2021 Annual Report

Bright Community Financial Services Limited

ABN 93 117 798 553

Community Bank · Bright

Contents

Chair's report

For year ending 30 June 2021

Dear Shareholders

On behalf of the Board of the Bright Community Financial Services Limited, I am pleased to report that your Community Bank finished this financial year in good shape. The Board was hopeful (confident? optimistic?) at the start July that the bushfire and COVID-19 challenges of the previous year were left behind, but it was not to be. Lockdowns due to COVID-19 outbreaks in Victoria continued to be a feature of our lives for nearly a third of the year.

In spite of the economic and emotional tolls on businesses and individuals, Community Bank Bright closed out the financial year with a respectable profit of $51,518 and over $100,000 invested on your behalf into the community. Along the way the economy experienced a roller coaster of conditions, some of which we could hardly have predicted.

Although businesses and individuals struggled significantly during lockdown closures, government job keeper and business grants and stimulus payments provided just enough funding to hold most of the community suspended rather than sinking. At the same time, 'Buy Local' and 'It Matters Where You Shop' campaigns influenced many in the community and across the country. These two factors had a positive impact on the viability and resilience of the economy.

Who would have forecast the sustained housing market growth across Australia and especially in desirable regional areas. Bright, Myrtleford and surrounding towns became and still are hot-spots for housing turnover and price increases of more than 31% over the 12 months.

Although local support and frenetic housing activity generated significant business activity for the Community Bank, the low interest rates put pressure on profit margins and this is likely to continue into the future.

COVID-19 health and safety requirements added another layer of complication and risk to branch operations, and the safety of Community Bank staff was a priority. Regardless, the team didn't waver and the office stayed open for business when many others closed for varying periods. Staying open and available was noticed and appreciated by the community and seemed to be a factor in growing the customer base. Plus of course, your Community Bank has a highly skilled, experienced and all-round friendly team with a stellar reputation. Branch Manager Mark Ditcham together with Customer Relationship Manager, Naomi Beech provide a style of leadership that enables every team member – Lisa, Kasey, Courtney and Jill, to stand out.

It was evident from the times when travel restrictions lifted that Bright and surrounds was busy. When they could, visitors came to the region in numbers matching those formerly seen only at peak holiday times. This was challenging for branch customers who needed to shift gear quickly from under to over capacity. During these times, it was especially clear how important it was to the community for the branch to provide accessible services and a sense of stability.

Thank you to the Bendigo and Adelaide Bank Limited Regional Manager, Tracie Kyne for her significant, immediate and unending guidance and advice. And to Risk and Compliance Manager, Tim Dean who confirmed that operations are ship-shape and compliant.

The Board welcomed Britt Howard to the team during the year (now eight Directors) and has benefited hugely from her marketing expertise and her contribution to Board decisions on all issues. Julie Blood has continued her dual role as Secretary and Board member and adds enormous value to the Board's work. The Board works well as a team and every member is forthright in debating issues. This ensures we make the best decisions with the information available to us at the time.

Thank you to our customers, your business with Community Bank Bright generates the profits which enable the year on year community investment. Now totaling over $500,000 since Community Bank Bright opened in 2006.

The most important thank you is to shareholders. Community Bank Bright would not be in this location without its founding and in many cases, continuing shareholders. Your support for the Community Bank model continues to make a real, noticeable and sustainable difference to the people who make this region their home.

Ros Holland
Chair

Manager's report

For year ending 30 June 2021

It is my pleasure to submit the Branch Manager's report for Community Bank Bright.

This financial year we all again had to learn to cope with the challenges of a pandemic, and this was particularly challenging for our communities and local businesses which can be so reliant on tourism and people visiting the beautiful North East.

We were no different at Community Bank Bright and had our challenges, but it is with tremendous pride that I can say that we stayed open as an essential business, and all our staff continued to work and to be here for our customers and our community. It is also with pride that despite these challenges, and a continuing competitive banking environment, that Community Bank Bright was able to grow our business significantly during this last financial year.

Our branch funds under management increased during the financial year to $135 million, representing growth of over $20 million during the 12 months. We were also able to grow our customer base with more individuals and businesses choosing to make Community Bank Bright their Bank of choice. We not only obtained new customers, but our existing customers also did more of their banking with us. As a result of all this, the Board of Bright Community Financial Services Limited were able to continue its commitment to our communities and made contributions of over $100,000 in sponsorships and support to our local community groups, clubs, and projects in the last financial year. This is an outstanding result and something of which we are very proud of.

Community Bank Bright has a charter and purpose of giving back to our communities by assisting local community groups and clubs and by contributing to and partnering in local projects and initiatives. In the last financial year, we supported many local organisations with a variety of support from Bright to Myrtleford and surrounds. This is what our purpose is, and we all consider it a privilege to be in a position where we can assist so many in our communities.

Now more than ever this is a testament to the Community Bank model and the unique point of difference we offer, and what we are able to contribute directly back to our local communities. Our local Community Bank Board is committed to supporting our customers by maintaining a full service and fully staffed branch which is open from 9.30am – 5.00pm Monday to Friday. Our branch and staff are also directly contactable by either email or phone, and we know that this is particularly valued by our customers and community during these times of the pandemic and lockdowns.

Our Community Bank Bright agency at Myrtleford continues to operate through the local business 'Myrtleford Real Estate and Livestock'. Their office is located at 99 Myrtle Street, Myrtleford and we again thank Greg and his team for supporting our Community Bank Agency. This has also allowed us to assist local groups and clubs in Myrtleford and surrounding communities.

We are committed to continuing to provide that superior level of customer service that we take great pride in and in offering competitive products, interest rates and banking options and services to our customers. We are able to do this with the tremendous support and backing of the Bendigo and Adelaide Bank Limited.

From a banking perspective, our industry operational risk and regulatory requirements remain a major focus for Bendigo and Adelaide Bank Limited and for Community Bank Bright. This ensures our staff and branch adhere to its policies and procedures. The operational reviews conducted at our branch over the last 12 months confirm that our staff continue to meet these regulatory requirements.

I would again like to personally thank our fantastic branch staff, Naomi, Lisa, Courtney, Kasey, and Jill for the support and for the service they provide to our customers. The personal service and care we provide to our customers is something we are proud and passionate about. The staff form a fantastic team and I thank them also for the support and assistance they provide to myself and the Board.

We are also fortunate to receive great support from our business partners, such as our Business Bankers and our Rural Bank Agribusiness Managers. They are the specialists and experts in their respective areas of business, finance and agribusiness and provide great support and service to our branch and to our customers.

I also thank our Bendigo Bank support team of Tracie Kyne (Regional Manager) and Tim Dean (Risk & Compliance Manager) and their respective teams who provide great support to our branch and staff.

I would also like to sincerely thank all members of our local Board of Community Bank Bright. We all really appreciate the support and assistance provided by the Board.

The Board members are all volunteers and I thank our Chairman Ros Holland, and all the Board members for their support, passion, and commitment.

Most of all I would like to thank our local shareholders, our individual customers and the local businesses, clubs and groups that choose to do their banking with Community Bank Bright. It is only because they trust their banking to us that we can provide invaluable support to our local communities.

Our success is directly linked to the success of our communities so assisting local groups and supporting community events and projects is ultimately good for all of us.

On behalf of the branch staff, we look forward to the next 12 months and another year of servicing our current, new, and potential customers, growing our business, and continuing to support our communities.

Thank you

Mark Ditcham
Branch Manager

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:

Rosalind Anne Holland
Chairman
Occupation: Owner and manager holiday accommodation
Qualifications, experience and expertise: Grad Dip Bus Mgt, Assoc Dip Bus Admin. Business management consulting 16 years – public, private and NFP organisations. Positions in the public and private sectors in the people and business management – 10 years. Currently owner and manager Bright Mystic Valley Accommodation. Member of the Bright and District Chamber of Commerce.
Special responsibilities: Marketing and Communications working party; Sponsorship working party
Interest in shares: nil share interest held

Julie Rose Blood
Non-executive director
Occupation: Bookkeeper
Qualifications, experience and expertise: Office manager/ bookkeeper for 20 years. Bright Community Financial Services Limited Secretary for 10 years.
Special responsibilities: Secretary
Interest in shares: nil share interest held

Josef Wowk
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: Certificate of Business Studies (Banking & Finance). 26 years of banking experience at CBC and NAB. Owner/operator of a news agency/lotto business for 10 years. Bright Tourism/Accommodation Operator 5 years. Several positions held with community groups including Treasurer/Secretary of the Lions club and Tennis club.
Special responsibilities: Treasurer; Sponsorship working party
Interest in shares: nil share interest held

William George Andrews
Non-executive director
Occupation: Tourism Operator
Qualifications, experience and expertise: Secondary Teacher for 20 years, Brown Brothers Cellar Door Manager for 8 years, Proprietor for Wattle Park Cellars for 5 years and Fine Wine Manager at Dan Murphy's for 10 years. President of Buckley Ridges, Rainbow and Bright Wanderers Cricket Clubs, Vice President of Dandenong & District Cricket Association and Ovens & Kiewa cricket association. Committee member of Rainbow Football Club, Bright Football Club and Rutherglen Winemakers. Member of the Bright and District Chamber of Commerce.
Special responsibilities: OHS working party
Interest in shares: nil share interest held

Alia Bridget Parker
Non-executive director
Occupation: Executive Officer
Qualifications, experience and expertise: Alia Parker is the Executive Officer of Alpine community Plantation, a not-for-profit community group that manages Mystic Park - one of the country's top mountain bike parks and paragliding launches - within a commercial pine plantation. Alia has a diverse range of experience spanning a background as a former journalist and investment editor, both in Australia and abroad, Local Government, marketing and communications and has extensive work within the cycling industry. She holds a MA in International Communications from Macquarie University.
Special responsibilities: Marketing and Communications working party; Sponsorship working party
Interest in shares: nil share interest held

Directors *(continued)*

Timothy David May
Non-executive director
Occupation: Solicitor
Qualifications, experience and expertise: Solicitor admitted to practice in October 2002, Bachelor of Laws, Graduate Diploma Legal Practice. Director and Principal Toner & May Legal Pty Ltd. 2015-present. Twenty years experience merchant banking and finance UK and Australia. Member of Law Institute Victoria and Bright Country Golf Club.
Special responsibilities: Property working party
Interest in shares: nil share interest held

Graham Wayne Gales
Non-executive director
Occupation: Semi-retired
Qualifications, experience and expertise: B. Sc. (Ed.) (Melbourne), Grad Dip. Ed. Studies (Charles Sturt). Teacher and Curriculum Consultant, Victorian Department of Education. Deputy Controller, Bright SES; SES volunteer; SES Regional Trainer and RCR Assessor. Member, Upper Ovens Landcare Group. Volunteer Guide, Alpine National Park, Parks Victoria Volunteer, Hut restorations, Alpine National Park, Parks Victoria.
Special responsibilities: Nil
Interest in shares: 5,000 ordinary shares

Britt Howard
Non-executive director (appointed 29 March 2021)
Occupation: Interior Designer
Qualifications, experience and expertise: Britt is an enthusiastic person who loves design, and after two decades working in corporate IT sales and marketing roles in big cities, she moved to Bright in 2017. Here she re-trained to be an Interior Designer & Decorator, opening her own Studio and employing locals, working with residential renovation clients in the Alpine Shire. She loves our local community and is hard working and committed. Super passionate about nature, architecture, art, colour & design, her work helps to enrich the lives of her clients and the community through best practices and sustainability in design. She has previously been Vice President of the Bright Community Co-working space and also holds a Bachelor of Business majoring in Marketing and Tourism.
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 Julie Blood. Julie was appointed to the position of secretary on 23 May 2011.

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 $
	51,518	105,428

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Rosalind Anne Holland	-	-	-
Julie Rose Blood	-	-	-
Josef Wowk	-	-	-
William George Andrews	-	-	-
Alia Bridget Parker	-	-	-
Timothy David May	-	-	-
Graham Wayne Gales	5,000	-	5,000
Britt Howard	-	-	-

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	6.00	41,647

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

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' 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

	Board Meetings	
	E	A
Rosalind Anne Holland	11	11
Julie Rose Blood	11	10
Josef Wowk	11	10
William George Andrews	11	11
Alia Bridget Parker	11	3
Timothy David May	11	7
Graham Wayne Gales	11	10
Britt Howard	-	-

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

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

R. Holland

Rosalind Anne Holland, Chair

Dated this 14th day of September 2021

Auditor's independence declaration

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

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

As lead auditor for the audit of Bright 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: 14 September 2021

Adrian Downing
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	713,055	691,406
Other revenue	9	54,198	78,171
Finance income	10	2,789	8,161
Employee benefit expenses	11c)	(367,409)	(344,722)
Charitable donations, sponsorship, advertising and promotion		(112,821)	(90,046)
Occupancy and associated costs		(17,356)	(12,703)
Systems costs		(20,934)	(19,157)
Depreciation and amortisation expense	11a)	(70,007)	(56,314)
Finance costs	11b)	(11,931)	(12,458)
General administration expenses		(103,853)	(105,788)
Profit before income tax expense		65,731	136,550
Income tax expense	12a)	(14,213)	(31,122)
Profit after income tax expense		51,518	105,428
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		51,518	105,428
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	7.42	15.19

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	639,218	615,788
Trade and other receivables	14a)	68,767	61,339
Current tax assets	19a)	9,889	2,049
Total current assets		717,874	679,176
Non-current assets			
Property, plant and equipment	15a)	36,059	64,902
Right-of-use assets	16a)	205,769	206,338
Intangible assets	17a)	4,160	17,554
Deferred tax asset	19b)	16,716	16,443
Total non-current assets		262,704	305,237
Total assets		980,578	984,413
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	45,702	65,151
Lease liabilities	21a)	26,103	27,373
Employee benefits	23a)	42,666	47,151
Total current liabilities		114,471	139,675
Non-current liabilities			
Lease liabilities	21b)	178,432	171,111
Employee benefits	23b)	9,441	6,147
Provisions	22a)	16,862	15,979
Total non-current liabilities		204,735	193,237
Total liabilities		319,206	332,912
Net assets		661,372	651,501
EQUITY			
Issued capital	24a)	670,347	670,347
Accumulated losses	25	(8,975)	(18,846)
Total equity		661,372	651,501

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		670,347	(82,627)	587,720
Total comprehensive income for the year		-	105,428	105,428
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(41,647)	(41,647)
Balance at 30 June 2020		670,347	(18,846)	651,501
Balance at 1 July 2020		670,347	(18,846)	651,501
Total comprehensive income for the year		-	51,518	51,518
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(41,647)	(41,647)
Balance at 30 June 2021		670,347	(8,975)	661,372

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		827,032	871,178
Payments to suppliers and employees		(679,376)	(688,977)
Interest received		2,789	8,160
Lease payments (interest component)	11b)	(11,048)	(11,621)
Lease payments not included in the measurement of lease liabilities	11d)	(8,528)	(6,417)
Income taxes paid		(22,325)	(45,300)
Net cash provided by operating activities	26	108,544	127,023
Cash flows from investing activities			
Payments for property, plant and equipment		(14,202)	(3,004)
Proceeds from sale of property, plant and equipment		9,091	-
Payments for right-of-use assets		(42,046)	-
Net cash used in investing activities		(47,157)	(3,004)
Cash flows from financing activities			
Proceeds from lease liabilities		39,961	-
Lease payments (principal component)		(36,271)	(32,580)
Dividends paid	30a)	(41,647)	(41,647)
Net cash used in financing activities		(37,957)	(74,227)
Net cash increase in cash held		23,430	49,792
Cash and cash equivalents at the beginning of the financial year		615,788	565,996
Cash and cash equivalents at the end of the financial year	13	639,218	615,788

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Bright 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
104 Gavan Street Bright VIC 3741	104 Gavan Street Bright VIC 3741

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

Note 2 Basis of preparation and statement of compliance

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

The financial statements have been prepared on an accrual and historical cost basis. 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 14 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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 Bendigo Bank 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. These amounts may change or cease at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost

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

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

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

d) Employee benefits *(continued)*

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

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	5 to 13 years
Plant and equipment	Straight-line	5 to 13 years
Motor vehicles	Straight-line	3 years

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

h) Intangible assets

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

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

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

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

Asset class	Method	Useful life
Franchise 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.

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, finance leases 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.

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.

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

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 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

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

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

a) Credit risk

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

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

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.

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	204,535	36,000	188,778	10,050
Trade and other payables	45,702	45,702	-	-
	250,237	81,702	188,778	10,050

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	198,484	37,346	149,382	47,253
Trade and other payables	65,151	65,151	-	-
	263,635	102,497	149,382	47,253

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 $639,218 at 30 June 2021 (2020: $615,788). 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	593,187	576,316
- Fee income	47,127	49,637
- Commission income	72,741	65,453
	713,055	691,406

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	22,500	25,000
- Cash flow boost	22,608	37,681
- Other income	9,090	15,490
	54,198	78,171

Note 10 Finance income

	2021 $	2020 $
- Term deposits	2,789	8,161

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:		
- Plant and equipment	11,638	9,870
Depreciation of right-of-use assets		
- Leased land and buildings	33,087	33,014
- Leased motor vehicles	11,888	-
	44,975	33,014
Amortisation of intangible assets:		
- Franchise fee	2,238	2,238
- Franchise renewal process fee	11,156	11,192
	13,394	13,430
Total depreciation and amortisation expense	70,007	56,314

b) Finance costs

	2021 $	2020 $
Finance costs:		
- Lease interest expense	11,048	11,621
- Unwinding of make-good provision	883	837
	11,931	12,458

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

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	314,523	307,511
Non-cash benefits	3,004	1,142
Contributions to defined contribution plans	34,349	27,176
Expenses related to long service leave	4,615	468
Other expenses	10,918	8,425
	367,409	344,722

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	8,528	6,417

Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 $	2020 $
Current tax expense		
- Current tax	12,177	28,814
- Movement in deferred tax	(941)	(1,607)
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	669	949
- Under/over provision in respect to prior years	2,308	2,966
	14,213	31,122

b) *Prima facie* income tax reconciliation

Operating profit before taxation	65,731	136,550
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	17,090	37,551
Tax effect of:		
- Non-deductible expenses	23	18
- Temporary differences	942	1,607
- Other assessable income	(5,878)	(10,362)
- Movement in deferred tax	(941)	(1,607)
- Leases initial recognition	669	949
- Under/(over) provision of income tax in the prior year	2,308	2,966
	14,213	31,122

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	100,860	103,865
- Term deposits	538,358	511,923
	639,218	615,788

Note 14 Trade and other receivables

a) Current assets	2021 $	2020 $
Trade receivables	61,163	55,920
Prepayments	7,148	5,419
Other receivables and accruals	456	-
	68,767	61,339

Note 15 Property, plant and equipment

a) Carrying amounts	2021 $	2020 $
Plant and equipment		
At cost	196,315	179,854
Less: accumulated depreciation	(160,256)	(156,998)
	36,059	22,856

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

a) Carrying amounts *(continued)*	Note	2021 $	2020 $
Motor vehicles			
At cost		-	60,553
Less: accumulated depreciation		-	(18,507)
		-	42,046
Total written down amount		36,059	64,902

b) Reconciliation of carrying amounts

	Note	2021 $	2020 $
Plant and equipment			
Carrying amount at beginning		22,856	29,722
Additions		24,841	3,004
Depreciation		(11,638)	(9,870)
		36,059	22,856
Motor vehicles			
Carrying amount at beginning		42,046	-
Lease asset transferred out - at cost	16b)	(42,046)	-
Additions		-	42,046
		-	42,046
Total written down amount		36,059	64,902

Following the adoption of AASB 16, the company now groups its leased assets previously recognised in 'property, plant and equipment' in 'right-of-use assets'.

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	241,712	239,352
Less: accumulated depreciation	(66,101)	(33,014)
	175,611	206,338
Leased motor vehicles		
At cost	42,046	-
Less: accumulated depreciation	(11,888)	-
	30,158	-
Total written down amount	205,769	206,338

Note 16 Right-of-use assets *(continued)*

b) Reconciliation of carrying amounts

	Note	2021 $	2020 $
Leased land and buildings			
Carrying amount at beginning		206,338	-
Initial recognition on transition		-	239,352
Remeasurement adjustments		2,360	-
Depreciation		(33,087)	(33,014)
Carrying amount at end		175,611	206,338
Leased motor vehicles			
Lease asset transferred in - at cost	15b)	42,046	-
Depreciation		(11,888)	-
Carrying amount at end		30,158	-
Total written down amount		205,769	206,338

Note 17 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	90,514	90,514
Less: accumulated amortisation	(89,825)	(87,587)
	689	2,927
Franchise establishment fee		
At cost	19,815	19,815
Less: accumulated amortisation	(19,815)	(19,815)
	-	-
Franchise renewal process fee		
At cost	55,961	55,961
Less: accumulated amortisation	(52,490)	(41,334)
	3,471	14,627
Total written down amount	4,160	17,554

b) Reconciliation of carrying amounts

	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	2,927	5,165
Amortisation	(2,238)	(2,238)
	689	2,927
Franchise renewal process fee		
Carrying amount at beginning	14,627	25,819
Amortisation	(11,156)	(11,192)
	3,471	14,627
Total written down amount	4,160	17,554

Note 18 Intangible assets

c) Changes in estimates

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

Note 19 Tax assets and liabilities

a) Current tax	2021 $	2020 $
Income tax refundable	(9,889)	(2,049)

b) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- expense accruals	-	469
- employee provisions	13,030	13,861
- make-good provision	4,216	4,155
- lease liability	43,373	51,606
Total deferred tax assets	60,619	70,091
Deferred tax liabilities		
- right-of-use assets	43,903	53,648
Total deferred tax liabilities	43,903	53,648
Net deferred tax assets (liabilities)	16,716	16,443
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(273)	658

Note 20 Trade creditors and other payables

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

a) Current liabilities	2021 $	2020 $
Trade creditors	2,789	2,996
Other creditors and accruals	42,913	62,155
	45,702	65,151

Note 21 Lease liabilities

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

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

The company's lease portfolio includes:

- Branch premises — The lease agreement commenced in October 2016 with an initial term of 5 years. The company has 1 x 5 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 2026.

a) Current lease liabilities

	2021 $	2020 $
Property lease liabilities	30,008	37,346
Unexpired interest	(8,905)	(9,973)
	21,103	27,373
Motor Vehicle lease liabilities	5,992	-
Unexpired interest	(992)	-
	5,000	-
	26,103	27,373

b) Non-current lease liabilities

	2021 $	2020 $
Property lease liabilities	170,851	196,635
Unexpired interest	(18,461)	(25,524)
	152,390	171,111
Motor Vehicle lease liabilities	27,977	-
Unexpired interest	(1,935)	-
	26,042	-
	178,432	171,111

c) Reconciliation of lease liabilities

	2021 $	2020 $
Balance at the beginning	198,484	6,854
Initial recognition on AASB 16 transition	-	224,210
Borrowing costs	35,981	-
Remeasurement adjustments	2,360	-
Lease interest expense	11,048	11,621
Lease payments - total cash outflow	(43,338)	(44,201)
	204,535	198,484

Note 21 Lease liabilities *(continued)*

d) Maturity analysis	2021 $	2020 $
- Not later than 12 months	36,000	37,346
- Between 12 months and 5 years	188,778	149,382
- Greater than 5 years	10,050	47,253
Total undiscounted lease payments	234,828	233,981
Unexpired interest	(30,293)	(35,497)
Present value of lease liabilities	204,535	198,484

Note 22 Provisions

a) Non-current liabilities	2021 $	2020 $
Make-good on leased premises	16,862	15,979

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 $22,364 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 30 September 2026 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23 Employee benefits

a) Current liabilities	2021 $	2020 $
Provision for annual leave	15,188	20,995
Provision for long service leave	27,478	26,156
	42,666	47,151
b) Non-current liabilities		
Provision for long service leave	9,441	6,147

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 24 Issued capital

a) Issued capital	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	694,113	694,113	694,113	694,113
Less: equity raising costs	-	(23,766)	-	(23,766)
	694,113	670,347	694,113	670,347

Note 24 Issued capital *(continued)*

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

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 25 Accumulated losses

	Note	2021 $	2020 $
Balance at beginning of reporting period		(18,846)	(82,627)
Net profit after tax from ordinary activities		51,518	105,428
Dividends provided for or paid	30a)	(41,647)	(41,647)
Balance at end of reporting period		(8,975)	(18,846)

Note 26 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	51,518	105,428
Adjustments for:		
- Depreciation	56,613	42,884
- Amortisation	13,394	13,430
- (Profit)/loss on disposal of non-current assets	(9,091)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(7,425)	9,146
- (Increase)/decrease in other assets	33,933	(2,708)
- Increase/(decrease) in trade and other payables	(30,089)	(30,201)
- Increase/(decrease) in employee benefits	(1,192)	(322)
- Increase/(decrease) in provisions	883	837
- Increase/(decrease) in tax liabilities	-	(11,471)
Net cash flows provided by operating activities	108,544	127,023

Note 27 Financial instruments

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

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	100,860	103,865
Term deposits	13	538,358	511,923
Trade and other receivables	14	61,619	55,920
		700,837	671,708
Financial liabilities			
Trade and other payables	20	45,702	65,151
Lease liabilities	21	204,535	198,484
		250,237	65,151

Note 28 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		
- General advisory services	3,270	2,590
- Share registry services	3,550	4,095
Total auditor's remuneration	11,820	11,485

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Rosalind Anne Holland
Julie Rose Blood
Josef Wowk
William George Andrews
Alia Bridget Parker
Timothy David May
Graham Wayne Gales
Britt Howard

b) Key management personnel compensation

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

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

c) Related party transactions

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

Note 30 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	6.00	41,647	6.00	41,647

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

Note 30 Dividends provided for or 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	64,750	35,247
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	32,353	39,115
- franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(10,028)	6,185
- Franking debits from the payment of franked distributions	(14,633)	(15,797)
Franking account balance at the end of the financial year	72,442	64,750
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(9,889)	(2,049)
Franking credits available for future reporting periods	62,553	62,701

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Note 31 Earnings per share

a) Basic and diluted earnings per share

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

	2021	2020
	$	$
Profit attributable to ordinary shareholders	51,518	105,428
	Number	Number
Weighted-average number of ordinary shares	694,113	694,113
	Cents	Cents
Basic and diluted earnings per share	7.42	15.19

Note 32 Commitments

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

Note 33 Contingencies

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

Note 34 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Bright 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.

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

Rosalind Anne Holland, Chair

Dated this 14th day of September 2021

Independent audit report

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Bright 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 Bright 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.

AFS
Partners in success
Chartered Accountants

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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 14 September 2021

Adrian Downing
Lead Auditor

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