2021 Annual Report

Chittering Financial Services Limited

ABN 77 096 017 506

Community Bank · Bullsbrook-Ellenbrook and Bindoon

Contents

Chairman's report

For year ending 30 June 2021

Dear shareholders,

It is with pleasure that I present my annual report to you covering the financial year 2020/21.

It has been a difficult year. Banking in Australia is going through huge change and the ramifications of the Royal Commission are still working through the whole industry. Customers visiting branches continue to reduce as online banking is embraced by more and more of our customers. In a low interest rate environment, our staff need to work very hard to get deals across the line. Fortunately, Bendigo products and rates have been adapted to be able to hold up well against other lenders.

The Board made the very difficult decision to close Bullsbrook branch. This was a decision that caused much concern for our Board. We know that many shareholders and customers were disappointed with the decision but from a financial point of view we really didn't have a lot of choice. We are very sorry for our customers who were inconvenienced by this action. There have been a number of branch closures, by all banks, around Australia and it is expected there will be more to come.

Over the past 20 years the Community Bank model has lost momentum within our region. Residents may not be aware of the purpose, the benefits or services offered by a local Community Bank. We are still very competitive and offer the same services as our competitors. Our Board members give their time, and profits are dispersed around our community through sponsorships and dividends.

Ellenbrook is now a Community Bank and has been renamed Community Bank Bullsbrook-Ellenbrook. We were able to retain our staff who look forward to assisting you with your banking needs. To remain a viable and relevant business in the community into the future we need your support and ask you to consider Community Bank Bindoon and Bullsbrook-Ellenbrook as your main banking partner.

I wish to thank our hard working staff. It has been tough for them, and we are very proud of the loyalty and hard work exhibited by everyone. Allen Amor now manages Bindoon and the Bullsbrook-Ellenbrook branches and his steady hand has been appreciated by the Board.

David Blyton has taken on the new role of Business Development Manager. The Board sees this as an important tool in getting out and about the community once again spreading the word about the Community Bank model and supporting local.

I would like to thank our partners at Bendigo Bank. They play a very important role within our business, and I thank Joe Faraone State Manager, Matt Sporn Regional Manager and all the staff at Bendigo Bank for their help and guidance through the year.

Our Board, as I mentioned earlier are volunteers. Throughout this year we held many meetings and I thank all Board members for their dedication and hard work. Graham Dore, John Williams, Kylie Hughes, Adrian Clarke. We did have one resignation in Leanne (Lennie) Duffield who joined the board in December 2020.

Nicolette (Nicky) Ward deserves special mention for her role as Company Secretary/Administrator. Nicky carries Chittering Financial on her sleeve. Always working, always available and always willing to help. Thank you, Nicky.

This year Chittering Financial Services Ltd achieved a Net Profit of $77,075 allowing for continued dividend payments of 2c per share.

Jeffrey Hollands
Chair

Manager's report

For year ending 30 June 2021

During the last year Chittering Financial Services Limited embarked on the hardest decision that a Board would need to make and amalgamated the Bullsbrook and Ellenbrook branches resulting in the closure of Bullsbrook branch. Yes, this did cause upset and disappointment amongst the community of Bullsbrook and shareholders, and all the staff employed by Chittering Financial Services Limited as they were making a decision that had far greater consequences. Whilst the branch closure was sad to see, the Board stayed committed to all the staff by retaining or redeploying staff.

In terms of our combined business book, this now stands at $188 million. With the low interest rate environment continuing to impact on revenue, the challenges in the years ahead will be to improve the business book and returns whilst controlling our expenses. We have a dedicated Board of Directors and Management team in place that should ensure that we are up to the challenge.

Our Community Bank needs to remain a relevant and sustainable business and our shareholders and customers are extremely important to our success. With your continued support, we will be enabled to reward you with capital returns and future dividends, along with being able to distribute more community grants and sponsorship for many years to come.

I would personally like to thank all the staff for their efforts over the year, along with the Board of Directors for their continued support.

Allen Amor
Branch Manager
Community Bank Bullsbrook-Ellenbrook & Bindoon

Bendigo and Adelaide Bank report

For year ending 30 June 2021

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

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

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

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

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

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

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

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

Collin Brady
Head of Community Development

Directors' report

For the financial year ended 30 June 2021

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:

Jeffrey Robert Hollands

Non-executive director

Occupation: Retired Insurance Broker

Qualifications, experience and expertise: Owner and Managing Director of Westcourt General Insurance Brokers for approximately 35 years. A former Rotarian, he has a diploma in Financial Services. He was awarded a citizen of Western Australia and hold a centenary medal and Australian sports medal. He is also a Director of Community Broker Network Pty Ltd owned by ASX Listed Steadfast Ltd.

Special responsibilities: Chair

Interest in shares: 2,000 ordinary shares

Nicolette Joy Ward

Non-executive director

Occupation: Executive Administrator

Qualifications, experience and expertise: Over a period of 23 years Nicolette has developed a range of business knowledge and skills which she adapts and applies to her role as Company Secretary. Working closely with the branch staff and directors she continues to focus on board governance and business management. Nicolette is the former Chair of CFS, has over 8 years of mortgage experience within banking and broker markets, over 4 years in large and domestic construction industries and been involved in community projects, volunteering in leadership programs within the Swan Valley region.

Special responsibilities: Company Secretary, all Sub Committees

Interest in shares: nil share interest held

John Trevor Williams

Non-executive director

Occupation: Retired Accountant

Qualifications, experience and expertise: B. Bus at W.A.I.T and member of the Institute of Chartered Accountants in Australia and New Zealand. Previously employed in a local abattoir, in local and interstate farms, as a shearer and shedhand in the wool industry, as a fettler on the Central Australian Railways and as an accountant for 35 years. John is also the President of the Bindoon Volunteer Bush Fire Brigade, Treasurer of the Chittering Incident Support Brigade and Treasurer of the Bindoon Men's Shed Incorporated. As well as a Member of the Chittering Cancer Support Group and a Board Member of Edmund Rice College.

Special responsibilities: Treasurer, Finance Committee

Interest in shares: nil share interest held

Directors (continued)

Graham Dore

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Prior to retiring to Australia Graham formed and ran a Self-Drive Vehicle Rental Company in 1989 in the UK (which is still operating). From 1980 to 1989 Graham was Managing Director of one of the largest motor parts distributors in the UK. Throughout his career he has always been included in finance and human resources. Graham is currently Treasurer of Swan Valley Community Centre, Chequers Golf Club.

Special responsibilities: Deputy Chair, HR/Legal and Community Contributions Committees

Interest in shares: nil share interest held

Kylie Michelle Hughes

Non-executive director

Occupation: Councillor, Shire of Chittering

Qualifications, experience and expertise: Kylie is a Shire of Chittering Councillor allocated the Natural Environment portfolio. Kylie is a committee member for a number of Local Council, Community, Sporting and Special interest groups in the local area including the following; Muchea Netball Club, Muchea Progress Recreation and Sporting Association, Chittering Valley Land Conservation District Committee (T/A Chittering Landcare), Ellen Brockman Integrated Catchment Committee, Chittering Health Advisory Group, Chittering Community Planning Advisory Group, Muchea Hall Users Group, Shire of Chittering Audit and Risk Committee, Rural Water Council of WA, Chittering Mining Advisory Group, Mid-West. Wheatbelt JDAP, Chittering Community Complex Advisory Group, member of Chittering Tourist Association and Chittering Chamber of Commerce. Previous Employment/ Experience includes News Corporation Australia P/Ltd - Purchasing, Stores and Facilities Manager, Contractor Manager, WorkSafe HSR - Perth Print, Canning Vale Print, Publishing and Distribution Site: 5 Years. BlueScope P/ Ltd - PreDespatch Manager, Purchasing Officer, QA Administrator, Retail Products Scheduler, Health and Safety Representative, Contractor Manager, DuPont Certified Safety Supervisor - Formerly Highline Production and Despatch Site, Welshpool WA: 5 Years. Rabbit Photo, Kevron & Halse Photo graphics - Retail Store Manager, Print Lab Manager & Technician, Freeland Photographer: 18 years.

Special responsibilities: HR/Legal, Finance, Community Contribution, Safety & Marketing Committees

Interest in shares: nil share interest held

Adrian Clarke

Non-executive director (appointed 27 January 2021)

Occupation: Office Assistant/Bookkeeper

Qualifications, experience and expertise: Adrian has over 30 years' experience in IT, 18 years of that was at Crown Casino. He has a Diploma of Business, Associate Diploma in IT and Certificate IV in Mental Health and Accounting and Bookkeeping. Adrian is a busy community volunteer, he is Treasurer of the Ellenbrook Lions Club, Finance Manager of the Swan Valley Medieval Fayre Inc, Treasurer of the Ellenbrook & Districts Residents and Ratepayers Association, Board Member of the Ellenbrook Secondary College (ESC), President of the ESC P&C and associated subcommittees. Adrian is a director of a mental health NFP, Centre for Youth Health and Wellbeing Ltd, and a director of Waterhall Super Pty Ltd. He is owner and manager of The Empty Shoe Box. Adrian in his spare time helps organise and run community events like the Lions Christmas Carols and Swan Valley Medieval Fayre.

Special responsibilities: Finance, Community Contributions and Risk Committee

Interest in shares: 12,701 ordinary shares

Lennie Duffield

Non-executive director (appointed 2 December 2020 and resigned 6 May 2021)

Interest in shares: nil share interest held

Directors (continued)

Frederick Edmund Hasson

Non-executive director (resigned 1 August 2020)

Occupation: Retired

Qualifications, experience and expertise: Frederick has worked in management positions in the transport industry and owned and operated a small business. He has a Diploma in Training Management and has attended the Advanced Management Program conducted by the University of WA Graduate School of Management.

Special responsibilities: Sponsorship & Grants Committee

Interest in shares: nil share interest held

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

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

Company Secretary

There have been two company secretaries holding the position during the financial year:

- Nicolette Ward was appointed company secretary on 2 December 2020.
- Jeffrey Hollands was appointed company secretary on 10 March 2020 and ceased on 2 December 2020.

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 $
77,075	84,204

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Jeffrey Robert Hollands	-	2,000	2,000
Nicolette Joy Ward	-	-	-
John Trevor Williams	-	-	-
Graham Dore	-	-	-
Kylie Michelle Hughes	-	-	-
Adrian Clarke	-	12,701	12,701
Lennie Duffield	-	-	-
Frederick Edmund Hasson	-	-	-

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	2.00	9,974

Significant changes in the state of affairs

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

During the current financial year, following a review of customer banking habits, transaction activity and visitor numbers, the Board and operators of the branches made the decision to consolidate their operations. The Bullsbrook Community Bank Branch closed 26 February 2021.

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 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 managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or managers of the company except where the liability arises out of conduct involving the lack of good faith.

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

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 Attended	
	E	A
Jeffrey Robert Hollands	11	11
Nicolette Joy Ward	11	11
John Trevor Williams	11	10
Graham Dore	11	11
Adrian Clarke	6	6
Kylie Michelle Hughes	11	10
Lennie Duffield	4	1
Frederick Edmund Hasson	1	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 auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

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 Bindoon, Western Australia.

Jeffrey Robert Hollands
Chair

Dated this 30th 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 Chittering Financial Services Limited

As lead auditor for the audit of Chittering 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: 30 September 2021

Joshua Griffin
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	1,324,419	1,328,938
Other revenue	9	175,002	204,758
Finance income	10	1,381	2,549
Employee benefit expenses	11c)	(905,821)	(971,432)
Charitable donations, sponsorship, advertising and promotion		(23,481)	(17,792)
Occupancy and associated costs		(50,123)	(43,672)
Systems costs		(75,098)	(83,183)
Depreciation and amortisation expense	11a)	(110,103)	(107,463)
Finance costs	11b)	(29,232)	(31,793)
General administration expenses		(177,074)	(183,361)
Loss on disposal	11e)	(34,872)	-
Profit before income tax expense		**94,998**	**97,549**
Income tax expense	12a)	(17,923)	(13,345)
Profit after income tax expense		**77,075**	**84,204**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**77,075**	**84,204**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	30a)	15.45	16.88

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	464,925	368,038
Trade and other receivables	14a)	124,442	116,785
Current tax assets	18a)	-	2,184
Total current assets		**589,367**	**487,007**
Non-current assets			
Property, plant and equipment	15a)	11,076	8,296
Right-of-use assets	16a)	259,719	413,792
Intangible assets	17a)	37,062	73,936
Deferred tax asset	18b)	52,484	54,521
Total non-current assets		**360,341**	**550,545**
Total assets		**949,708**	**1,037,552**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	122,541	119,909
Current tax liabilities	18a)	2,387	-
Lease liabilities	20a)	73,619	78,142
Employee benefits	22a)	82,509	74,513
Total current liabilities		**281,056**	**272,564**
Non-current liabilities			
Trade and other payables	19b)	-	38,853
Lease liabilities	20b)	279,942	422,865
Employee benefits	22b)	24,131	14,246
Provisions	21a)	76,263	67,809
Total non-current liabilities		**380,336**	**543,773**
Total liabilities		**661,392**	**816,337**
Net assets		**288,316**	**221,215**
EQUITY			
Issued capital	23a)	495,209	495,209
Accumulated losses	24	(206,893)	(273,994)
Total equity		**288,316**	**221,215**

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		495,209	(348,224)	146,985
Total comprehensive income for the year		-	84,204	84,204
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(9,974)	(9,974)
Balance at 30 June 2020		**495,209**	**(273,994)**	**221,215**
Balance at 1 July 2020		495,209	(273,994)	221,215
Total comprehensive income for the year		-	77,075	77,075
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(9,974)	(9,974)
Balance at 30 June 2021		**495,209**	**(206,893)**	**288,316**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,643,168	1,687,929
Payments to suppliers and employees		(1,348,590)	(1,407,020)
Interest received		1,804	2,614
Lease payments (interest component)	11b)	(25,485)	(28,243)
Lease payments not included in the measurement of lease liabilities	11d)	(31,894)	(33,927)
Income taxes paid		(11,316)	(2,184)
Net cash provided by operating activities	**25**	**227,687**	**219,169**
Cash flows from investing activities			
Payments for property, plant and equipment		(5,548)	(4,544)
Proceeds from sale of right-of-use-assets		19,000	-
Payments for intangible assets		(35,320)	(35,320)
Payments for right-of-use assets		(41,161)	-
Net cash used in investing activities		**(63,029)**	**(39,864)**
Cash flows from financing activities			
Proceeds from lease liabilities		26,000	-
Lease payments (principal component)	20c)	(83,797)	(64,564)
Dividends paid	29a)	(9,974)	(7,612)
Net cash used in financing activities		**(67,771)**	**(72,176)**
Net cash increase in cash held		**96,887**	**107,129**
Cash and cash equivalents at the beginning of the financial year		368,038	260,909
Cash and cash equivalents at the end of the financial year	**13**	**464,925**	**368,038**

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 Chittering 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
Unit 1/19 Binda Place Bindoon WA 6502	Unit 1/19 Binda Place Bindoon WA 6502
	6/38 Main Street Ellenbrook WA 6069

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 30 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:

Revenue stream	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.

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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 stream	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.

Note 4 Summary of significant accounting policies (continued)

b) Other revenue (continued)

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.

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.

Note 4 Summary of significant accounting policies (continued)

d) Employee benefits (continued)

Short-term employee benefits (continued)

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. 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.

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.

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.

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.

Note 4 Summary of significant accounting policies (continued)

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
Plant and equipment	Straight-line	5 years
Furniture, fixtures and fittings	Straight-line	5 years
Motor vehicles	Straight-line	4 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)

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

i) Financial instruments

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

Most of 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.

Note 4 Summary of significant accounting policies (continued)

j) Impairment (continued)

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

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

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

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

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

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

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

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 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Short-term leases and leases of low-value assets (continued)

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 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to control the use of the identified asset for a period of time in exchange for consideration 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 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. 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		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	353,561	89,936	220,695	104,523
Trade and other payables	122,541	122,541	-	-
	476,102	**212,477**	**220,695**	**104,523**

30 June 2020		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	501,007	102,837	304,510	198,464
Trade and other payables	158,762	119,909	38,853	-
	659,769	**222,746**	**343,363**	**198,464**

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 are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The company held cash and cash equivalents of $464,925 at 30 June 2021 (2020: $368,038). 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%.

Note 7 Capital management (continued)

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	1,116,737	1,127,522
- Fee income	120,114	125,610
- Commission income	87,568	75,806
	1,324,419	**1,328,938**

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	93,753	112,917
- Cash flow boost	37,500	62,500
- Sale of right of use assets	11,552	-
- Department of transport	32,197	29,341
	175,002	**204,758**

Note 10 Finance income

	2021 $	2020 $
- Term deposits	**1,381**	**2,549**

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

Note 11 Expenses

	2021 $	2020 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Leasehold improvements	131	-
- Plant and equipment	2,636	2,096
	2,767	**2,096**
Depreciation of right-of-use assets		
- Leased land and buildings	54,518	52,709
- Leased motor vehicles	15,944	15,784
	70,462	**68,493**
Amortisation of intangible assets:		
- Franchise renewal process fee	36,874	36,874
Total depreciation and amortisation expense	**110,103**	**107,463**

Note 11 Expenses (continued)

	2021 $	2020 $
b) Finance costs		
- Lease interest - MV	1,507	2,121
- Lease interest expense	23,978	26,122
- Unwinding of make-good provision	3,747	3,550
	29,232	**31,793**

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

c) Employee benefit expenses		
Wages and salaries	777,545	835,067
Non-cash benefits	12,827	3,954
Contributions to defined contribution plans	71,899	77,209
Expenses related to long service leave	11,640	9,169
Other expenses	31,910	46,033
	905,821	**971,432**

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	**31,894**	**33,927**
e) Other expenses		
- Loss on disposal of right-of-use assets	**34,872**	**-**

During the year ended 30 June 2021 Chittering Financial Services Limited closed their Bullsbrook Branch. The carrying amount of assets relating to this branch lease have been impaired creating a loss on disposal of ROU asset as the assets will no longer generate cash flows from the date of closure.

Note 12 Income tax expense

	2021 $	2020 $
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Current tax	15,887	-
- Recoupment of prior year tax losses	28	989
- Movement in deferred tax	(91)	(30,570)
- Adjustment to deferred tax on AASB 16 retrospective application	-	39,781
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	2,099	3,145
	17,923	**13,345**

Note 12 Income tax expense (contined)

	2021 $	2020 $
b) Prima facie income tax reconciliation		
Operating profit before taxation	94,998	97,549
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	24,699	26,826
Tax effect of:		
- Non-deductible expenses	875	562
- Temporary differences	91	(9,211)
- Other assessable income	(9,750)	(17,188)
- Movement in deferred tax	(91)	(30,570)
- Leases initial recognition	-	39,781
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	2,099	3,145
	17,923	**13,345**

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	453,425	356,538
- Term deposits	11,500	11,500
	464,925	**368,038**

Note 14 Trade and other receivables

	2021 $	2020 $
a) Current assets		
Trade receivables	113,052	112,473
Prepayments	11,390	3,946
Other receivables and accruals	-	366
	124,442	**116,785**

Note 15 Property, plant and equipment

	2021 $	2020 $
a) Carrying amounts		
Leasehold improvements		
At cost	241,660	239,702
Less: accumulated depreciation	(239,833)	(239,702)
	1,827	**-**
Plant and equipment		
At cost	316,157	312,568
Less: accumulated depreciation	(306,908)	(304,272)
	9,249	**8,296**
Total written down amount	**11,076**	**8,296**

Note 15 Property, plant and equipment (continued)

	Note	2021 $	2020 $
b) Reconciliation of carrying amounts			
Leasehold improvements			
Carrying amount at beginning		-	-
Additions		1,958	-
Depreciation		(131)	-
		1,827	**-**
Plant and equipment			
Carrying amount at beginning		8,296	5,848
Additions		3,589	4,544
Depreciation		(2,636)	(2,096)
		9,249	**8,296**
Motor vehicles			
Carrying amount at beginning		-	54,084
Lease asset transferred out - at cost	16b)	-	(63,139)
Lease asset transferred out - accumulated depreciation	16b)	-	9,055
		-	**-**
Total written down amount		**11,076**	**8,296**

Following the adoption of AASB 16, the company has grouped 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

	2021 $	2020 $
a) Carrying amounts		
Leased land and buildings		
At cost	757,699	840,151
Less: accumulated depreciation	(554,049)	(464,659)
	203,650	**375,492**
Leased motor vehicles		
At cost	72,343	63,138
Less: accumulated depreciation	(16,274)	(24,838)
	56,069	**38,300**
Total written down amount	**259,719**	**413,792**

Note 16 Right-of-use assets (continued)

	Note	2021 $	2020 $
b) Reconciliation of carrying amounts			
Leased land and buildings			
Carrying amount at beginning		375,492	-
Initial recognition on transition		-	840,151
Accumulated depreciation on adoption		-	(411,950)
Remeasurement adjustments		(117,324)	-
Depreciation		(54,518)	(52,709)
		203,650	**375,492**
Leased motor vehicles			
Carrying amount at beginning		38,300	-
Lease asset transferred in - at cost	15b)	-	63,139
Lease asset transferred in - accumulated depreciation	15b)	-	(9,055)
Additional right-of-use assets recognised		41,161	-
Disposals		(7,448)	-
Depreciation		(15,944)	(15,784)
		56,069	**38,300**
Total written down amount		**259,719**	**413,792**

Note 17 Intangible assets

	2021 $	2020 $
a) Carrying amounts		
Franchise renewal process fee		
At cost	345,213	345,213
Less: accumulated amortisation	(308,151)	(271,277)
Total written down amount	**37,062**	**73,936**
b) Reconciliation of carrying amounts		
Franchise renewal process fee		
Carrying amount at beginning	73,936	110,810
Amortisation	(36,874)	(36,874)
Total written down amount	**37,062**	**73,936**

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

	2021 $	2020 $
a) Current tax		
Income tax payable/(refundable)	**2,387**	**(2,184)**

Note 18 Tax assets and liabilities (continued

	2021 $	2020 $
b) Deferred tax		
Deferred tax assets		
- expense accruals	-	6,197
- employee provisions	26,660	23,077
- make-good provision	19,066	17,630
- lease liability	76,710	118,467
- carried-forward tax losses	-	28
Total deferred tax assets	**122,436**	**165,399**
Deferred tax liabilities		
- income accruals	-	109
- deductible prepayments	2,252	1,026
- property, plant and equipment	16,787	12,115
- right-of-use assets	50,913	97,628
Total deferred tax liabilities	**69,952**	**110,878**
Net deferred tax assets (liabilities)	**52,484**	**54,521**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**2,037**	**(13,346)**
Movement in deferred tax charged to Statement of Changes in Equity	**-**	**39,781**

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.

	2021 $	2020 $
a) Current liabilities		
Trade creditors	8,881	10,335
Other creditors and accruals	113,660	109,574
	122,541	**119,909**
b) Non-current liabilities		
Other creditors and accruals	**-**	**38,853**

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 of property leases was 5.39%. Subsequent lease modifications were discounted at 3.54%.

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

The company's lease portfolio includes:

- Bindoon branch
  The lease agreement commenced in February 2002. A 5 year renewal option was exercised in February 2017. The company has no renewal options available in the current lease agreement. As such, the lease term end date used in the calculation of the lease liability is February 2022.
- Bullsbrook branch
  During the period the company closed its Bullsbrook branch, however continues to pay rent until a new tenant is found or the lease agreement can be terminated. As such the lease liability has been recognised under the current lease agreement terms which ends October 2022. As future events become known lease calculations will be adjusted accordingly.

Note 20 Lease liabilities (continued)

- Ellenbrook branch
  The lease agreement commenced in October 2009. A 5 year renewal option was exercised in October 2018. 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 October 2028.
- Subaru lease
  The lease agreement is a non-cancellable term of 4 years ending May 2023. The lease includes a balloon payment at which time the registered security over the motor vehicle is removed.
- Subaru lease (Forester)
  The lease agreement is a non-cancellable term of 3 years which ended May 2021. The lease includes a balloon payment at which time the registered security over the motor vehicle is removed.
- Mazda lease
  The lease agreement is a non-cancellable term of 4 years ending May 2025. Upon the final payment the registered security over the motor vehicle is removed.

	2021 $	2020 $
a) Current lease liabilities		
Property lease liabilities	76,111	79,255
Unexpired interest	(14,820)	(23,188)
	61,291	**56,067**
Motor vehicle lease liabilities	13,825	23,582
Unexpired interest	(1,497)	(1,507)
	12,328	**22,075**
	73,619	**78,142**
b) Non-current lease liabilities		
Property lease liabilities	289,384	478,484
Unexpired interest	(43,837)	(78,907)
	245,547	**399,577**
Motor vehicle lease liabilities	35,834	24,490
Unexpired interest	(1,439)	(1,202)
	34,395	**23,288**
	279,942	**422,865**
c) Reconciliation of lease liabilities		
Balance at the beginning	501,007	56,971
Initial recognition on AASB 16 transition	-	508,600
Additional lease liabilities recognised	26,000	-
Remeasurement adjustments	(89,649)	-
Lease interest expense	25,485	28,243
Lease payments - total cash outflow	(109,282)	(92,807)
	353,561	**501,007**
d) Maturity analysis		
- Not later than 12 months	89,936	102,837
- Between 12 months and 5 years	220,695	304,510
- Greater than 5 years	104,523	198,464
Total undiscounted lease payments	**415,154**	**605,811**
Unexpired interest	(61,593)	(104,804)
Present value of lease liabilities	**353,561**	**501,007**

Note 21 Provisions

	2021 $	2020 $
a) Non-current liabilities		
Make-good on leased premises	**76,263**	**67,809**

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term. The company has estimated the provision 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 leases are due to expire per below at which time it is expected the face-value costs to restore the premises will fall due.

Lease	Lease term expiry date per AASB 16	Estimated provision
Bindoon	June 2022	$25,000
Bullsbrook	September 2022	$26,770
Ellenbrook	October 2028	$40,000

Note 22 Employee benefits

	2021 $	2020 $
a) Current liabilities		
Provision for annual leave	50,727	44,486
Provision for long service leave	31,782	30,027
	82,509	**74,513**
b) Non-current liabilities		
Provision for long service leave	**24,131**	**14,246**

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 23 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	498,709	498,709	498,709	498,709
Less: equity raising costs	-	(3,500)	-	(3,500)
	498,709	**495,209**	**498,709**	**495,209**

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.

Note 23 Issued capital (continued)

b) Rights attached to issued capital (continued)

Ordinary shares (continued)

Voting rights (continued)

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 24 Accumulated losses

	Note	2021 $	2020 $
Balance at beginning of reporting period		(273,994)	(243,347)
Adjustment for transition to AASB 16		-	(104,877)
Net profit after tax from ordinary activities		77,075	84,204
Dividends provided for or paid	29a)	(9,974)	(9,974)
Balance at end of reporting period		**(206,893)**	**(273,994)**

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	77,075	84,204
Adjustments for:		
- Depreciation	73,229	70,589
- Amortisation	36,874	36,874
- (Profit)/loss on disposal of non-current assets	(11,552)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(7,658)	11,279
- (Increase)/decrease in other assets	15,772	11,161
- Increase/(decrease) in trade and other payables	15,225	(2,474)
- Increase/(decrease) in employee benefits	17,881	3,986
- Increase/(decrease) in provisions	8,454	3,550
- Increase/(decrease) in tax liabilities	2,387	-
Net cash flows provided by operating activities	**227,687**	**219,169**

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.

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	453,425	356,538
Term deposits	13	11,500	11,500
Trade and other receivables	14	113,052	112,839
		577,977	**480,877**
Financial liabilities			
Trade and other payables	19	122,541	158,762
Lease liabilities	20	353,561	501,007
		476,102	**659,769**

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	1,300	700
- General advisory services	3,310	3,850
- Share registry services	4,245	-
Total auditor's remuneration	**13,855**	**9,350**

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Jeffrey Robert Hollands
Nicolette Joy Ward
John Trevor Williams
Graham Dore
Adrian Clarke
Kylie Michelle Hughes
Lennie Duffield
Frederick Edmund Hasson

b) Key management personnel compensation

	2021 $	2020 $
Key management personnel compensation comprised the following.		
Employee benefits	**-**	**860**

Compensation of the company's key management personnel includes salaries and superannuation.

Nicolette Ward is remunerated for her role as Executive Administrator.

c) Related party transactions

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

	2021 $	2020 $
Transactions with related parties		
- **The company paid a sponsorship and fees to the Shire of Chittering , of which Kylie Hughes is a Councillor at. The total benefit received was:**	**3,000**	**-**

Note 29 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	**2.00**	**9,974**	**2.00**	**9,974**

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

	2021 $	2020 $
b) Franking account balance		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	27,055	27,758
Franking transactions during the financial year:		
- Franking credits (debits) arising from income tax instalments paid (refunded)	24,816	2,867
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(13,500)	(683)
- Franking debits from the payment of franked distributions	(3,504)	(2,887)
Franking account balance at the end of the financial year	**34,867**	**27,055**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	3,985	(2,184)
Franking credits available for future reporting periods	**38,852**	**24,871**

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) 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	77,075	84,204
	Number	**Number**
Weighted-average number of ordinary shares	498,709	498,709
	Cents	**Cents**
Basic and diluted earnings per share	15.45	16.88

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.

Directors' declaration

In accordance with a resolution of the directors of Chittering 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.

Jeffrey Robert Hollands
Chair

Dated this 30th day of September 2021

Independent audit report

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03 5443 0344

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Chittering 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 Chittering 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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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.

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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: 30 September 2021

Joshua Griffin
Lead Auditor

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