial statements (continued)

Note 6 Financial risk management (continued)

b) Liquidity risk (continued)

Exposure to liquidity risk (continued)

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows		
		Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	574,689	72,655	290,620	387,493
Trade and other payables	77,240	18,172	59,068	-
	651,929	90,827	349,688	387,493

c) Market risk

Market risk

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

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

Price risk

The primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$201,790 at 30 June 2021 (2020: \$211,807). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

Notes to the financial statements (continued)

Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	480,902	525,970
- Fee income	45,207	48,673
- Commission income	133,796	133,945
	<u>659,905</u>	<u>708,588</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Dividend and distribution income	16,393	4,933
- Market development fund income	30,833	34,167
- Cash flow boost	10,000	10,000
- Other income	515	12,948
	<u>57,741</u>	<u>62,048</u>

Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	<u>1,801</u>	<u>3,392</u>

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

Note 11 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Plant and equipment	1,766	1,738
- Furniture and fittings	3,468	3,723
	<u>5,234</u>	<u>5,461</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>51,251</u>	<u>49,379</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,193	2,259
- Franchise renewal process fee	10,962	11,297
	<u>13,155</u>	<u>13,556</u>
Total depreciation and amortisation expense	<u>69,640</u>	<u>68,396</u>

Notes to the financial statements (continued)

Note 11 Expenses (continued)

b) Finance costs	2021 \$	2020 \$
- Lease interest expense	29,977	31,968
- Unwinding of make-good provision	253	300
- Other	-	8
	<u>30,230</u>	<u>32,276</u>

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

c) Charitable donations, sponsorship, advertising and promotion

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

	Note	2021 \$	2020 \$
- Direct sponsorship, advertising, and promotion payments		35,743	30,749
- Contribution to the Community Enterprise Foundation™ (CEF)	11d)	10,526	52,631
		<u>46,269</u>	<u>83,380</u>

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

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

d) 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 charitable donations and sponsorship expenditure included in profit or loss.

<i>Disaggregation of CEF funds</i>	Note	2021 \$	2020 \$
Opening balance		106,516	78,577
Contributions paid in	11c)	10,526	52,631
Grants paid out		-	(23,000)
Interest received		701	939
Management fees incurred		(526)	(2,631)
Balance available for distribution		<u>117,217</u>	<u>106,516</u>

e) Employee benefit expenses

Wages and salaries	316,044	300,512
Non-cash benefits	-	82
Contributions to defined contribution plans	29,732	27,188
Expenses related to long service leave	6,639	5,360
Other expenses	41,768	43,746
	<u>394,183</u>	<u>376,888</u>

Notes to the financial statements (continued)

Note 11 Expenses (continued)

f) Recognition exemption

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

	2021 \$	2020 \$
Expenses relating to low-value leases	8,040	6,442

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2021 \$	2020 \$
<i>Current tax expense</i>		
- Current tax	14,746	24,538
- Net benefit of franking credits on dividends received	(729)	(584)
- Movement in deferred tax	2,516	(19,745)
- Investments at FVTOCI	(6,328)	1,225
- Adjustment to deferred tax on AASB 16 retrospective application	-	15,762
- Reduction in company tax rate	219	474
- Changes in estimates related to prior years	393	
	10,817	21,670

b) Amounts recognised in other comprehensive income

	2021			2020		
	Gross	Tax credit / (expense)	Net of tax	Gross	Tax credit / (expense)	Net of tax
<i>Items that may be reclassified subsequently to profit or loss</i>						
- Fair value gain/(loss) on investment	24,338	(6,328)	18,010	(4,452)	1,225	(3,227)

c) Prima facie income tax reconciliation

	2021 \$	2020 \$
Operating profit before taxation	53,114	87,400
Prima facie tax on profit from ordinary activities at 26% (2019: 27.5%)	13,810	24,035
Tax effect of:		
- Non-deductible expenses	-	333
- Temporary differences	3,346	2,759
- Other assessable income	(2,410)	(2,589)
- Movement in deferred tax	2,516	(19,745)
- Net benefit of franking credits on distributions received	(729)	(584)
- Reclassification of Investments through OCI	(6,328)	1,225
- Changes in estimates related to prior years	393	-
- Leases initial recognition	-	15,762
- Reduction in company tax rate	219	474
	10,817	21,670

Notes to the financial statements (continued)

Note 13 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	26,790	16,486
- Term deposits	175,000	195,321
	<u>201,790</u>	<u>211,807</u>

Note 14 Other investments

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

a) Non-current investments

	2021 \$	2020 \$
Equity securities - at FVTOCI	<u>183,330</u>	<u>135,091</u>

b) Equity securities designated as at fair value through other comprehensive income

The company has made an irrevocable election to recognise fair value movements of its investment class through other comprehensive income. The company designated the equity securities shown below as at FVTOCI because these equity securities represent investments that the company intends to hold for the long term for strategic purposes.

	2021		2020	
	Fair value	Dividend income recognised	Fair value	Dividend income recognised
	\$	\$	\$	\$
<i>Investment</i>				
Vanguard Diversified High Growth - exchange-traded fund	<u>183,330</u>	<u>16,393</u>	<u>135,091</u>	<u>4,933</u>

Note 15 Trade and other receivables

a) Current assets

	2021 \$	2020 \$
Trade receivables	34,640	32,398
Prepayments	6,332	7,474
Other receivables and accruals	5,151	3,864
	<u>46,123</u>	<u>43,736</u>

Note 16 Property, plant and equipment

a) Carrying amounts

	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	171,719	170,129
Less: accumulated depreciation	(121,168)	(117,700)
	<u>50,551</u>	<u>52,429</u>
<i>Plant and equipment</i>		
At cost	62,567	61,332
Less: accumulated depreciation	(51,145)	(49,379)
	<u>11,422</u>	<u>11,953</u>
Total written down amount	<u>61,973</u>	<u>64,382</u>

Notes to the financial statements (continued)

Note 16 Property, plant and equipment (continued)

b) Reconciliation of carrying amounts	2021	2020
	\$	\$
<i>Leasehold improvements</i>		
Carrying amount at beginning	52,429	53,992
Additions	1,590	2,160
Depreciation	(3,468)	(3,723)
	<u>50,551</u>	<u>52,429</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	11,953	11,590
Additions	1,235	2,101
Depreciation	(1,766)	(1,738)
	<u>11,422</u>	<u>11,953</u>
Total written down amount	<u>61,973</u>	<u>64,382</u>

c) Changes in estimates

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

Note 17 Right-of-use assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Leased land and buildings</i>		
At cost	1,029,622	741,679
Less: accumulated depreciation	(279,254)	(228,003)
Total written down amount	<u>750,368</u>	<u>513,676</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	513,676	-
Initial recognition on transition	-	730,735
Accumulated depreciation on adoption	-	(178,624)
Remeasurement adjustments	287,943	10,944
Depreciation	(51,251)	(49,379)
Total written down amount	<u>750,368</u>	<u>513,676</u>

Note 18 Intangible assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Franchise fee</i>		
At cost	43,626	43,626
Less: accumulated amortisation	(34,163)	(31,970)
	<u>9,463</u>	<u>11,656</u>

Notes to the financial statements (continued)

Note 18 Intangible assets (continued)

a) Carrying amounts (continued)	2021 \$	2020 \$
<i>Franchise renewal process fee</i>		
At cost	168,133	168,133
Less: accumulated amortisation	(120,824)	(109,862)
	<u>47,309</u>	<u>58,271</u>
Total written down amount	<u>56,772</u>	<u>69,927</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	11,656	3,156
Additions	-	10,759
Amortisation	(2,193)	(2,259)
	<u>9,463</u>	<u>11,656</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	58,271	15,772
Additions	-	53,796
Amortisation	(10,962)	(11,297)
	<u>47,309</u>	<u>58,271</u>
Total written down amount	<u>56,772</u>	<u>69,927</u>

c) Changes in estimates

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

Note 19 Tax assets and liabilities

a) Current tax	2021 \$	2020 \$
Income tax payable	<u>362</u>	<u>14,321</u>
b) Deferred tax		
<i>Deferred tax assets</i>		
- make-good provision	1,506	1,491
- lease liability	204,923	149,419
Total deferred tax assets	<u>206,429</u>	<u>150,910</u>

Notes to the financial statements (continued)

Note 19 Tax assets and liabilities (continued)

b) Deferred tax (continued)	2021	2020
	\$	\$
<i>Deferred tax liabilities</i>		
- income accruals	69	166
- fair value of investments	5,140	158
- property, plant and equipment	8,150	8,817
- right-of-use assets	187,592	133,556
Total deferred tax liabilities	200,951	142,697
Net deferred tax assets (liabilities)	5,478	8,213
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	2,735	3,509
Movement in deferred tax charged to Statement of Changes in Equity	-	15,762

Note 20 Trade creditors and other payables

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

a) Current liabilities	2021	2020
	\$	\$
Trade creditors	6,319	1,438
Other creditors and accruals	26,032	16,734
	32,351	18,172
b) Non-current liabilities		
Other creditors and accruals	44,301	59,068

Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%. Subsequent lease modifications were discounted at 3.54%.

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

The company's lease portfolio includes:

- Branch The lease agreement commenced in November 2015. A 5 year renewal option was exercised in November 2020. The company has 2 x 5 year renewal options available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is November 2035.

a) Current lease liabilities	2021	2020
	\$	\$
Property lease liabilities	73,000	72,655
Unexpired interest	(28,295)	(29,931)
	44,705	42,724

Notes to the financial statements (continued)

Note 21 Lease liabilities (continued)

b) Non-current lease liabilities	2021	2020
	\$	\$
Property lease liabilities	973,333	678,113
Unexpired interest	(198,347)	(146,148)
	<u>774,986</u>	<u>531,965</u>
c) Reconciliation of lease liabilities		
Balance at the beginning	574,689	-
Initial recognition on AASB 16 transition	-	603,992
Remeasurement adjustments	287,909	10,944
Lease interest expense	29,977	31,968
Lease payments - total cash outflow	(72,884)	(72,215)
	<u>819,691</u>	<u>574,689</u>

The remeasurement adjustment is due to a 5 year lease renewal occurring during the period ended 30 June 2021.

d) Maturity analysis

- Not later than 12 months	73,000	72,655
- Between 12 months and 5 years	292,000	290,620
- Greater than 5 years	681,333	387,493
Total undiscounted lease payments	<u>1,046,333</u>	<u>750,768</u>
Unexpired interest	(226,642)	(176,079)
Present value of lease liabilities	<u>819,691</u>	<u>574,689</u>

Note 22 Provisions

a) Non-current liabilities	2021	2020
	\$	\$
Make-good on leased premises	<u>6,024</u>	<u>5,735</u>

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be \$10,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on November 2035 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	534,487	534,487	534,487	534,487
Return of capital payment	-	(106,897)	-	(106,897)
Less: equity raising costs	-	(22,114)	-	(22,114)
	<u>534,487</u>	<u>405,476</u>	<u>534,487</u>	<u>405,476</u>

Notes to the financial statements (continued)

Note 23 Issued capital (*continued*)

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 133. As at the date of this report, the company had 139 shareholders (2020: 141 shareholders).

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

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

Notes to the financial statements (continued)

Note 23 Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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

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

Note 24 Reserves

a) Nature and purpose of reserves

The fair value reserve comprises the cumulative net change in the fair value of equity securities designated at FVTOCI.

b) Disaggregation of reserve balances, net of tax

	Fair value reserve	
	2021	2020
	\$	\$
Balance at beginning of reporting period	441	3,668
Fair value movement on equity instruments designated at FVTOCI	18,030	(3,227)
Balance at end of reporting period	<u>18,471</u>	<u>441</u>

Note 25 Accumulated losses

	Note	2021	2020
		\$	\$
Balance at beginning of reporting period		(31,070)	(20,504)
Adjustment for transition to AASB 16		-	(41,554)
Net profit after tax from ordinary activities		42,297	65,730
Dividends provided for or paid	30a)	(32,069)	(34,742)
Balance at end of reporting period		<u>(20,842)</u>	<u>(31,070)</u>

Note 26 Reconciliation of cash flows from operating activities

	2021	2020
	\$	\$
Net profit after tax from ordinary activities	42,297	65,730
Adjustments for:		
- Depreciation	56,485	54,840
- Amortisation	13,155	13,556

Notes to the financial statements (continued)

Note 26 Reconciliation of cash flows from operating activities (continued)

	2021 \$	2020 \$
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(2,385)	(13,308)
- (Increase)/decrease in other assets	(3,588)	11,710
- Increase/(decrease) in trade and other payables	12,838	(5,728)
- Increase/(decrease) in provisions	252	300
- Increase/(decrease) in tax liabilities	(13,959)	3,263
Net cash flows provided by operating activities	105,095	130,363

Note 27 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. 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.

		Carrying amount				Fair value level	
		2021	2021	2020	2020	2021	2020
		\$	\$	\$	\$	\$	\$
	Note	FVTOCI	At amortised cost	FVTOCI	At amortised cost	Level 1	Level 1
Financial assets measured at fair value:							
Equity securities	14	183,330	-	135,091	-	183,330	135,091
Financial assets not measured at fair value:							
Cash and cash	13	-	26,790	-	16,486	-	-
Term deposits	13	-	175,000	-	195,321	-	-
Trade and other receivables	15	-	46,123	-	43,736	-	-
		-	247,913	-	255,543	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	20	-	76,652	-	77,240	-	-
Lease liabilities	21	-	819,691	-	574,689	-	-
		-	896,343	-	651,929	-	-

Note 28 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- General advisory services	1,470	3,540
- Share registry services	4,032	2,610
Total auditor's remuneration	10,502	10,950

Notes to the financial statements (continued)

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Peter Geoffrey Henderson OAM
Amanda Lee Harward
Linda Anne Beaumont
Victoria Louise Maguire
Earle Alexander Johnston
Jane Baxter Carlisle
Angela Kellie Griffiths

b) Key management personnel compensation

2021	2020
\$	\$

Key management personnel compensation comprised the following.

Short-term employee benefits	15,600	15,600
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Compensation of the company's key management personnel includes salaries.

c) Related party transactions

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

	2021 \$	2020 \$
<i>Transactions with related parties</i>		
- Victoria Maguire is a Director of J L Lander Pty Ltd, J L Lander Pty Ltd own the premises occupied by the bank.	72,884	72,215
- Amanda Harward is a Director at Accounting Intelligence Pty Ltd, Acacia Ridge Financial Services Limited used the services of Accounting Intelligence Pty Ltd during the financial year.	9,097	7,384
- Peter Henderson provided consulting services to the bank during the financial year.	1,306	1,429
- Earle Johnston provided consulting services to the bank during the financial year.	1,815	2,070
- Jane Carlisle provided consulting services to the bank during the financial year.	674	371
Total transactions with related parties	85,776	83,469

Note 30 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	6.00	32,069	6.50	34,742

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

Notes to the financial statements (continued)

Note 30 Dividends provided for or paid (continued)

b) Franking account balance	2021 \$	2020 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	24,480	24,805
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	11,884	17,013
- franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	11,504	(4,160)
- Franking debits from the payment of franked distributions	(11,268)	(13,178)
- Franking credits from franked dividends received	729	-
Franking account balance at the end of the financial year	37,329	24,480
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(313)	14,321
Franking credits available for future reporting periods	37,016	38,801
The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.		

Note 31 Earnings per share

a) Basic and diluted earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	42,297	65,730
	Number	Number
Weighted-average number of ordinary shares	534,487	534,487
	Cents	Cents
Basic and diluted earnings per share	7.91	12.30

Note 32 Commitments

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

Note 33 Contingencies

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

Note 34 Subsequent events

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


Directors' declaration

In accordance with a resolution of the directors of Acacia Ridge Financial Services Limited , we state that:

In the opinion of the directors:

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

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



Peter Geoffrey Henderson OAM, Chair

Dated this 23rd day of September 2021

Independent audit report



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Independent auditor's report to the Directors of Acacia Ridge Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Acacia Ridge Financial Services Limited's (the company), which comprises:

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

In our opinion, the accompanying financial report of Acacia Ridge Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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



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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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



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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 23rd September 2021

Adrian Downing
Lead Auditor

Community Bank - Acacia Ridge

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