



Collie & Districts Community Financial Services Limited

ABN 76 096 536 355



2021 Annual Report



Community Bank · Collie & Districts

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Branch opening, 2001



Celebrating five years



WA State Conference 2010



Celebrating 15 years



Collie RSL Centennial Commemorative service, and our 20th birthday, 2021

Chairman's report

For year ending 30 June 2021

With our Community Bank celebrating its 20th Birthday on 5 October 2021 I would like to thank everyone, from the people with the foresight to set up the Community Bank in the first place to all that have been involved in running it over the last 20 years, Thank you.

It has been another very successful year for our Community Bank, returns to shareholders are at their highest level since paying dividends, with our returns to the shareholders and community at more than \$7.5 million, this is an amazing figure considering the size of our community.

While this is great for our community, all this is only possible with your support, so I would like to thank all the shareholders and customers that have supported us over the last 20 years. I feel with the other banks starting to leave town or cutting their opening hours, the Community Bank model is more relevant now than it has ever been.

In saying this, for our Community Bank · Collie & Districts to continue growing, we need everyone's support.

You need a bank to give you the products and services you need. We need your banking to help us make a difference.

We all love to help our community, we all need to do banking and when you have all your banking with us, you can be part of the local Community Bank that believes in Collie and wants to help Collie grow.

I would also like to take this opportunity to thank our Branch Manager, Narelle and staff for all their work over the last year. We have had a bit of turnover in staff over the last couple of years, but every time someone leaves or changes position, there is someone else willing to stand up and take on a new roll to help. Your dedication to our Community Bank and to Collie is amazing and as Chair, I have seen the amount of effort that you all put in daily. Thank you all very much.

To our business partners at Bendigo Bank, you are always there to take my calls or emails (good or bad) so thank for your help and support. These include State Manager Joe Faraone, Regional Manager Michelle Brace, Community Business Manager Anne-Marie Archer and specialists from Business Banking, Rural Bank, Community Enterprise Foundation™ and Branch Managers in the South West region.

I would also like to thank our Board Directors for their support, ideas and hard work over the past year and would like to welcome Carissa Page and Mitch Davidson onto the Board, I feel the Board will only be better with you both involved.

The world and the Finance Industry are a continually challenging environment at the moment, so it is great to see the level of support from all involved.

It is only with everyone's continuing support and hard work that we can continue to be successful in the future.



Jeff Riley
Chairman

Manager's report

For year ending 30 June 2021

In last year's report, I came to you with the many challenges our branch faced amid the COVID-19 pandemic. There were many changes that we were forced to implement, and many of those changes are still in place. Fortunately, 'Fortress WA' and the safety of the south-west has ensured we have not experienced the extremities that our Eastern States counterparts have endured. Due to this, the business has certainly benefited.

I am pleased to report that our business, book and staff have continued to grow. We exceeded our targets for the 2020/21 financial year in both growth and profit.

We had a very impressive year in home loan approvals, recording \$20.193 million. This is the highest dollar value in approvals since the branch opened 20 years ago. The previous record was \$18.301 million in 2013/14.

Our business also grew by \$11.107 million, a 158.8% growth on the target of \$7 million.

This growth was made up of:

- Deposits: \$10.694 million
- Lending: \$1.551 million
- Other business: \$1.964 million.

Our insurance sales target was also exceeded, while our products per customer increased 1.7% to 2.024.

While all business levels were up, we did experience a decrease in the number of over-the-counter transactions. Numbers dropped by 3,365, from 37,067 in 2019/20 to 33,702.

The 2020/21 financial year was also a positive one for our community grants. We provided \$45,668 in funding, as well as \$113,000 from the Community Enterprise Foundation™.

This financial year also brought with it the closure of our two agencies – Darkan & Boyup Brook – in November. This was a tough but necessary business decision given the tightening of margins.

As I mentioned, while we mostly came out unscathed, COVID-19 did have lasting effects on the business. COVID-19 forced the cancellation of many events, and our annual Christmas tree was one of those casualties. We will however be back this year, which means we have many young customers (and staff) who are very excited!

We look forward to the continuation in connecting with our customers in the 2021/22 financial year, and I am pleased to report that we have already put in plenty of hard work for bigger and better results.

We continue to have a close working relationship with our business partners at Bendigo Bank: Regional Manager, Michelle Brace and our specialists from Business Banking, Rural Bank, Financial Planning, Local Operations and Branch Managers in the South West region for their assistance throughout the year.

And finally, I would like to acknowledge our staff, our customers, our Board of Directors and our shareholders for their ongoing support.



Narelle Michalak
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2021

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

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

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

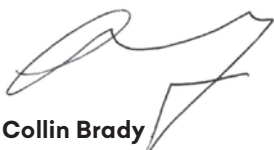
Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

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

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

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

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



Collin Brady
Head of Community Development

Directors' report

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

Directors

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

Jeffrey Ian Riley

Chair

Occupation: Self Employed

Qualifications, experience and expertise: Jeff has lived in Collie all of his life and has spent most of the last 40 years working as a carpenter. Jeff is self-employed running a building partnership with his wife Leigh. Jeff lives on a small family farm just out of Collie and he loves the Collie lifestyle (the bush and the river). Jeff is also the Community Bank WA State Representative for the collaborative marketing group and on the State preventative maintenance committee. Jeff is also Deputy Chair for the Collie Festival Committee for Festiv Arty. Jeff is also a volunteer firefighter for the Harris River Bush Fire Brigade.

Special responsibilities: Human Resources, Scholarship and Premises Committees

Interest in shares: 500 ordinary shares

Anne-Marie Kathryn Farrell

Secretary

Occupation: Manager/Business Owner

Qualifications, experience and expertise: Manager at Collie Motorplex for 5 years, Owner/Operator and Instructor of Alert Driving, Treasurer of Collie Suicide Prevention Network, Treasurer of Historic Competition Motorcycle Club of WA. Previously employed by South32 Worsley Alumina Pty Ltd for 24 years. Life Member of Collie Netball Association and Collie Ladies Dart Association.

Special responsibilities: Human Resources, Premises, Scholarship and Magic Moments Committees

Interest in shares: 3,000 ordinary shares

Ian Houghton Miffing

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Former Chief Executive Officer of the Shire of Collie, Justice of the Peace, Collie Shire Councillor, Board Secretary of The Coal Miners Welfare Board of WA. Member of Worsley Alumina Community Liaison Committee. Member of Griffin Coal Community Reference Board. Secretary of the North Collie Hall Management Group.

Special responsibilities: Marketing and Scholarship Committees

Interest in shares: 1,001 ordinary shares

Glyn Yates

Non-executive director

Occupation: Company Director

Qualifications, experience and expertise: Chair Keystart Home Loans Ltd, Chair Country Housing Authority, past Chair and Director Geographe Bay Community Enterprises Limited, Past Councillor and Deputy Shire President Shire of Collie, Past President Collie Chamber of Commerce and Industry Inc., Past National Chair and WA representative on the Community Bank National Council, Chair Accredited Grass-fed Beef Co-op. Tertiary Qualifications in Forestry, business proprietor for nearly 30 years. Business interests in forestry, land management, farming, commercial property and enterprise management, Graduate Australian Institute of Company Directors.

Other Directorships: Evergem Pty Ltd, G & R Yates Super Fund Pty Ltd, WFM Pty Ltd, Keystart Loans Ltd, Keystart Bonds Ltd, Keystart Support Pty Ltd, Keystart Support (subsidiary) Pty Ltd, Keystart Scheme Management Pty Ltd.

Special responsibilities: Treasurer, Human Resources, Admin and Finance Committees

Interest in shares: 5,000 ordinary shares

Directors' report (continued)

Directors (continued)

Kenneth William Smallwood

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Ex-Chief Engineer UK Merchant Navy, emigrated to WA from Scotland in 1983. Worked in the Power Generation industry in WA, SE Asia and Singapore for over 24 years, in various positions in both operations and maintenance. Former Treasurer of Collie Community Bank.

Special responsibilities: Marketing and Premises Committees

Interest in shares: 20,000 ordinary shares

John Alfred Piavanini

Non-executive director

Occupation: Company Director/Business Owner

Qualifications, experience and expertise: Business proprietor selling new and used earthmover parts as well as rental and farming properties. Collie Shire Councillor for 15 years, past Member of the Board of Collie Chamber of Commerce and Industry and a former Board Member of the Bunbury Wellington Economic Alliance. Vice President of Collie Vintage Tractor Club. President of Collie Vintage Car Club.

Special responsibilities: Chair Marketing and Premises Committee

Interest in shares: 2,501 ordinary shares

Julie Anne Pelliciarì

Non-executive director

Occupation: Executive and Compliance Coordinator

Qualifications, experience and expertise: Member of Australian Institute of Company Directors; volunteering on many community organisations and held various officer positions; involvement in the development of business strategic plans and risk and continuity plans for medium to large businesses; partner of family business.

Special responsibilities: Marketing and Finance Committees

Interest in shares: 500 ordinary shares

Mitchell Kris Davidson

Non-executive director (appointed 18 March 2021)

Occupation: Licensed Real Estate Agent

Qualifications, experience and expertise: Currently a Licensed Real Estate Agent and Branch Manager for LJ Hooker Collie Office. Formerly a Sales Agent for Summit Realty Southwest, 14 years at Griffin Coal as a Production Operator, with eight years as an Explosives Technician (Shot Firer), Horticultural Apprentice at Shire of Collie between 2002-2005, Swimming Instructor at Department of Education between 2001-2006. Voluntary work - Meals on Wheels, member of the Collie Chamber of Commerce and Griffin Social Club Committee.

Special responsibilities: Marketing and Community Development Committees

Interest in shares: nil share interest held

Carissa Jane Page

Non-executive director (appointed 18 March 2021)

Occupation: Bus Driver

Qualifications, experience and expertise: Diploma of Management, past owner of Chicken Treat, Collie, bus driver and admin assistant, Vice President Fairview Primary P & C, Secretary Fairview Primary School Board.

Other Directorships: Pageys Pty Ltd

Special responsibilities: Finance Committee

Interest in shares: 200 ordinary shares

Directors' report (continued)

Directors (continued)

Pamela Jean Anderson

Non-executive director (resigned 6 November 2020)

Occupation: Retail, OPSM, Collie

Qualifications, experience and expertise: Community member on Miners Welfare Board, Secretary/Treasurer - Collie Community Radio, Board Member - Riverview Residence, Research Officer for Mick Murray MLA.

Special responsibilities: Scholarship Committee

Interest in shares: 400 ordinary shares

Sarah Jane Stanley

Non-executive director (resigned 24 November 2020)

Occupation: Consultant

Qualifications, experience and expertise: Primary consultant for Gumfire Marketing. Owner/Operator of Black Diamond Lodge. Shire President for the Shire of Collie, and a member/chair of a number of committees and panels, including the Economic Development Advisory Panel, Local Emergency Management Committee, Policy Committee and representative of the Shire of Collie on the South West Regional Road Group, South West Zone of the WA Local Government Association, Collie Futures Economic Advisory Group and Deputy Chair of the Bunbury Geopraphe Economic Alliance. Member of Collie River Valley Marketing Inc. and Collie Radio Control Club Inc. Previous experience includes inaugural director of Collie Art Gallery, international communications and community relations for Worsley Alumina and Bechtel.

Special responsibilities: Human Resources and Finance Committees

Interest in shares: 500 ordinary shares

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

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

Company Secretary

The company secretary is Anne-Marie Farrell. Anne was appointed to the position of secretary on 23 November 2015.

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
\$	\$
227,830	268,868

Directors' report (continued)

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Sarah Jane Stanley	500	-	500
Jeffrey Ian Riley	500	-	500
Anne-Marie Kathryn Farrell	3,000	-	3,000
Ian Houghton Miffing	1,001	-	1,001
Glyn Yates	5,000	-	5,000
Kenneth William Smallwood	20,000	-	20,000
John Alfred Piavanini	2,501	-	2,501
Julie Anne Pelliciar	500	-	500
Mitchell Kris Davidson	-	-	-
Carissa Jane Page	200	-	200
Pamela Jean Anderson	400	-	400

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	32.29	138,974

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 companies financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

In November 2020 the company made the decision to close its two Bendigo Bank agencies in Darkan and Boyup Brook.

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' report (continued)

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 26 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Marketing		Human Resources		Finance		Premises		Scholarship	
<i>E - eligible to attend</i>	<i>A</i>		<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
<i>A - number attended</i>												
Jeffrey Ian Riley	12	11	-	-	5	5	1	1	-	-	1	1
Anne-Marie Kathryn Farrell	12	10	1	1	3	3	-	-	-	-	1	1
Ian Houghton Miffling	12	11	8	8	-	-	-	-	-	-	1	1
Glyn Yates	12	12	-	-	5	5	1	1	-	-	-	-
Kenneth William Smallwood	12	12	8	8	-	-	-	-	-	-	-	-
John Alfred Piavanini	12	12	8	8	-	-	-	-	-	-	-	-
Julie Anne Pellicieri	12	11	8	6	-	-	2	2	-	-	-	-
Mitchell Kris Davidson	4	3	1	1	-	-	-	-	-	-	-	-
Carissa Jane Page	4	4	-	-	-	-	1	1	-	-	-	-
Pamela Jean Anderson	5	3	-	-	-	-	-	-	-	-	-	-
Sarah Jane Stanley	6	6	-	-	2	2	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*.

Directors' report (continued)

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 25 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 11.

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



Jeffrey Ian Riley, Chair

Dated this 27th day of August 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 Collie & Districts Community Financial Services Limited

As lead auditor for the audit of Collie & Districts 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: 27 August 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	1,527,196	1,642,021
Other revenue	9	74,814	100,542
Finance income	10	1,433	1,561
Employee benefit expenses	11e)	(703,470)	(713,790)
Charitable donations, sponsorship, advertising and promotion	11c)	(398,761)	(437,447)
Occupancy and associated costs		(26,396)	(21,479)
Systems costs		(25,303)	(26,517)
Depreciation and amortisation expense	11a)	(39,278)	(40,844)
Finance costs	11b)	(8)	(11)
General administration expenses		(119,074)	(150,696)
Profit before income tax expense		291,153	353,340
Income tax expense	12a)	(63,323)	(84,472)
Profit after income tax expense		227,830	268,868
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		227,830	268,868
Earnings per share		¢	¢
- Basic and diluted earnings per share:	28a)	52.95	62.49

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	449,324	368,599
Trade and other receivables	14a)	139,289	136,786
Total current assets		588,613	505,385
Non-current assets			
Property, plant and equipment	15a)	691,458	704,453
Intangible assets	16a)	3,731	14,923
Deferred tax asset	17b)	4,755	6,396
Total non-current assets		699,944	725,772
Total assets		1,288,557	1,231,157
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	9,655	27,212
Current tax liabilities	17a)	10,385	18,846
Loans and borrowings	19a)	166	158
Employee benefits	20a)	87,891	88,298
Total current liabilities		108,097	134,514
Non-current liabilities			
Employee benefits	20b)	9,272	14,311
Total non-current liabilities		9,272	14,311
Total liabilities		117,369	148,825
Net assets		1,171,188	1,082,332
EQUITY			
Issued capital	21a)	430,259	430,259
Retained earnings	22	740,929	652,073
Total equity		1,171,188	1,082,332

The accompanying notes form part of these financial statements

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

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019		430,259	501,440	931,699
Total comprehensive income for the year		-	268,868	268,868
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	27	-	(118,235)	(118,235)
Balance at 30 June 2020		430,259	652,073	1,082,332
Balance at 1 July 2020		430,259	652,073	1,082,332
Total comprehensive income for the year		-	227,830	227,830
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	27	-	(138,974)	(138,974)
Balance at 30 June 2021		430,259	740,929	1,171,188

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,757,382	1,894,799
Payments to suppliers and employees		(1,449,039)	(1,507,133)
Interest received		1,433	1,561
Lease payments not included in the measurement of lease liabilities	11f)	(4,842)	(8,670)
Income taxes paid		(70,143)	(31,526)
Net cash provided by operating activities	23	234,791	349,031
Cash flows from investing activities			
Payments for property, plant and equipment		(15,092)	(44,223)
Proceeds from sale of property, plant and equipment		-	18,181
Net cash used in investing activities		(15,092)	(26,042)
Cash flows from financing activities			
Dividends paid	27	(138,974)	(118,235)
Net cash used in financing activities		(138,974)	(118,235)
Net cash increase in cash held		80,725	204,754
Cash and cash equivalents at the beginning of the financial year		368,599	163,845
Cash and cash equivalents at the end of the financial year	13	449,324	368,599

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 Collie & Districts 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
70 Forrest Street Collie WA 6225	70 Forrest Street Collie WA 6225

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 26.

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 27 August 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

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.

Notes to the financial statements (continued)

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

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

Ability to change financial return

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

Rental income

Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.

Sale of property, plant and equipment

Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

Discretionary financial contributions (also "Market Development Fund" or "MDF" income)

MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.

Cash flow boost

Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

Other income

All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Notes to the financial statements (continued)

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

b) Other revenue (*continued*)

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.

Notes to the financial statements (continued)

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

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.

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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line and/or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Building	Straight-line	40 years
Leasehold improvements	Straight-line	5 to 40 years
Plant and equipment	Straight-line and diminishing value	2.5 to 40 years
Motor vehicles	Diminishing value	3 to 6 years

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

Notes to the financial statements (continued)

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

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

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

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

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

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

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

i) Financial instruments

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

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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

j) Impairment (continued)

Non-financial assets

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

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

k) Issued capital

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

l) Leases

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.

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

<u>Note</u>	<u>Assumptions</u>
- Note 17 - 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 20 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;

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.

Notes to the financial statements (continued)

Note 6 Financial risk management (*continued*)

a) Credit risk

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

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

b) Liquidity risk

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

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

- A \$86,016 commercial loan facility secured by the company's assets. It was drawn to \$166 as at 30 June 2021. Interest is payable at a rate of 5.64% (2020: 5.64%)

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	166	166	-	-
Trade payables	2,798	2,798	-	-
	<u>2,964</u>	<u>2,964</u>	<u>-</u>	<u>-</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	158	158	-	-
Trade payables	8,538	8,538	-	-
	<u>8,696</u>	<u>8,696</u>	<u>-</u>	<u>-</u>

c) Market risk

Market risk

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

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

Price risk

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

Notes to the financial statements (continued)

Note 6 Financial risk management (continued)

c) Market risk (continued)

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 held cash and cash equivalents of \$449,324 at 30 June 2021 (2020: \$368,599). 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	1,260,029	1,367,605
- Fee income	99,467	102,222
- Commission income	167,700	172,194
	<u>1,527,196</u>	<u>1,642,021</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Sub-leasing income	24,312	23,185
- Market development fund income	-	10,000
- Cash flow boost	50,000	50,000
- Sale of property, plant and equipment	-	14,857
- Other income	502	2,500
	<u>74,814</u>	<u>100,542</u>

Notes to the financial statements (continued)

Note 10 Finance income

	2021 \$	2020 \$
- Cash at bank	1,433	1,561

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

Note 11 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
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Depreciation of non-current assets:

- Buildings	8,986	8,986
- Leasehold improvements	5,797	9,424
- Plant and equipment	4,522	3,911
- Motor vehicles	8,781	7,331
	<u>28,086</u>	<u>29,652</u>

Amortisation of intangible assets:

- Franchise fee	2,238	2,238
- Franchise renewal process fee	8,954	8,954
	<u>11,192</u>	<u>11,192</u>
	<u>39,278</u>	<u>40,844</u>

Total depreciation and amortisation expense

b) Finance costs

- Bank loan interest paid or accrued	8	11
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Finance costs are recognised as expenses when incurred using the effective interest rate.

c) Charitable donations, sponsorship, advertising and promotion

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

	Note	2021 \$	2020 \$
- Direct sponsorship, advertising, and promotion payments		13,761	52,447
- Contribution to the Community Enterprise Foundation™ (CEF)	11d)	385,000	385,000
		<u>398,761</u>	<u>437,447</u>

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

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

Notes to the financial statements (continued)

Note 11 Expenses (*continued*)

d) Community Enterprise Foundation™ contributions

During the financial year the company contributed funds to the CEF, the philanthropic arm of the Bendigo Bank. These contributions paid in form part of charitable donations and sponsorship expenditure included in profit or loss.

<i>Disaggregation of CEF funds</i>	Note	2021 \$	2020 \$
Opening balance		902,426	720,342
Contributions paid in	11c)	385,000	385,000
Grants paid out		(115,800)	(193,404)
GST provision		(35,000)	
GST rebates		2,800	-
Interest received		5,543	7,986
Management fees incurred		(17,498)	(17,498)
Balance available for distribution		<u>1,127,471</u>	<u>902,426</u>

e) Employee benefit expenses

Wages and salaries	622,511	633,572
Non-cash benefits	11,997	-
Contributions to defined contribution plans	59,065	57,423
Expenses related to long service leave	(4,265)	1,253
Other expenses	14,162	21,542
	<u>703,470</u>	<u>713,790</u>

f) Recognition exemption

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

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>10,665</u>	<u>8,670</u>

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2021 \$	2020 \$
<i>Current tax expense</i>		
- Current tax	61,682	71,340
- Movement in deferred tax	1,451	12,763
- Reduction in company tax rate	190	369
	<u>63,323</u>	<u>84,472</u>

Notes to the financial statements (continued)

Note 12 Income tax expense (continued)

b) <i>Prima facie</i> income tax reconciliation	2021 \$	2020 \$
Operating profit before taxation	291,153	353,340
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	75,700	97,169
Tax effect of:		
- Non-deductible expenses	434	684
- Temporary differences	(1,451)	(12,763)
- Other assessable income	(13,001)	(13,750)
- Movement in deferred tax	1,451	12,763
- Movement in company tax rate	190	369
	<u>63,323</u>	<u>84,472</u>

Note 13 Cash and cash equivalents

	2021 \$	2020 \$
Cash at bank and on hand	<u>449,324</u>	<u>368,599</u>

Note 14 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	133,361	134,754
Prepayments	5,928	2,032
	<u>139,289</u>	<u>136,786</u>

Note 15 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Land</i>		
At cost	<u>200,000</u>	<u>200,000</u>
<i>Buildings</i>		
At cost	359,421	359,421
Less: accumulated depreciation	(86,257)	(77,271)
	<u>273,164</u>	<u>282,150</u>
<i>Leasehold improvements</i>		
At cost	223,079	223,079
Less: accumulated depreciation	(61,796)	(55,999)
	<u>161,283</u>	<u>167,080</u>

Notes to the financial statements (continued)

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

a) Carrying amounts (<i>continued</i>)	2021	2020
	\$	\$
<i>Plant and equipment</i>		
At cost	69,299	54,208
Less: accumulated depreciation	(47,124)	(42,602)
	<u>22,175</u>	<u>11,606</u>
<i>Motor vehicles</i>		
At cost	43,906	43,906
Less: accumulated depreciation	(9,070)	(289)
	<u>34,836</u>	<u>43,617</u>
Total written down amount	<u>691,458</u>	<u>704,453</u>
b) Reconciliation of carrying amounts	2021	2020
	\$	\$
<i>Land</i>		
Carrying amount at beginning	200,000	200,000
	<u>200,000</u>	<u>200,000</u>
<i>Buildings</i>		
Carrying amount at beginning	282,150	291,136
Depreciation	(8,986)	(8,986)
	<u>273,164</u>	<u>282,150</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning	167,080	176,504
Depreciation	(5,797)	(9,424)
	<u>161,283</u>	<u>167,080</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	11,606	15,199
Additions	15,091	318
Depreciation	(4,522)	(3,911)
	<u>22,175</u>	<u>11,606</u>
<i>Motor vehicles</i>		
Carrying amount at beginning	43,617	10,367
Additions	-	25,725
Disposals	-	14,856
Depreciation	(8,781)	(7,331)
	<u>34,836</u>	<u>43,617</u>
Total written down amount	<u>691,458</u>	<u>704,453</u>

Notes to the financial statements (continued)

Note 16 Intangible assets

a) Carrying amounts	2021 \$	2020 \$
<i>Franchise fee</i>		
At cost	61,192	61,192
Less: accumulated amortisation	(60,445)	(58,207)
	<u>747</u>	<u>2,985</u>
<i>Franchise renewal process fee</i>		
At cost	44,769	44,769
Less: accumulated amortisation	(41,785)	(32,831)
	<u>2,984</u>	<u>11,938</u>
Total written down amount	<u>3,731</u>	<u>14,923</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	2,985	5,223
Amortisation	(2,238)	(2,238)
	<u>747</u>	<u>2,985</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	11,938	20,892
Amortisation	(8,954)	(8,954)
	<u>2,984</u>	<u>11,938</u>
Total written down amount	<u>3,731</u>	<u>14,923</u>
c) Changes in estimates		
During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.		

Note 17 Tax assets and liabilities

a) Current tax	2021 \$	2020 \$
Income tax payable	<u>10,385</u>	<u>18,846</u>

Notes to the financial statements (continued)

Note 17 Tax assets and liabilities (continued)

b) Deferred tax

Deferred tax assets

- employee provisions	24,291	26,717
Total deferred tax assets	24,291	26,717

Deferred tax liabilities

- property, plant and equipment	19,536	20,321
Total deferred tax liabilities	19,536	20,321

Net deferred tax assets (liabilities)	4,755	6,396
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Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	1,641	(13,133)
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Note 18 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	2,798	8,538
Other creditors and accruals	6,857	18,674
	9,655	27,212

Note 19 Loans and borrowings

a) Current liabilities

	2021 \$	2020 \$
Current portion of secured bank loans	166	158

b) Terms and repayment schedule

	Nominal interest rate	30 June 2021		30 June 2020	
		Face value	Carrying value	Face value	Carrying value
Secured bank loans	5.6%	166	166	158	158

Note 20 Employee benefits

a) Current liabilities

	2021 \$	2020 \$
Provision for annual leave	39,620	40,801
Provision for long service leave	48,271	47,497
	87,891	88,298

b) Non-current liabilities

Provision for long service leave	9,272	14,311
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Notes to the financial statements (continued)

Note 20 Employee benefits (*continued*)

c) Key judgement and assumptions

Employee attrition rates

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 21 Issued capital

a) Issued capital

	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	430,259	430,259	430,259	430,259

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*.

Notes to the financial statements (continued)

Note 21 Issued capital (*continued*)

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

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 22 Retained earnings

	2021 \$	2020 \$
Balance at beginning of reporting period	652,073	501,440
Net profit after tax from ordinary activities	227,830	268,868
Dividends provided for or paid	(138,974)	(118,235)
Balance at end of reporting period	<u>740,929</u>	<u>652,073</u>

Notes to the financial statements (continued)

Note 23 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	227,830	268,868
Adjustments for:		
- Depreciation	28,086	29,652
- Amortisation	11,192	11,192
- (Profit)/loss on disposal of non-current assets	-	(14,857)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(2,503)	(115)
- (Increase)/decrease in other assets	1,641	34,101
- Increase/(decrease) in trade and other payables	(17,548)	(7,851)
- Increase/(decrease) in employee benefits	(5,446)	9,195
- Increase/(decrease) in tax liabilities	(8,461)	18,846
Net cash flows provided by operating activities	<u>234,791</u>	<u>349,031</u>

Note 24 Financial instruments

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

	Note	2021 \$	2020 \$
Financial assets			
Trade and other receivables	14	133,361	134,754
Cash and cash equivalents	13	449,324	368,599
		<u>582,685</u>	<u>503,353</u>
Financial liabilities			
Trade and other payables	18	2,798	8,538
Secured bank loans	19	166	158
		<u>2,964</u>	<u>8,696</u>

Note 25 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	1,300	1,300
- General advisory services	3,070	2,400
- Share registry services	3,159	-
Total auditor's remuneration	<u>12,529</u>	<u>8,500</u>

Notes to the financial statements (continued)

Note 26 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Jeffrey Ian Riley
Anne-Marie Kathryn Farrell
Ian Houghton Miffing
Glyn Yates
Kenneth William Smallwood
John Alfred Piavanini
Julie Anne Pelliciar
Mitchell Kris Davidson
Carissa Jane Page
Pamela Jean Anderson
Sarah Jane Stanley

b) Key management personnel compensation

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

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

c) Related party transactions

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

	2021 \$	2020 \$
<i>Transactions with related parties</i>		
- Sarah Stanley received remuneration for marketing services carried out by Collie River Valley Marketing Inc. The total benefit received was:	-	419

Note 27 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 flows.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	32.29	138,974	27.48	118,235

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

Notes to the financial statements (continued)

Note 27 Dividends provided for or paid *(continued)*

b) Franking account balance	2021 \$	2020 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	397,630	410,952
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	1,348	(50,178)
- Franking debits from the payment of income tax instalments	68,795	81,704
- Franking debits from the payment of franked distributions	(48,829)	(44,848)
Franking account balance at the end of the financial year	418,944	397,630
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	10,385	18,846
Franking credits available for future reporting periods	429,329	416,476
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 28 Earnings per share

a) Based and diluted earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	227,830	268,868
	Number	Number
Weighted-average number of ordinary shares	430,259	430,259
	Cents	Cents
Basic and diluted earnings per share	52.95	62.49

Note 29 Commitments

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

Note 30 Contingencies

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

Note 31 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Collie & Districts 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.



Jeffrey Ian Riley, Chair

Dated this 27th day of August 2021

Independent audit report



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Independent auditor's report to the Directors of Collie & Districts Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Collie & Districts 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 Collie & Districts 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.



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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: 27 August 2021

Joshua Griffin
Lead Auditor

Community Bank • Collie & Districts

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