

Annual Report 2021

Augusta & Districts
Community Financial
Services Limited

Community Bank
Augusta Margaret River
ABN 64 110 946 168



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Augusta & Districts Community Financial Services Ltd Chairman's Report

It is a pleasure to congratulate and thank our volunteer Directors, who bring a strong skill set and diverse experience to the Community Bank Board. They have donated their valuable time and positive energy to create the 2021 Strategy, with a focus on the development and future growth of the Bank. A special thanks to Deputy Chair Cinde Fisher, who is sharing the workload in an entirely collaborate way.

On behalf of the Board, our sincere thanks to retiring Director, Nick Dornan, for his significant support and contribution, Nick has always been a great champion of the Augusta community. We truly wish he and his family the very best.

Also, we will always be grateful to our previous Chairman, Neil Martin, who took on the challenge to bring the finances back from the brink over the past three years. He was ably supported by the committed and diligent work of the Treasurer, Miriam Bailey. Miriam has left the Board but continues to be a great advocate for the Bank, despite her very busy role in her own accounting business.

We thank our previous Staff for their everyday care and professional service to the communities of Augusta Margaret River and we welcome our new staff members.

The September 2021 Strategy sets the new direction for the next two years and we were fortunate to have the Bendigo Bank State Manager Western Australia, Joe Faraone and Strategic Business Manager, Grant McLeod, attend the finalisation of the plan. This strategy will guide our current branch "refocus". We thank our Bendigo Bank advisors; their roles are a testament to the supportive culture of Bendigo Bank.

We appreciate the patience of our Shareholders as we roll out changes in their interests. The board have dedicated themselves to providing good and ethical banking for our community where the "Bank Local" concept has real value. We plan to continue to improve our viability and work toward a significant profit for shareholders and the community. As we systematically improve our bottom line, we continue to be able to offer community groups support due to the beneficent agreement of Bendigo Bank who always provide funds to ensure this.

Significant support has been given (amongst many smaller grants spread over the Shire) to Augusta & Districts Childcare, Owl Friendly and Margaret River Radio.

Recognition of our role in the community since 2005, was provided by being named "Local Legends" by the Margaret River Chamber of Commerce and Industry Awards, in September 2021. This award truly belongs to the entire cohort of current and previous Directors and Staff and in particular, the founding Directors. They should be very proud and was particularly appropriate to have our Treasurer, Donna Adams, who was an original staff member accept the award at the Gala Event.

At the recent strategic review, the Board resolved to change its Augusta Branch trading hours from three, to five half-days per week. We announced this move to 'convenient, and customer-first banking services' to commence in October 2021. The change acknowledges our role as the only bank in Augusta and reflects long-standing feedback from the local community. We anticipate it will greatly contribute to the bank's long-term viability and brand.

Our dual objective is to be prudent with its costs, whilst ensuring the most convenient and best services possible, for the local community: The new trading hours will suit the vast majority of our customers, as statistics indicate, that people prefer to banking the mornings and often drive into town from outskirts, remote locations.

We believe that the new approach, will have a very positive impact on the town, as we shift towards a sustained presence on the main street, every working day from Monday to Friday.

We aim to increase our customer service, with the flexibility and innovation of a new and highly personalised approach. If people can't make it during this time for appointments, we will go out of our way to meet at a later suitable time, or to visit our clients directly.

As a locally owned bank and with our Board working very hard for positive outcomes for our local shareholders and the community, we hope that people will support the change and consider bringing existing business across the Branch. We appreciate that it takes a substantial effort to change banks, but we believe the rewards will be significant both personally and to the entire community.

While we operate as a highly competitive bank, with our partnership with Bendigo Bank, we face the challenges of being a small population in Augusta and hence, the rationale to expand to Margaret River - and this remains an important goal for the future. We will continue to expand services across the Shire, with low impact to our overall budget.

We offer loyalty and recognitions to the Augusta community and goals being achievable and will work hard to realise this. But it is clear that as per the original conceptualisation and commencement in Augusta, it is also entirely in partnership with the community and the degree to which they participate.

We know we have the best partnership with Bendigo Bank and a full range of competitive banking services and so with your support, we will not only endure, but rapidly progress. We ask you the Shareholders, to be our ambassadors in the community and help us to grow the business.

Regards



Jennifer Gheradi
Board Chairman

Augusta & Districts Community Financial Services Ltd

ABN: 64 110 946 168

Financial Report

For the year ended

30 June 2021

Augusta & Districts Community Financial Services Ltd

Directors' Report

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

Directors

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

Jennifer Anne Gherardi

Chair

Occupation: Film & Media Producer

Qualifications, experience and expertise: Jennifer's' qualifications include; BSc Communications Studies, 1st Class Honours in Media, Vice Chancellors Award for Academic Excellence and Training and mentoring at BBC London in New Media. Jennifer has both business and community experience, she and her partner developed Freycinet Estate (now Voyage Estate) in the commencement of the wine industry in the Margaret River. She went onto becoming a Film and Television Producer/Director making independent films for SBS and ABC TV. Jennifer co-manages Meeks House in Margaret River and is a Chamber of Commerce member. Her community contributions include being; a lactation counsellor for 15 years, a founding member of The Margaret River Community Centre, and a CinefestOZ Film Festival board director for 8 years.

Special responsibilities: Marketing Committee

Interest in shares: nil share interest held

Cinde Blanche Fisher

Non-executive director

Occupation: Group Corporate Services Manager

Qualifications, experience and expertise: Bachelor of Science (Computer Science & Financial Accounting).

Special responsibilities: Audit Committee

Interest in shares: nil share interest held

Nicholas Fairbairn Dornan

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Nicholas' previous roles included a designer in the entertainment industry UK, General Manager of Samuelson Vari-lites UK (Europe and Asia) . Former Shire president of Augusta Margaret River. He is currently on the Shire Sustainability Advisory committee, is the Secretary of the Augusta Golf Club and the Vice President of the Margaret River Tennis Club.

Special responsibilities: Nil

Interest in shares: nil share interest held

Jodie Boyd Lane

Non-executive director

Occupation: Business Manager

Qualifications, experience and expertise: Farmer, small business owner, educator, venue provider, event organiser.

Special responsibilities: Marketing Committee

Interest in shares: nil share interest held

Augusta & Districts Community Financial Services Ltd

Directors' Report

Directors (*continued*)

Donna Adams

Non-executive director (appointed 28 August 2020)

Occupation: Business Owner / Bookkeeper

Qualifications, experience and expertise: Donna was born in Margaret River and now lives in Augusta with her husband and two daughters. She holds a Cert IV in Financial Services/Bookkeeping and is a BAS agent with Tax Practitioner Board. Donna is the owner of Nautilus Business Solutions, a small Accounting & Bookkeeping firm with four employees and has also just started Donna Adams Business Coaching. Currently Donna is in her last year of studying a BPsych at Curtin University, where she is a Member of Vice Chancellor List 2019 (top 1%). Donna also presently volunteers as a mentor to 12 students who are new to Curtin University and is a committee member on the 'Open The Gate' group (mental health awareness and suicide prevention in rural and marginalised communities). She is also 2017 Alumni of Women & Leadership Australia.

Special responsibilities: Nil

Interest in shares: nil share interest held

Lisa Jane Garside

Non-executive director (appointed 17 May 2021)

Occupation: Public Relations

Qualifications, experience and expertise: With more than 20 years of experience in the key areas of Corporate Affairs, PR, Marketing and Stakeholder Engagement, Lisa's career has traversed industries from mining, tourism, health, property, gaming, and finance, to the Arts, not for profit, aged care and digital sectors. Lisa has held key Public Relations and Marketing roles for leading organisations, including The Western Australian Museum, Burswood Resort Casino (CROWN), InterContinental Hotels Group (IHG), Rio Tinto, Arthur Andersen, SGIO and Worsley Alumina - along with dynamic start-ups, small businesses including: rent.com.au, Olio Bello and Watersun Property. In addition to holding several senior corporate positions, Lisa has completed language and cultural education in Japan, Italy, Switzerland and France, developed a global humanitarian proposal for the Nelson Mandela Foundation, worked with St Patrick's Community Support Charity for homelessness and organised large-scale events and conferences across the Asia Pacific region - including International Tax Conferences, CHOGM opening for WA Museum and Dr Jane Goodall's Perth Welcome. Lisa holds a Bachelor of Arts Degree from the University of Western Australia, majoring in English Literature and Corporate Psychology, and postgraduate qualifications, in business from Edith Cowan University.

Special responsibilities: Nil

Interest in shares: nil share interest held

Clare Nicole Gleeson

Non-executive director (appointed 17 May 2021)

Occupation: Solicitor

Qualifications, experience and expertise: Bachelor of Science (Environmental Science), Bachelor of Laws. Admitted to practice as a Solicitor and Barrister in 2005. 16 years practicing experience. Director of Cape to Cape Lawyers.

Special responsibilities: Nil

Interest in shares: nil share interest held

Miriam Rachel Bailey

Non-executive director (resigned 9 June 2021)

Occupation: Accountant

Qualifications, experience and expertise: Miriam was a past Auditor at Ernst & Young, Tax Manager at NKH Knight and Facilitator for the Institute of Chartered Accountants. She is a Director of AMD Margaret River (tax and advisory) and holds a Bachelor of Commerce major in Professional Accounting, minor in Business Law, Chartered Accountant, Certified Tax Advisor, Diploma of Financial Planning.

Special responsibilities: Finance Committee, Marketing Committee and Company Secretary

Interest in shares: nil share interest held

Augusta & Districts Community Financial Services Ltd

Directors' Report

Directors (*continued*)

Neil Richard Martin

Non-executive director (resigned 27 April 2021)

Occupation: Farmer

Qualifications, experience and expertise: Neil has been a Community Bank Director for 18 years. Currently a Collie Shire Councillor and Past Businessman for 33 years. He holds a diploma in Land Valuation and a Certificate in Settlement Agency Practices. He is a licensed Real Estate Agent and is currently the Chairman of the Board of Riverview Residence Collie Inc., an aged care facility.

Special responsibilities: Former Chairman, Human Resources Committee and Finance and Audit Committee

Interest in shares: nil share interest held

Tim Beeson

Non-executive director (appointed 1 July 2020 and resigned 15 February 2021)

Occupation: Property Consultant / Business Owner

Qualifications, experience and expertise: Tim has worked extensively in all facets of sales management in both corporate and a small business environment. He is currently a Property Consultant at Stocker Preston and for the past 18 years has been the owner/operator of Sharra, a successful wholesale company importing and distributing stationery and gifts. Previous experience includes three years as owner/operator of The River Trader and two years as National Sales Manager at Meadow Lea Foods. Tim holds a Bachelor of Business Accounting and Law and has completed multiple Sales management courses. He has excellent people skills, sales and negotiation skills, delegation skills and sound accounting knowledge and analysis skills.

Special responsibilities: Nil

Interest in shares: nil share interest held

David Vincent Carboni

Non-executive director (resigned 3 August 2020)

Occupation: Business Owner

Qualifications, experience and expertise: Business Owner of Margaret River Mowers since 2003. Worked for Westside Petroleum/Shell Services from 1997 - 2003 and Oxford Spares/Oxford Engines/Oxford Autos from 1985 - 1997.

Special responsibilities: Marketing Committee

Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Miriam Rachel Bailey. Miriam was appointed to the position of secretary on 20 June 2019.

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
\$	\$
15,376	44,573

Augusta & Districts Community Financial Services Ltd

Directors' Report

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Cinde Blanche Fisher	-	-	-
Nicholas Fairbairn Dornan	-	-	-
Jennifer Anne Gherardi	-	-	-
Jodie Boyd Lane	-	-	-
Donna Adams	-	-	-
Lisa Jane Garside	-	-	-
Clare Nicole Gleeson	-	-	-
Miriam Rachel Bailey	-	-	-
Neil Richard Martin	-	-	-
Tim Beeson	-	-	-
David Vincent Carboni	-	-	-

Dividends

No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be paid in the current financial year.

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 27 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.

Augusta & Districts Community Financial Services Ltd

Directors' Report

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

E - eligible to attend
A - number attended

Cinde Blanche Fisher
 Nicholas Fairbairn Dornan
 Jennifer Anne Gherardi
 Jodie Boyd Lane
 Donna Adams
 Lisa Jane Garside
 Clare Nicole Gleeson
 Miriam Rachel Bailey
 Neil Richard Martin
 Tim Beeson
 David Vincent Carboni

Board Meetings	
<i>E</i>	<i>A</i>
11	9
11	9
11	10
11	6
8	7
2	2
2	2
11	11
9	7
7	4
-	-

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 26 to the accounts.

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

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

Augusta & Districts Community Financial Services Ltd

Directors' Report

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 7.

Signed in accordance with a resolution of the directors at Augusta, Western Australia.



Jennifer Anne Gherardi, Chair

Dated this 28th day of September 2021

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Augusta & Districts Community Financial Services Ltd

As lead auditor for the audit of Augusta & Districts Community Financial Services Ltd for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 28 September 2021



Joshua Griffin
Lead Auditor

Augusta & Districts Community Financial Services Ltd

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	379,596	414,031
Other revenue	9	49,551	58,042
Employee benefit expenses	10c)	(190,036)	(227,740)
Charitable donations, sponsorship, advertising and promotion		(47,224)	(22,709)
Occupancy and associated costs		(10,308)	(21,001)
Systems costs		(16,086)	(16,601)
Depreciation and amortisation expense	10a)	(40,977)	(33,023)
Finance costs	10b)	(10,217)	(10,427)
General administration expenses		(86,758)	(69,107)
Profit before income tax expense		27,541	71,465
Income tax expense	11a)	(12,165)	(26,892)
Profit after income tax expense		15,376	44,573
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		15,376	44,573
Earnings per share		¢	¢
- Basic and diluted earnings per share:	28a)	2.47	7.17

The accompanying notes form part of these financial statements

Augusta & Districts Community Financial Services Ltd

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Trade and other receivables	12a)	13,733	50,235
Total current assets		13,733	50,235
Non-current assets			
Property, plant and equipment	13a)	20,542	23,512
Right-of-use assets	14a)	69,124	151,728
Intangible assets	15a)	54,285	2,328
Deferred tax asset	16a)	202,934	215,100
Total non-current assets		346,885	392,668
Total assets		360,618	442,903
LIABILITIES			
Current liabilities			
Trade and other payables	17a)	28,286	19,156
Loans and borrowings	18a)	226,825	297,429
Lease liabilities	19a)	18,158	28,467
Employee benefits	21a)	7,727	10,214
Total current liabilities		280,996	355,266
Non-current liabilities			
Trade and other payables	17a)	44,620	-
Lease liabilities	19b)	61,923	130,061
Employee benefits	21b)	1,089	1,711
Provisions	20a)	21,577	20,828
Total non-current liabilities		129,209	152,600
Total liabilities		410,205	507,866
Net liabilities		(49,587)	(64,963)
EQUITY			
Issued capital	22a)	621,813	621,813
Accumulated losses	23	(671,400)	(686,776)
Total equity		(49,587)	(64,963)

The accompanying notes form part of these financial statements

Augusta & Districts Community Financial Services Ltd

Statement of Changes in Equity

for the year ended 30 June 2021

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	621,813	(731,349)	(109,536)
Total comprehensive income for the year	-	44,573	44,573
Balance at 30 June 2020	621,813	(686,776)	(64,963)
Balance at 1 July 2020	621,813	(686,776)	(64,963)
Total comprehensive income for the year	-	15,376	15,376
Balance at 30 June 2021	621,813	(671,400)	(49,587)

The accompanying notes form part of these financial statements

Augusta & Districts Community Financial Services Ltd

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		493,285	519,510
Payments to suppliers and employees		(373,373)	(414,273)
Interest paid		(4,960)	(8,153)
Lease payments (interest component)	10b)	(4,508)	(1,116)
Lease payments not included in the measurement of lease liabilities	10d)	(5,367)	(5,344)
Net cash provided by operating activities	24	105,077	90,624
Cash flows from investing activities			
Payments for property, plant and equipment		-	(6,150)
Payments for intangible assets		(13,521)	(13,555)
Net cash used in investing activities		(13,521)	(19,705)
Cash flows from financing activities			
Lease payments (principal component)		(20,952)	(32,503)
Net cash used in financing activities		(20,952)	(32,503)
Net cash increase in cash held		70,604	38,416
Cash and cash equivalents at the beginning of the financial year		(297,429)	(335,845)
Cash and cash equivalents at the end of the financial year	18a)	(226,825)	(297,429)

The accompanying notes form part of these financial statements

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Augusta & Districts Community Financial Services Ltd (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
54 Blackwood Avenue Augusta WA 6290	54 Blackwood Avenue Augusta WA 6290

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 27.

Note 2 Basis of preparation and statement of compliance

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

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

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 28 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.

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

Ability to change financial return

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

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

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

b) Other revenue

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

<u>Revenue</u>	<u>Revenue recognition policy</u>
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.

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

d) Employee benefits (*continued*)

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

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 method over their estimated useful lives, and is recognised in profit or loss.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Diminishing value	5 years
Plant and equipment	Straight-line and diminishing value	2.5 to 40 years

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

h) Intangible assets

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

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

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

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

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

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

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

i) Financial instruments

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

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

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

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

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

m) Leases

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

As a lessee

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 19 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) Judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 16 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 13 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 20 - 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.

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (continued)

b) Liquidity risk

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

The company maintains the following lines of credit with Bendigo Bank:

\$400,000 overdraft facility with available facility of \$173,175 as at 30 June 2021. Interest is payable at a rate of 2.035% (2020: 2.66%)

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annual by the lender, Bendigo Bank. As at balance date, the lender does not intend to reduce or end the overdraft facility within the next 12 months.

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>
Bank overdraft	226,825	226,825	-	-
Lease liabilities	80,081	20,700	65,550	-
Trade and other payables	72,906	28,286	44,620	-
	<u>379,812</u>	<u>275,811</u>	<u>110,170</u>	<u>-</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	297,429	297,429	-	-
Lease liabilities	158,528	33,620	134,478	5,603
Trade and other payables	19,156	19,156	-	-
	<u>475,113</u>	<u>350,205</u>	<u>134,478</u>	<u>5,603</u>

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (*continued*)

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. Based on current borrowings this risk is considered low.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	330,577	363,253
- Fee income	25,145	25,816
- Commission income	23,874	24,962
	<u>379,596</u>	<u>414,031</u>

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	37,500	37,500
- Cash flow boost	12,051	20,083
- Other income	-	459
	<u>49,551</u>	<u>58,042</u>

Note 10 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	590	740
- Plant and equipment	2,380	2,592
	<u>2,970</u>	<u>3,332</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>25,108</u>	<u>16,463</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,150	2,205
- Franchise renewal process fee	10,749	11,023
	<u>12,899</u>	<u>13,228</u>
Total depreciation and amortisation expense	<u>40,977</u>	<u>33,023</u>
b) Finance costs		
- Bank overdraft interest paid or accrued	4,960	8,153
- Lease interest expense	4,508	1,116
- Unwinding of make-good provision	749	1,158
	<u>10,217</u>	<u>10,427</u>
Finance costs are recognised as expenses when incurred using the effective interest rate.		
c) Employee benefit expenses		
Wages and salaries	169,311	198,125
Contributions to defined contribution plans	17,020	19,606
Expenses related to long service leave	(622)	2,400
Other expenses	4,327	7,609
	<u>190,036</u>	<u>227,740</u>

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 10 Expenses (continued)

d) Recognition exemption

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

	2021 \$	2020 \$
Expenses relating to low-value leases	5,367	5,344

Note 11 Income tax expense

a) Amounts recognised in profit or loss

Current tax expense

	2021 \$	2020 \$
- Recoupment of prior year tax losses	5,201	9,830
- Movement in deferred tax	(1,153)	(7,038)
- Adjustment to deferred tax on AASB 16 retrospective application	-	11,690
- Reduction in company tax rate	8,117	12,410
	12,165	26,892

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of \$8,117 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2021 \$	2020 \$
Operating profit before taxation	27,541	71,465
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	7,161	19,653
Tax effect of:		
- Non-deductible expenses	20	352
- Temporary differences	1,153	(4,652)
- Other assessable income	(3,133)	(5,523)
- Movement in deferred tax	(1,153)	(7,038)
- Leases initial recognition	-	11,690
- Reduction in company tax rate	8,117	12,410
	12,165	26,892

Note 12 Trade and other receivables

a) Current assets

	2021 \$	2020 \$
Trade receivables	13,666	33,572
Prepayments	67	5,445
Other receivables and accruals	-	11,218
	13,733	50,235

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	83,932	83,932
Less: accumulated depreciation	(81,565)	(80,975)
	<u>2,367</u>	<u>2,957</u>
<i>Plant and equipment</i>		
At cost	116,545	116,545
Less: accumulated depreciation	(98,370)	(95,990)
	<u>18,175</u>	<u>20,555</u>
Total written down amount	<u>20,542</u>	<u>23,512</u>
b) Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning	2,957	3,697
Depreciation	(590)	(740)
	<u>2,367</u>	<u>2,957</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	20,555	16,997
Additions	-	6,150
Depreciation	(2,380)	(2,592)
	<u>18,175</u>	<u>20,555</u>
Total written down amount	<u>20,542</u>	<u>23,512</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 14 Right-of-use assets

a) Carrying amounts	2021 \$	2020 \$
<i>Leased land and buildings</i>		
At cost	341,179	398,675
Less: accumulated depreciation	(272,055)	(246,947)
Total written down amount	<u>69,124</u>	<u>151,728</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Initial recognition on transition	151,728	249,691
Accumulated depreciation on adoption	-	(230,484)
Remeasurement adjustments	(57,496)	148,984
Depreciation	(25,108)	(16,463)
Total written down amount	<u>69,124</u>	<u>151,728</u>

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 15 Intangible assets

a) Carrying amounts	2021 \$	2020 \$
<i>Franchise fee</i>		
At cost	93,676	82,867
Less: accumulated amortisation	(84,629)	(82,479)
	<u>9,047</u>	<u>388</u>
<i>Franchise renewal process fee</i>		
At cost	168,384	114,337
Less: accumulated amortisation	(123,146)	(112,397)
	<u>45,238</u>	<u>1,940</u>
Total written down amount	<u>54,285</u>	<u>2,328</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	388	2,593
Additions	10,809	-
Amortisation	(2,150)	(2,205)
	<u>9,047</u>	<u>388</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	1,940	12,963
Additions	54,047	-
Amortisation	(10,749)	(11,023)
	<u>45,238</u>	<u>1,940</u>
Total written down amount	<u>54,285</u>	<u>2,328</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.

The company renewed the franchise fees during the period. Both are being amortised over the next 5 years until 2025.

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 16 Tax assets and liabilities

a) Deferred tax	2021 \$	2020 \$
<i>Deferred tax assets</i>		
- expense accruals	475	494
- employee provisions	2,204	3,181
- make-good provision	5,394	5,415
- lease liability	20,020	41,217
- carried-forward tax losses	197,258	210,349
Total deferred tax assets	225,351	260,656
<i>Deferred tax liabilities</i>		
- property, plant and equipment	5,136	6,107
- right-of-use assets	17,281	39,449
Total deferred tax liabilities	22,417	45,556
Net deferred tax assets (liabilities)	202,934	215,100
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(12,166)	(26,892)
Movement in deferred tax charged to Statement of Changes in Equity	-	11,690

Note 17 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	2,953	10,615
Other creditors and accruals	25,333	8,541
	28,286	19,156
b) Non-current liabilities		
Other creditors and accruals	44,620	-

Note 18 Loans and borrowings

a) Current liabilities	2021 \$	2020 \$
Bank overdraft	226,825	297,429

The company has an approved overdraft limit of \$400,000 which was drawn down to \$226,825. The company has \$173,175 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 2.035% (2020: 2.66%).

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 18 Loans and borrowings (continued)

b) Terms and repayment schedule

	Weighted average	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	1.92%	Floating	226,825	226,825	297,429	297,429

Note 19 Lease liabilities

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

- Augusta Branch The lease agreement commenced in July 2005. A two year renewal option was exercised in September 2020. The company has a three year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is September 2025.

a) Current lease liabilities

	2021 \$	2020 \$
Property lease liabilities	20,700	33,620
Unexpired interest	(2,542)	(5,153)
	<u>18,158</u>	<u>28,467</u>

b) Non-current lease liabilities

Property lease liabilities	65,550	140,081
Unexpired interest	(3,627)	(10,020)
	<u>61,923</u>	<u>130,061</u>

c) Reconciliation of lease liabilities

Balance at the beginning	158,528	-
Initial recognition on AASB 16 transition	-	38,073
Remeasurement adjustments	(57,495)	152,958
Lease interest expense	4,508	(152,958)
Lease payments - total cash outflow	(25,460)	120,455
	<u>80,081</u>	<u>158,528</u>

d) Maturity analysis

- Not later than 12 months	20,700	33,620
- Between 12 months and 5 years	65,550	134,478
- Greater than 5 years	-	5,603
Total undiscounted lease payments	<u>86,250</u>	<u>173,701</u>
Unexpired interest	(6,169)	(15,173)
Present value of lease liabilities	<u>80,081</u>	<u>158,528</u>

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 20 Provisions

a) Non-current liabilities	2021 \$	2020 \$
Make-good on leased premises	21,577	20,828

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision as at \$25,000 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 31 August 2025 at which time it is expected the face-value costs to restore the premises will fall due.

Note 21 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	7,727	10,214
b) Non-current liabilities		
Provision for long service leave	1,089	1,711

c) Key judgement and assumptions

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

Note 22 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	621,813	621,813	621,813	621,813

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.

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 22 Issued capital (*continued*)

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

Ordinary shares (continued)

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").

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

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

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

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

Note 23 Accumulated losses

	2021 \$	2020 \$
Balance at beginning of reporting period	(686,776)	(700,529)
Adjustment for transition to AASB 16	-	(30,820)
Net profit after tax from ordinary activities	15,376	44,573
Balance at end of reporting period	<u>(671,400)</u>	<u>(686,776)</u>

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 24 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	15,376	44,573
Adjustments for:		
- Depreciation	28,078	19,795
- Amortisation	12,899	13,228
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	36,503	(20,428)
- (Increase)/decrease in other assets	12,166	26,892
- Increase/(decrease) in trade and other payables	2,415	3,057
- Increase/(decrease) in employee benefits	(3,109)	2,742
- Increase/(decrease) in provisions	749	765
Net cash flows provided by operating activities	<u>105,077</u>	<u>90,624</u>

Note 25 Financial instruments

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

	Note	2021 \$	2020 \$
Financial assets			
Trade and other receivables	12	<u>13,666</u>	<u>44,790</u>
Financial liabilities			
Trade and other payables	17	72,906	19,156
Bank overdrafts	18	226,825	297,429
Lease liabilities	19	80,081	158,528
		<u>379,812</u>	<u>475,113</u>

Note 26 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,600
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	3,090	1,925
Total auditor's remuneration	<u>8,690</u>	<u>7,125</u>

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Neil Richard Martin
Cinde Blanche Fisher
Miriam Rachel Bailey
Nicholas Fairbairn Dornan
Jennifer Anne Gherardi
Jodie Boyd Lane
Tim Beeson
Donna Adams
Clare Nicole Gleeson
David Vincent Carboni

b) Key management personnel compensation

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

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

c) Related party transactions

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>		
- Neil Richard Martin received remuneration from Bendigo and Adelaide Bank Limited for his services as Chairman of the company and to cover travel costs incurred. The total benefit received was:	13,361	11,463
- Miriam Rachel Bailey received remuneration for her role as company secretary and ASIC registered agent through AMD Margaret River Pty Ltd. The total benefit received was:	3,240	5,040
- Donna Adams' accounting firm, Nautilus Business Solutions provides bookkeeping, BAS	5,232	8,018
- agent an administration services for the company.		
Total transactions with related parties	<u>21,833</u>	<u>24,521</u>

Note 28 Earnings per share

a) Basic and diluted earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	<u>15,376</u>	<u>44,573</u>
	Number	Number
Weighted-average number of ordinary shares	<u>621,813</u>	<u>621,813</u>
	Cents	Cents
Basic and diluted earnings per share	<u>2.47</u>	<u>7.17</u>

Augusta & Districts Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 29 Commitments

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

Note 30 Contingencies

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

Note 31 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.

Augusta & Districts Community Financial Services Ltd Directors' Declaration

In accordance with a resolution of the directors of Augusta & Districts Community Financial Services Ltd, we state that:

In the opinion of the directors:

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

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



Jennifer Anne Gherardi, Chair

Dated this 28th day of September 2021

Independent auditor's report to the Directors of Augusta & Districts Community Financial Services Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Augusta & Districts Community Financial Services Ltd'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 Augusta & Districts Community Financial Services Ltd, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 28 September 2021



Joshua Griffin
Lead Auditor

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