Annual Report 2021

Babinda Community Financial Services Limited

Community Bank
Babinda and Gordonvale

ABN 87 118 659 993

Contents

Mission, Vision & Core Values

Our Mission:

"Enhancing the community"

Our mission is to build community strength and opportunity through the creation of profit sharing for all stakeholders.

Our Vision:

"To ensure a secure, profitable future for our shareholders while providing quality banking services to our customers and to contribute to the sustainability of our community."

Core Values Statement:

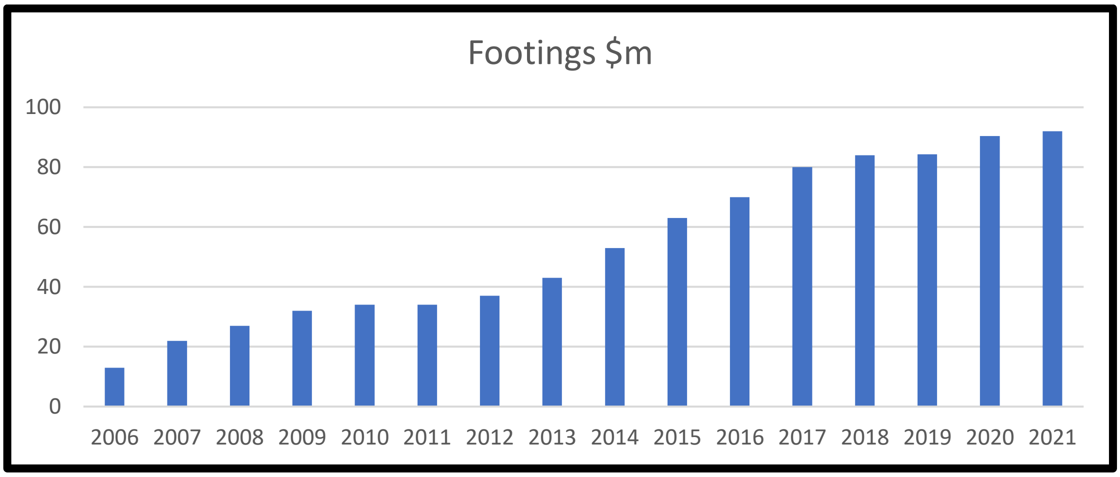
- ✓ **Building a strong viable future**
- ✓ **Applying transparent, accountable business principles and policies**
- ✓ **Valuing quality and focused service**
- ✓ **Providing quality, competitive financial services, products and rates to our customers.**
- ✓ **Providing our staff with the opportunity for self-development, a positive and meaningful work place and the opportunity to contribute to the development of the community.**
- ✓ **To provide a responsibly managed, realistic return to our shareholders.**

Chair’s report

For year ending **30 June 2021**

12 months in review

On behalf of the Board of Babinda Community Financial Services Limited (BCFSL) I am pleased to report that the results for the 2020-2021 financial year reflect twelve months of solid performance across the business. Both the Babinda Community Bank Branch and the Gordonvale Business Centre continue to perform well in an environment of low margin income. The business had footings of $92m by 30 June 2021.



Financial Performance

We have delivered an improved financial performance for the 12 months to June 2021:

- **Business footings:** increased 1.76% to $92 million.
- **Total revenue:** $638,847
- **Total expenses:** reduced 5.88% to $587,860
- **Cash assets** (June 2021): increased 11% to $309,034
- **Profit after income tax:** $41,365
- **Cash earnings per share:** 6.91 cents
- **Franked dividend:** 5 cents (Declared in the 2022 Financial Year)
- **Community Enterprise Foundation** $84,717.00

Business Development Manager and Branch Manager appointments

The Board was very pleased to appoint Greg Hendy to a Business Development Manager role with a focus on business banking, lending and finance and Riannon Bettini to Branch Manager. The Board and I are confident that Greg and Riannon’s strong and inclusive leadership and valuable insights will accelerate BCFSL’s ability to build on established momentum and achievements to deliver for our customers and shareholders. The sustained growth of BCFSL is a direct reflection of the quality of all our staff, who provide outstanding service to both Babinda Community Bank and Gordonvale Business Centre customers.

5.0 cent franked Dividend declared

We are very pleased to once again recognise and reward our valued shareholders for their continued support and loyalty. Due to sustained business performance, the Board has announced that a 5.0 cent, franked dividend will be paid on 22 October 2021.

DIVIDENDS PAID			
Financial Year	Cents per share	Franking Level	Total Distribution
2009	3.5		$20,938.79
2011	5.0		$29,912.55
2012	5.0		$29,912.55
2016	3.5		$20,938.80
2017	5.0		$29,912.55
2018	6.0		$35,895.06
2019	8.0	27.5%	$47,860.08
2020	8.0		$47,860.08
2021	5.0	26%	$40,422.38
2022	**5.0**	**25%**	**$40,422.38**
Total dividend payments	**54c**		**$344,075.22**

Community Contributions

In line with our Mission Statement of '*Enhancing the Community',* our investment in local projects continues to grow. We look forward to receiving applications from community organisations when our next sponsorship round is launched.

The Board

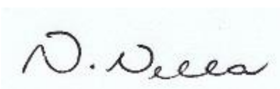
I recognise and thank my Board colleagues for their support, contribution and dedication throughout the year. This year, by rotation, Laurel Cottone, Alexandra Anning and Ian Anderson have stepped down and being eligible, have nominated for re-election.

Our Franchise Partners

BCFSL continues to work closely with Bendigo and Adelaide Bank to ensure that the full range of banking services is available to Babinda Community Bank Branch and Gordonvale Business Centre customers. BCFSL is proud of the contribution we make to what is one of Australia's most trusted brands.

Shareholders

Finally, as a shareholder, thank you for your ongoing support. If you already bank with us, thank you.



Desley Vella
Chair

Manager’s report

For Year ending **30 June 2021**

This year has continued to be another challenging year for the financial services industry and all our communities as covid 19 has had an immense impact upon the way we interact with clients.

We have continued to see fewer customers in the branch and a higher reliance upon digital technology as banks and their valued customers deal with this new normal.
We were able to increase our business during the last year to over $92 million which is considered a pleasing result in difficult circumstances. We saw a substantial reduction in deposits in the last quarter as investors sought higher returns in alternative asset classes such as property and the stock market.

The Gordonvale Business Centre, which operates from 3/46 Norman St Gordonvale, provides access to a wider selection of clients. We are pleased with the progress of this centre and this should now increase as we saw the only other bank in Gordonvale close in May 2021. We need to capitalise upon this opportunity and grow this business in a cost-effective manner.

We thank you our shareholders and customers for supporting the bank. Without you we would not be able to provide the essential banking services to this community.

I would like to acknowledge the many hours worked by our Board of Directors on a volunteer basis for the efficiency and profitability of the Babinda Community Bank Branch, ensuring the provision of vital banking services to Babinda and surrounding areas and channelling benefits back to the community in the form of sponsorships and grants.

I would like to thank our valued staff of Debbie, Riannon, Kat, Renee and Codi for their valued contributions throughout the year. We also welcome Deb Leaver to our team and said goodbye to Natalie last October and thank Natalie for her service.
The team look forward to serving all your financial requirements. We do not have a business unless we have the ongoing support from our community and we greatly appreciate the loyalty we receive.

The Babinda **Community Bank and the Gordonvale Business Centre** has a solid foundation and is well positioned for the future.

Babinda Community Bank Branch, Bendigo Bank, provides a full range of banking services including, Lending, Investments, Insurances, various account types tailored to your individual needs, as well as dedicated Agribusiness and Business Managers.

Greg Hendy

Branch Manager

CB Annual Report 2021
BEN message
26 August 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 or 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

Babinda Community Financial Services Limited
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:

Desley Audrey Vella
Chair
Occupation: Sugar Cane Farmer
Experience and expertise: Advanced Diploma Business Management, Graduate Australian Institute of Company Directors, Certificate In Governance Practice - Governance Institute of Australia, Certificate of Teaching: Secondary, Partner: LM & DA Vella Agri-Business, Community Mentor Bendigo & Adelaide Bank, Deputy Chair at Cairns River Improvement Trust. Director: Innisfail Babinda Cane Productivity Services.
Special responsibilities: Company Chair, Chair of Corporate Governance, Finance & Audit and HR Sub-Committees
Interest in shares: 12,000 ordinary shares

Tanya Leigh Tuttle
Company Secretary
Occupation: General Manager
Experience and expertise: Graduate Australian Institute of Company Directors, General Manager, Operations/ Logistics Manager in Transport, Food Safety Supervisor, Human Resources, Book-keeper, Office Manager, Event Management, Board Member in Queensland Country Rugby Union, President of Babinda District Community Association.
Special responsibilities: Company Secretary, Corporate Governance, Finance & Audit Sub-Committee
Interest in shares: 1,000 ordinary shares

Laurel Robyn Cottone
Non-executive director
Occupation: Cane Farmer
Experience and expertise: Secondary School Teacher, Senior Maths Panellist (consultant), Trained as volunteer adult literacy tutor. Tutor, Supervisor of QCS tests. Participant in neurocognitive performance tests and comparison of physical activity and cognitive activity.Community activities: Attend Task Force meetings,Tai Chi and Qi Gong exercise groups, Trivia, fund raising activities for Babinda Museum and Cancer fundraising activities.
Special responsibilities: Assistant Secretary, Low Volume Market, Marketing Sub-Committee and Sponsorship Sub-Committee
Interest in shares: 20,000 ordinary shares

Lorraine Mary Anning
Non-executive director
Occupation: Hotelier
Experience and expertise: In the Hotel industry for 34 years, been a director with the Community Bank for 14 years. Been involved in Community organisations for 34 years. Holds a private pilots licence.
Special responsibilities: Chairman of the Sponsorship Committee, Member Marketing Sub-Committee
Interest in shares: 11,500 ordinary shares

Gregory Francis Hendy
Non-executive director
Occupation: Branch Manager
Experience and expertise: Holds a Diploma of Financial Advising and a Diploma Financial Markets. 42.5 years experience in the banking industry covering rural, business and branch banking. Chairperson MPHS, Babinda Community Advisory Network. Secretary Coral Towers Body Corporate.
Special responsibilities: Assistant Treasurer, Member Corporate Governance, Finance & Audit Sub-Committee
Interest in shares: 9,100 ordinary shares

Directors *(continued)*

Alexandra Barton Anning
Non-executive director
Occupation: Product Specialist - Trauma
Qualifications, experience and expertise: Bachelor of Business Degree, majoring in Marketing & Advertising. Alexandra is currently a Product Specialist - Trauma for Johnson & Johnson Medical. Alexandra's previous role was as a Product Manager at Johnson & Johnson Medical. Alexandra has completed training in Operating Theatre Protocol and is a Volunteer Ambassador for Operation Smile.
Special responsibilities: Chair Marketing Sub Committee, Sponsorship Sub-Committee
Interest in shares: 3,000 ordinary shares

Ian Walter Anderson
Non-executive director
Occupation: Self Employed Accountant
Qualifications, experience and expertise: Ian has been an Accountant since 1990 where he started as a Accountant at Gaffney, Harvey & Ryan. During 1993 he became a Senior Accountant at Duesbury's. In 1996 Ian became the owner of Edge Hill Accountancy and still has this title at the present time. Ian's Qualifications include a Bachelor of Commerce (James Cook University), FCPA Member since 19th April 2007 and NTAA member. Ian is a Registered Tax agent, ASIC SMSF Registered Auditor and is also JP Qualified. Ian has been the Treasurer of Boot Brisbane/NQExit since January 2018, Cairns Port Development INC since 2014, F4BG Forum 4 Business Growth since January 2012 and the Rotary Club Cairns South from January 2000 - January 2005. Ian is now Treasurer of Regional Australia Party.
Special responsibilities: Treasurer, Member of Corporate Governance, Finance & Audit Sub-Committee
Interest in shares: 3,000 ordinary shares

Alicia Jane Nally
Non-executive director (resigned 19 January 2021)
Occupation: Journalist
Qualifications, experience and expertise: Media professional with experience in regional newspapers and national digital platforms. Alicia also hold a Bachelor of Arts and a Bachelor of International Business, as well as a Diploma of Journalism.
Special responsibilities: Nil
Interest in shares: nil share interest held

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

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

Company Secretary

The Company Secretary is Tanya Leigh Tuttle. Tanya was appointed to the position of Company Secretary on 24 April 2018.

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 $
	41,365	51,193

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Desley Audrey Vella	10,000	2,000	12,000
Tanya Leigh Tuttle	1,000	-	1,000
Laurel Robyn Cottone	20,000	-	20,000
Lorraine Mary Anning	11,500	-	11,500
Gregory Francis Hendy	9,100	-	9,100
Alexandra Barton Anning	3,000	-	3,000
Ian Walter Anderson	3,000	-	3,000
Alicia Jane Nally	-	-	-

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 franked dividend	5	29,913

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 have 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

Since the end of the financial year, the board of directors has proposed to pay a fully franked of 5 cents per share. The financial impact of the dividend, amounting to $40,422.38, has not been recognised in the financial statements for the financial year ended 30 June 2021, and will be recognised in the subsequent financial statements.

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 28 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' 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:

E - eligible to attend
A - number attended

	Board Meetings Attended		Committee Meetings Attended							
			Corporate Governance, Finance & Audit		Human Resources		Sponsorship		Marketing	
	E	A	E	A	E	A	E	A	E	A
Desley Audrey Vella	12	12	4	4	5	5	-	-	-	-
Tanya Leigh Tuttle	12	12	4	2	-	-	-	-	-	-
Laurel Robyn Cottone	12	12	-	-	-	-	4	4	-	-
Lorraine Mary Anning	12	11	-	-	3	3	4	4	-	-
Gregory Francis Hendy	12	9	4	4	-	-	-	-	-	-
Alexandra Barton Anning	12	7	-	-	2	1	3	3	-	-
Ian Walter Anderson	12	11	4	4	-	-	-	-	-	-
Alicia Jane Nally	6	1	-	-	-	-	-	-	-	-

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 27 to the accounts.

The board of directors has considered the non-audit services provided during the year by the Risk Governance & Audit Committee 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 Risk Governance & Audit 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 6.

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

D. Vella

Desley Audrey Vella, Chair

Dated this 15th day of August 2021

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 Babinda Community Financial Services Limited

As lead auditor for the audit of Babinda Community 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 15 August 2021

Adrian Downing
Lead Auditor

Babinda Community Financial Services Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	574,665	617,117
Other revenue	9	62,916	64,860
Finance income	10	1,266	3,388
Employee benefit expenses	11c)	(404,246)	(435,501)
Charitable donations, sponsorship, advertising and promotion		(7,705)	(22,059)
Occupancy and associated costs		(19,591)	(14,518)
Systems costs		(19,743)	(20,546)
Depreciation and amortisation expense	11a)	(42,790)	(41,715)
Finance costs	11b)	(6,039)	(1,476)
General administration expenses		(87,746)	(88,774)
Profit before income tax expense		50,987	60,776
Income tax expense	12a)	(9,622)	(9,583)
Profit after income tax expense		41,365	51,193
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		41,365	51,193
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	6.91	8.56

The accompanying notes form part of these financial statements

Babinda Community Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	309,034	278,402
Trade and other receivables	14a)	46,841	50,851
Current tax assets	18a)	-	717
Total current assets		355,875	329,970
Non-current assets			
Property, plant and equipment	15a)	93,034	103,928
Right-of-use assets	16b)	57,299	20,507
Intangible assets	17a)	118,842	84,100
Deferred tax asset	18b)	3,139	748
Total non-current assets		272,314	209,283
Total assets		628,189	539,253
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	31,072	38,690
Current tax liabilities	18a)	5,582	-
Lease liabilities	20a)	14,448	13,216
Employee benefits	22a)	22,218	29,432
Total current liabilities		73,320	81,338
Non-current liabilities			
Trade and other payables	19b)	42,385	-
Lease liabilities	20b)	40,646	-
Employee benefits	22b)	20,421	16,221
Provisions	21a)	17,414	19,143
Total non-current liabilities		120,866	35,364
Total liabilities		194,186	116,702
Net assets		434,003	422,551
EQUITY			
Issued capital	23a)	577,133	577,133
Accumulated losses	24	(143,130)	(154,582)
Total equity		434,003	422,551

The accompanying notes form part of these financial statements

Babinda Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2021

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		577,133	(157,915)	419,218
Total comprehensive income for the year		-	51,193	51,193
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(47,860)	(47,860)
Balance at 30 June 2020		**577,133**	**(154,582)**	**422,551**
Balance at 1 July 2020		577,133	(154,582)	422,551
Total comprehensive income for the year		-	41,365	41,365
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(29,913)	(29,913)
Balance at 30 June 2021		**577,133**	**(143,130)**	**434,003**

The accompanying notes form part of these financial statements

Babinda Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		711,629	753,925
Payments to suppliers and employees		(603,480)	(644,650)
Interest received		1,458	4,209
Lease payments (interest component)	11b)	(5,586)	(1,023)
Lease payments not included in the measurement of lease liabilities	11d)	(7,348)	(7,255)
Income taxes paid		(5,714)	(10,116)
Net cash provided by operating activities	25	90,959	95,090
Cash flows from investing activities			
Payments for property, plant and equipment		-	(21,845)
Payments for intangible assets		(18,058)	(13,556)
Net cash used in investing activities		(18,058)	(35,401)
Cash flows from financing activities			
Lease payments (principal component)		(12,356)	(14,544)
Dividends paid	29a)	(29,913)	(47,860)
Net cash used in financing activities		(42,269)	(62,404)
Net cash increase/(decrease) in cash held		30,632	(2,715)
Cash and cash equivalents at the beginning of the financial year		278,402	281,117
Cash and cash equivalents at the end of the financial year	13a)	309,034	278,402

Note 1 Reporting entity

This is the financial report for Babinda Community 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
55 Munro Street Babinda QLD 4861	55 Munro Street Babinda QLD 4861

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

Note 2 Basis of preparation 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 15 August 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:

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

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

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

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

c) Economic dependency - Bendigo Bank

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The current five year franchise agreement expires in July 2025. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

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

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

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

Defined superannuation contribution plans

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

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

d) Employee benefits *(continued)*

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.

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	6 to 40 years
Plant and equipment	Straight-line	1 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 and domiciled customer accounts acquired are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Domiciled customer accounts acquired are recognised at cost at the date of acquisition and are assessed as having indefinite useful life. They are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (4 to 5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (4 to 5 years)
Domiciled customer accounts	Assessed for impairment	Indefinite

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

i) Financial instruments

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

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

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

i) Financial instruments *(continued)*

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.

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.

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

m) Leases *(continued)*

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.

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

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

a) Judgements

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

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

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 11a) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 21 - 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.

Note 6 Financial risk management *(continued)*

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

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	59,017	16,149	42,868	-
Trade and other payables	73,457	31,072	42,385	-
	132,474	47,221	85,253	-

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	13,527	13,527	-	-
Trade and other payables	38,690	38,690	-	-
	52,217	52,217	-	-

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $309,034 at 30 June 2021 (2020: $278,402). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	415,863	451,644
- Fee income	59,393	64,788
- Commission income	99,409	100,685
	574,665	617,117

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	45,000	35,000
- Cash flow boost	17,916	29,860
	62,916	64,860

Note 10 Finance income

	2021 $	2020 $
- Term deposits	1,266	3,388

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

Note 11 Expenses

a) Depreciation and amortisation expense

	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	4,812	5,738
- Plant and equipment	6,083	5,552
	10,895	11,290
Depreciation of right-of-use assets		
- Leased land and buildings	15,261	16,540
Amortisation of intangible assets:		
- Franchise fee	6,523	2,314
- Franchise renewal process fee	10,111	11,571
	16,634	13,885
Total depreciation and amortisation expense	42,790	41,715

b) Finance costs

- Lease interest expense	5,586	1,023
- Unwinding of make-good provision	453	453
	6,039	1,476

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

c) Employee benefit expenses

Wages and salaries	341,429	364,047
Contributions to defined contribution plans	33,323	32,685
Expenses related to long service leave	6,265	5,435
Other expenses	23,229	33,334
	404,246	435,501

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	7,348	7,255

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense/(credit)		
- Current tax	12,013	9,073
- Movement in deferred tax	(2,517)	(2,119)
- Adjustment to deferred tax on AASB 16 retrospective application	-	2,586
- Reduction in company tax rate	126	43
	9,622	9,583

Note 12 Income tax expense *(continued)*

b) *Prima facie* income tax reconciliation

	2021 $	2020 $
Operating profit before taxation	50,987	60,776
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	13,257	16,713
Tax effect of:		
- Non-deductible expenses	897	1,039
- Temporary differences	2,517	(467)
- Other assessable income	(4,658)	(8,212)
- Movement in deferred tax	(2,517)	(2,119)
- Leases initial recognition	-	2,586
- Adjustment to deferred tax on AASB 16 retrospective application	126	43
	9,622	9,583

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	172,138	92,578
- Term deposits	136,896	185,824
	309,034	278,402

Note 14 Trade and other receivables

a) Current assets

	2021 $	2020 $
Trade receivables	41,392	42,445
Prepayments	5,135	7,963
Other receivables and accruals	314	443
	46,841	50,851

Note 15 Property, plant and equipment

a) Carrying amounts

	2021 $	2020 $
Leasehold improvements		
At cost	145,930	145,930
Less: accumulated depreciation	(78,732)	(73,920)
	67,198	72,010

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

a) Carrying amounts *(continued)*

	2021 $	2020 $
Plant and equipment		
At cost	109,140	109,139
Less: accumulated depreciation	(83,304)	(77,221)
	25,836	31,918
Total written down amount	93,034	103,928

b) Reconciliation of carrying amounts

	2021	2020
Leasehold improvements		
Carrying amount at beginning	72,010	62,607
Additions	-	14,955
Depreciation	(4,812)	(5,552)
	67,198	72,010
Plant and equipment		
Carrying amount at beginning	31,919	30,766
Additions	-	6,891
Depreciation	(6,083)	(5,738)
	25,836	31,919
Total written down amount	93,034	103,929

c) Changes in estimates

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

Note 16 Right-of-use assets

a) Carrying amounts

	2021 $	2020 $
Leased land and buildings		
At cost	201,820	149,768
Less: accumulated depreciation	(144,521)	(129,261)
Total written down amount	57,299	20,507

b) Reconciliation of carrying amounts

	2021	2020
Leased land and buildings		
Carrying amount at beginning	20,507	-
Initial recognition on transition	-	131,570
Accumulated depreciation on adoption	-	(112,721)
Remeasurement adjustments	52,053	18,198
Depreciation	(15,261)	(16,540)
Total written down amount	57,299	20,507

Note 17 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	45,930	37,367
Less: accumulated amortisation	(37,542)	(31,019)
	8,388	6,348
Franchise renewal process fee		
At cost	157,150	114,337
Less: accumulated amortisation	(115,211)	(105,100)
	41,939	9,237
Cash-generating unit - domiciled accounts		
At cost	68,515	68,515
Total written down amount	118,842	84,100

b) Reconciliation of carrying amounts

	2021	2020
Franchise fee		
Carrying amount at beginning	6,348	4,162
Additions	8,563	4,500
Amortisation	(6,523)	(2,314)
	8,388	6,348
Franchise renewal process fee		
Carrying amount at beginning	9,237	20,808
Additions	42,813	-
Amortisation	(10,111)	(11,571)
	41,939	9,237
Cash-generating unit - domiciled accounts		
Carrying amount at beginning	68,515	68,515
Total written down amount	118,842	84,100

During the financial year, Babinda and Gordonvale franchise fees were renewed. Both are to be amortised over the next five years to July 2025.

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 18 Tax assets and liabilities

a) Current tax	2021 $	2020 $
Income tax payable/(refundable)	5,582	(717)

b) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- expense accruals	775	780
- employee provisions	10,660	11,870
- make-good provision	4,354	4,977
- lease liability	13,773	3,436
Total deferred tax assets	29,562	21,063
Deferred tax liabilities		
- income accruals	16	50
- property, plant and equipment	12,082	14,933
- right-of-use assets	14,325	5,332
Total deferred tax liabilities	26,423	20,315
Net deferred tax assets (liabilities)	3,139	748
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(2,517)	(510)
Movement in deferred tax charged to Statement of Changes in Equity	-	2,586

Note 19 Trade creditors and other payables

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

a) Current liabilities	2021 $	2020 $
Trade creditors	8,592	5,101
Other creditors and accruals	22,480	33,589
	31,072	38,690

b) Non-current liabilities		
Other creditors and accruals	42,385	-

Note 20 Lease liabilities

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

- Babinda Branch — The lease agreement commenced in June 2006. A 2 year renewal option was exercised in June 2021. The company has 1 x 2 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 May 2025.
- Gordonvale Agency — The lease commenced on July 2018. A 1 year renewal option was exercised in February 2021. As such, the lease term end date used in the calculation of the lease liability is February 2022.

a) Current lease liabilities

	2021 $	2020 $
Property lease liabilities	16,149	13,527
Unexpired interest	(1,701)	(311)
	14,448	13,216

b) Non-current lease liabilities

	2021 $	2020 $
Property lease liabilities	42,868	-
Unexpired interest	(2,222)	-
	40,646	-

c) Reconciliation of lease liabilities

	2021 $	2020 $
Balance at the beginning	13,216	-
Initial recognition on AASB 16 transition	-	28,253
Remeasurement adjustments	54,234	(493)
Lease interest expense	5,586	1,023
Lease payments - total cash outflow	(17,942)	(15,567)
	55,094	13,216

d) Maturity analysis

	2021 $	2020 $
- Not later than 12 months	16,149	13,527
- Between 12 months and 5 years	42,868	-
- Greater than 5 years	-	-
Total undiscounted lease payments	59,017	13,527
Unexpired interest	(3,923)	(311)
Present value of lease liabilities	55,094	13,216

Note 21 Provisions

a) Non-current liabilities

	2021 $	2020 $
Make-good on leased premises	17,414	19,143

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 $20,000 for the Babinda branch lease, 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 May 2025 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Employee benefits

a) Current liabilities

	2021 $	2020 $
Provision for annual leave	22,218	29,432

b) Non-current liabilities

Provision for long service leave	20,421	16,221

c) Key judgement and assumptions

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

Note 23 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	598,251	598,251	598,251	598,251
Less: equity raising costs	-	(21,118)	-	(21,118)
	598,251	577,133	598,251	577,133

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.

Note 23 Issued capital *(continued)*

b) Rights attached to issued capital *(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").
- 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 311. As at the date of this report, the company had 333 shareholders (2020: 333 shareholders).

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

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

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

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

Note 24 Accumulated losses

	Note	2021 $	2020 $
Balance at beginning of reporting period		(154,582)	(151,097)
Adjustment for transition to AASB 16		-	(6,818)
Net profit after tax from ordinary activities		41,365	51,193
Dividends provided for or paid	29	(29,913)	(47,860)
Balance at end of reporting period		(143,130)	(154,582)

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	41,365	51,193
Adjustments for:		
- Depreciation	26,156	27,830
- Amortisation	16,634	13,885
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	4,010	6,398
- (Increase)/decrease in other assets	(1,674)	1,121
- Increase/(decrease) in trade and other payables	1,448	(10,960)
- Increase/(decrease) in employee benefits	(3,014)	6,824
- Increase/(decrease) in provisions	452	453
- Increase/(decrease) in tax liabilities	5,582	(1,654)
Net cash flows provided by operating activities	90,959	95,090

Note 26 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.

Financial assets	Note	2021 $	2020 $
Trade and other receivables	14	41,706	42,888
Cash and cash equivalents	13	172,138	92,578
Term deposits	13	136,896	185,824
		350,740	321,290
Financial liabilities			
Trade and other payables	19	73,457	38,690
Lease liabilities	20	55,094	13,216
		128,551	51,906

Note 27 Auditor's remuneration

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

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,979	2,755
- Share registry services	3,480	5,014
Total auditor's remuneration	12,059	13,169

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Desley Audrey Vella
Tanya Leigh Tuttle
Laurel Robyn Cottone
Lorraine Mary Anning
Gregory Francis Hendy
Alexandra Barton Anning
Ian Walter Anderson
Alicia Jane Nally

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.

Transactions with related parties	2021 $	2020 $
- Lorraine Anning owns and operates a local hotel which the bank used for accommodation, venue hire, meals and catering.	1,593	578

Note 29 Dividends provided for and 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	5.00	29,913	-	-
Unfranked dividend	-	-	8.00	47,860
Total dividends provided for and paid during the financial year	5.00	29,913	8.00	47,860

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

Note 29 Dividends provided for and paid *(continued)*

b) Franking account balance

	2021 $	2020 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	11,664	1,548
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	(717)	(1,520)
- Franking credits from income tax instalments paid	6,432	11,636
- Franking debits from the payment of franked distributions	(10,510)	-
Franking account balance at the end of the financial year	6,869	11,664
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	5,582	(717)
Franking credits available for future reporting periods	12,451	10,947

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 30 Earnings per share

a) Based and diluted earnings per share

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

	2021 $	2020 $
Profit attributable to ordinary shareholders	41,365	51,193
	Number	Number
Weighted-average number of ordinary shares	598,251	598,251
	Cents	Cents
Basic and diluted earnings per share	6.91	8.56

Note 31 Commitments

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

Note 32 Contingencies

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

Note 33 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.

Babinda Community Financial Services Limited
Directors' Declaration

In accordance with a resolution of the directors of Babinda Community 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.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001* .

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

Desley Audrey Vella, Chair

Dated this 15th day of August 2021

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

Independent auditor's report to the Directors of Babinda Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Babinda Community 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 Babinda Community 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.

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

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 15 August 2021

Adrian Downing
Lead Auditor

Community Bank · Babinda
55 Munro Street,
Babinda Qld 4861
Phone: 07 4067 2934 Fax: 07 40672 936
Email: babindamailbox@bendigoadelaide.com.au
Web: bendigobank.com.au/babinda

Bendigo Bank · Gordonvale
3/46 Norman Street,
Gordonvale Qld 4865
Phone: 0403 172 807
Email: gordonvalemailbox@bendigoadelaide.com.au
Web: bendigobank.com.au/gordonvale

Franchisee: Babinda Community Financial Services Limited
ABN: 87 118 659 993
55 Munro Street
Babinda Qld 4861
Phone: 07 4067 2934 Fax: 07 4067 2936
Email: secretary@babindacommunitybank.com.au

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

BabindaCommunityBankbranch & Bendigobusinesscentregordonvale
babindacommunitybank & bendigobusinesscentregordonvale

Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_3967797 08/10/2021