2021 Annual Report

Dancoor Community Finances Limited

ABN 32 121 053 129

Community Bank · Dandaragan Coorow

Contents

Chairman's report

For year ending 30 June 2021

I am pleased to provide my Chairman's report for the Dancoor Community Finances Limited Annual Report for the 2020/21 financial year.

Bendigo and Adelaide Bank Limited is consistently ranked as one of Australia's most trusted brands and the top-rated Bank for customer experience. The Bank continues to attract new customers and focuses on investment in growth. Our local Community Bank Dandaragan Coorow continues to attract additional customers and we have continued to grow our business throughout the 2020/21 year.

Our three-year Business Development Plan outlined in our last Annual Report is in its final year and will be updated for the next three years by the time of the AGM in November. As an integral part of our plan, Rural Bank accreditation has allowed us to add a portfolio of loans to farmers across our region, adding to income achieved from all existing operations. We have a very strong focus in this area going forward and have some strong opportunities for growth in this area throughout 2021/22.

As a Community Bank we have continued providing donations, sponsorships and grants to a range of sporting and community groups throughout our branch area. This is very satisfying, but we know that if we grow, we can do so much more.

The growth has again exceeded our expectations with new accounts being opened and total business within the branch has almost reached the $80 million milestone.

These figures are very satisfying, and we thank our shareholders, our customers and the broader Community Bank Dandaragan Coorow region for giving us such continuing strong support.

Along with the rest of the Board, I would again like to extend our gratitude to our Branch Manager Stephen Brown and his team. Once again, we have recorded 12 months of operations without any change to staff, this continuity is something our customers appreciate. The hard work and dedication of the past year has been rewarded with the results that have been achieved.

Our Coorow Agency continues to perform very well, and I thank Deb Maley and her team at the CRC for their ongoing commitment and service to the community of Coorow and surrounding areas.

I would also like to thank numerous staff at Bendigo and Adelaide Bank who continue to work with us and support us as we work through our Business Plan and continue to grow our book and cement our future.

As Directors we continue to take our responsibilities seriously through the ongoing review of our corporate governance practices. The Board has continued to develop long term strategies for business growth and the fulfilment of our charter with some exciting community partnerships.

We continue to remain confident in the long-term future and growth prospects of the branch and look forward to the continued support of the shareholders and the greater community. I would like to thank my fellow Directors and those who have retired throughout the year, for their confidence and support.

Peter House
Chairman

Manager's report

For year ending 30 June 2021

I am pleased to present to shareholders my third annual report on Community Bank Dandaragan Coorow and Agency operations of Dancoor Community Finances Limited for the 2020/21 year.

During the 2020/21 year the Board and staff plan focused on continuation of growth in our loan book in particular with Rural Bank as per the Business plan developed in 2018/19. As a result, we have achieved good growth in the loan book size which now sits at around $80 million compared to $62 million in 2018 when I commenced. The result of this growth has been an increase in revenue for the year, and with continued control on our costs, a profit of circa $52,000 for the year ended 30 June 30 2021, an increase of 59% on the 2020 result. This is an extremely pleasing result bearing in mind the long history of trading losses pre-2020. As a result of this continuation of profits we have been able to repay our Overdraft Facility of $100,000 with Bendigo and Adelaide Bank Limited.

The result has been achieved despite a number of factors outside the control of the Directors, Manager and Bendigo and Adelaide Bank including ongoing historically low official interest rates from the Reserve Bank and some ongoing issues with COVID-19. On a positive note, the real estate market strengthened considerably on the back of State and Federal Government stimulus packages which resulted in an increase in Home Loans written during the year.

Further factors outside our control which will challenge us going forward are the significant reduction in the number of Credit Cards, replaced by Buy Now Pay Later Providers, the increase in Tap and Go limits reducing the dependence on cash and very low interest rates on loans for motor vehicles from Motor Vehicle Dealers resulting in a lower demand for Personal Loans. Margins have also continued to have an impact on revenue for the year.

To offset these challenges, Community Bank Dandaragan Coorow will need to continue to grow our Book with new business and control costs at the same time. Our focus for the coming year will be to continue to grow the Rural Bank portion of our Book as these are larger loans and generally do not run off like Home Loans, Personal Loans and Credit Cards. At the same time, we are looking to develop and increase our Home Loan via marketing outside our immediate Community Bank and Agency area. The Board have set a budget for the 2021/22 year to achieve another profit. The start to this year has been positive for the first three months.

During the early part of 2022, our current Lease Agreement on our premises will expire. At this time, we are required by Bendigo Bank to undertake an upgrade to our premises and in particular the signage and branding as Bendigo Bank have changed their logo and associated advertising. In addition to this, April 2022 marks our 15th year as a Community Bank so we will be planning to celebrate this achievement at the same time.

The Coorow Agency continues to be a valuable part of our business plan and strategy for the future.

During the year we continued our support to numerous groups within our area via Community Grants, Sponsorships and Donations. For the 2020/21 year, a total of $16,947 was distributed to community groups in our region.

Early in the 2020/21 year there was an impact on events as a result of COVID-19 via restrictions introduced by State and Federal Governments which have been lifted allowing many groups to recommence activities. To grow our business, we have focused our Grants and Sponsorships to towns outside Jurien Bay, including Coorow, Three Springs, Badgingarra, Dandaragan and Eneabba.

Finally, I would like to thank the Board, current and new Directors, for their support throughout the year, our staff, Nikita, Wendy, Sharon and Erica for their support and contribution to operations for the year and finally Kevin Bright for his support to us all in achieving our continued growth in the Rural Bank portion of our loan book.

I encourage you all to help spread the word about what our Community Bank is all about. When we can offer great products, great service and a tangible benefit to your community, why wouldn't you bank with us?

Stephen Brown
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:

Peter John Edwin House
Non-executive director
Occupation: General Manager
Qualifications, experience and expertise: With over 20 years of experience in supervisory roles, Peter is adept in the management of people, scheduled performances and materials. Moreover, whilst his experience as a Café Manager and Retail Sales Manager afforded him a well-rounded skill set, including first rate organisational and communication skills. He also exceeds in managing large teams of trades while ensuring safety, budget and time constraints are met without compromising quality. In his previous roles at Caltex, he has managed and led 6 direct reports who reported on franchise performances including sales and profit, acquisition and assets, safety and staff performance. At times he was required to provide effective supervision to about 1,250 indirect reports. He has the ability to motivate staff, nurture a culture of teamwork, teach others to remain calm under pressure and have superb decision making capabilities. He also has experience in managing underperforming staff and undertaking disciplinary procedures when required.
Special responsibilities: Chair, Audit and Finance Committee
Interest in shares: nil share interest held

Keiran Ashley Sullivan
Non-executive director
Occupation: Chartered Accountant
Qualifications, experience and expertise: Keiran is a Director and Partner of RSM Australia Pty Ltd which is currently the 6th largest global audit, tax and consulting network. He is a Chartered Accountant and member of ICAANZ. He is also a Chartered Tax Advisor and member of the Tax Institute of Australia. He has over 20 years of accounting, tax and advisory experience and holds a Bachelor of Business degree from Edith Cowan University. Keiran is also involved in local not for profit and sporting groups.
Special responsibilities: Treasurer, Audit and Finance Committee
Interest in shares: 1,000 ordinary shares

Robert William Shanhun
Non-executive director
Occupation: Self employed - Remedial Massage Therapist
Qualifications, experience and expertise: Past & present occupations: Twenty-two years working for a number of Local Government Authorities within finance, administration and community development sectors. Eight years working for the State Government of Western Australia with the Department of Indigenous Affairs - Principal Policy and Projects Officer; and Department of Lands - Manager Native Title; and Department of Lands Business Manager. Involvement in Community Groups: I am currently a member of the Jurien Bay Men's Shed; and playing member and Secretary of the Cervantes Bowling Club. Formerly involved with Albany Volunteer Resource Centre – Chairman; Albany Youth Support Association – Chairman; Albany Boating & Offshore Fishing Club – President. Over 40 years involvement with various other community groups. Tertiary qualifications: Diploma - Community Welfare Work; Diploma - Community Service Management; Advanced Diploma - Business Management; Diploma - Remedial Massage. Employment Skills: Trained as a workplace trainer and facilitator, with skills in project management; policy development; and risk management.
Special responsibilities: Nil
Interest in shares: nil share interest held

Directors *(continued)*

Matthew James Sporn
Non-executive director
Occupation: Mobile Relationship Manager - Bendigo Bank
Qualifications, experience and expertise: 8 years working in Banking and Finance with Bendigo and Adelaide Bank, specialising in residential and small business lending, involvement in community organisations such as Rockingham/Kwinana Young Professionals and member of Perth Young Professionals. Experience in marketing through social media platforms and engagement with youth. Qualifications include Tier 1, RG146 Generic Knowledge, Certificate IV Frontline Management, Duties of Officers and Directors GIA.
Special responsibilities: Nil
Interest in shares: nil share interest held

Alison Margaret Cooke
Non-executive director
Occupation: Research Officer - Dept Premier & Cabinet
Qualifications, experience and expertise: Tertiary qualifications - Bachelor of Business (Horticulture) with 30 years experience working in SME. This includes working in journalism for trade papers in WA and the UK. Partner in mixed farming enterprise at Badgingarra. Mother of two with a strong commitment to local community and sporting groups. Longstanding involvement with Badgingarra P & C including President & Secretary. Previously served on the state reference group for Partners in Grain (WA).
Special responsibilities: Nil
Interest in shares: nil share interest held

Nathaniel Joseph O'Hare
Non-executive director
Occupation: Farm Management Consultant
Qualifications, experience and expertise: Director of Prosper Agri Management (2016 - Present). Farm Management & Investment Advisory. Farmers Grains Councillor (2017 - Present). Associate Degree in Agribusiness Curtin University 2004.
Special responsibilities: Audit and Finance Committee
Interest in shares: nil share interest held

Suza Todorovska
Non-executive director (appointed 27 November 2020)
Occupation: Mobile Relationship Manager
Qualifications, experience and expertise: Suza is a Mobile Relationship Manager at Bendigo and Adelaide Bank Ltd, one of Australia's largest retail banks. She has been employed in the Banking and Finance Industry for over 30 years, having worked her way from entry level positions to leadership roles with up to 11 direct reports. Her previous experience includes Branch Manager Kingsway Branch, where she grew the business from $91mil to $108mil, Business Banking Manager responsible for business portfolio worth $134mil. She is focussed on providing financial solutions to customers and delivering on organisational strategic goals by driving asset growth and increasing market share. Her involvement with various community groups and passionate about contributing to their sustainability and success. Qualifications include FSRA Tier , Certificate IV Frontline Management.
Special responsibilities: Nil
Interest in shares: nil share interest held

Directors *(continued)*

Anthony Patrick O'Gorman
Non-executive director (appointed 22 January 2021 and resigned 27 April 2021)
Occupation: Economic Development Manager
Qualifications, experience and expertise: Anthony's qualifications include Trade Mechanical Fitter, Curtin University Administrator Properties. He is a Member for Joonndalup Economic Development Manager Shire of Dandaragan.
Special responsibilities: Nil
Interest in shares: nil share interest held

Jolanta Anna Rutkowska
Non-executive director (resigned 24 July 2020)
Occupation: Middle Markets Manager
Qualifications, experience and expertise: Jolanta is a Middle Markets Manager at Bendigo and Adelaide Bank, which involves increasing market share of Bendigo Bank core banking business and all its alliance services by identifying lending opportunities in the broader market for asset & liability growth through business development ensuring all existing & new customers financial needs are met. Jolanta previously worked at St George Bank as a Senior Relationship Manager (February 2015 to May 2015), Senior Relationship Manager Property Finance (October 2006 to February 2015), Relationship Manager Property Finance (August 2004 to October 2006), Relationship Manager Private Banking (July 2003 to July 2004), Senior Account Executive (July 2002 to July 2003) and Account Executive (October 1998 to June 2002). She also worked as a Business Banking Credit Analyst at Challenge Bank from April 1994 to September 1998. Jolanta is a member of CPA Australia and also holds a Bachelor of Business, double major in Accounting & Finance.
Special responsibilities: Nil
Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Sharon Diane Young. Sharon was appointed on 22 November 2019.

Qualifications, experience and expertise: Over the past 30 years Sharon has had numerous and varied roles in a wide range of industries including serving as a member of the RAAF. Sharon has had extensive experience in administrative roles from leaving school as a Junior Secretary within the earthmoving equipment industry, from there she moved into Executive Secretary roles for the Hyatt Regency Hotel, HR Department and Executive Secretary for the Printing & Allied Trades Employers Federation of Australia (P.A.T.E.F.A). Sharon has ventured into the Banking industry working as a customer service officer for Bankwest. Sharon is currently employed by Bendigo Bank as a Customer Service Officer and is a Board Support Officer of Dancoor CFL effective 30 April 2018.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of these activities during the financial year.

Operating results

The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2021 $	Year ended 30 June 2020 $
52,595	33,097

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Peter John Edwin House	-	-	-
Keiran Ashley Sullivan	1,000	-	1,000
Robert William Shanhun	-	-	-
Matthew James Sporn	-	-	-
Alison Margaret Cooke	-	-	-
Nathaniel Joseph O'Hare	-	-	-
Suza Todorovska	-	-	-
Anthony Patrick O'Gorman	-	-	-
Jolanta Anna Rutkowska	-	-	-

Dividends

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

E - eligible to attend
A - number attended

	Board Meetings Attended	
	E	A
Peter John Edwin House	12	9
Keiran Ashley Sullivan	12	10
Robert William Shanhun	12	9
Matthew James Sporn	12	6
Alison Margaret Cooke	12	11
Nathaniel Joseph O'Hare	12	8
Suza Todorovska	7	6
Jolanta Anna Rutkowska	1	1
Anthony Patrick O'Gorman	3	2

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 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 Jurien Bay, Western Australia.

Peter John Edwin House, Chair

Dated this 23rd 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 Dancoor Community Finances Limited

As lead auditor for the audit of Dancoor Community Finances 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: 23 August 2021

Joshua Griffin
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337

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	464,106	439,760
Other revenue	9	81,998	89,632
Employee benefit expenses	10c)	(272,329)	(266,603)
Charitable donations, sponsorship, advertising and promotion		(26,152)	(13,684)
Occupancy and associated costs		(20,302)	(25,599)
Systems costs		(19,099)	(19,176)
Depreciation and amortisation expense	10a)	(42,344)	(43,051)
Finance costs	10b)	(3,860)	(8,100)
General administration expenses		(75,447)	(82,962)
Profit before income tax expense		86,571	70,217
Income tax expense	11a)	(33,976)	(37,120)
Profit after income tax expense		52,595	33,097
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		52,595	33,097
Earnings per share		¢	¢
- Basic and diluted earnings per share:	29a)	3.49	2.20

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	12	34,795	1,009
Trade and other receivables	13a)	64,825	46,149
Total current assets		99,620	47,158
Non-current assets			
Property, plant and equipment	14	2,653	3,907
Right-of-use assets	15	28,878	54,173
Intangible assets	16	10,073	23,504
Deferred tax asset	17a)	376,429	410,404
Total non-current assets		418,033	491,988
Total assets		517,653	539,146
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	45,111	33,913
Loans and borrowings	19a)	-	13,454
Lease liabilities	20a)	31,785	51,724
Employee benefits	22a)	22,456	25,114
Provisions	21a)	14,954	-
Total current liabilities		114,306	124,205
Non-current liabilities			
Trade and other payables	18b)	-	14,935
Lease liabilities	20b)	-	34,323
Employee benefits	22b)	8,601	9,276
Provisions	21b)	-	14,256
Total non-current liabilities		8,601	72,790
Total liabilities		122,907	196,995
Net assets		394,746	342,151
EQUITY			
Issued capital	23a)	1,578,820	1,578,820
Accumulated losses	24	(1,184,074)	(1,236,669)
Total equity		394,746	342,151

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		1,578,820	(1,269,766)	309,054
Total comprehensive income for the year		-	33,097	33,097
Balance at 30 June 2020		**1,578,820**	**(1,236,669)**	**342,151**
Balance at 1 July 2020		1,578,820	(1,236,669)	342,151
Total comprehensive income for the year		-	52,595	52,595
Balance at 30 June 2021		**1,578,820**	**(1,184,074)**	**394,746**

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		586,559	577,592
Payments to suppliers and employees		(459,162)	(444,068)
Interest paid		(117)	(1,955)
Lease payments (interest component)	10b)	(3,045)	(5,479)
Lease payments not included in the measurement of lease liabilities	10d)	(6,791)	(6,346)
Net cash provided by operating activities	25	117,444	119,744
Cash flows from investing activities			
Payments for property, plant and equipment		(636)	(1,625)
Payments for intangible assets		(13,577)	(13,577)
Net cash used in investing activities		(14,213)	(15,202)
Cash flows from financing activities			
Lease payments (principal component)		(55,991)	(49,270)
Net cash used in financing activities		(55,991)	(49,270)
Net cash increase in cash held		47,240	55,272
Cash and cash equivalents at the beginning of the financial year		(12,445)	(67,717)
Cash and cash equivalents at the end of the financial year	12b)	34,795	(12,445)

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 Dancoor Community Finances 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
11 Sandpiper Street Jurien Bay WA 6516	11 Sandpiper Street Jurien Bay WA 6516

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 23 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.

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

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

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

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	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).
Department of Transport	A contract exists between the CEO of the Department of Transport of 140 William St Perth and the company.

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

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.

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.

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. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line 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
Motor vehicles	Straight line	5 years

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

h) Intangible assets

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

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

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

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

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

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

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

i) Financial instruments

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

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

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

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

j) 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.

k) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

l) Provisions

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

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

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

m) Leases

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

As a lessee

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

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

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

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

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 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 14 - 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.

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

- An overdraft facility that is unsecured with available facility of $100,000. Interest is payable at a rate of 2.04% (2020: 4.80%)

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

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
Chattel Mortgage	1,725	1,725	-	-
Lease liabilities	31,785	31,785	-	-
Trade and other payables	45,111	45,111	-	-
	78,621	78,621	-	-

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
Bank overdraft	13,454	13,454	-	-
Lease liabilities	89,738	54,750	34,988	-
Trade and other payables	48,848	33,913	14,935	-
	152,040	102,117	49,923	-

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.

Note 6 Financial risk management *(continued)*

c) Market risk *(continued)*

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. 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 $34,795 at 30 June 2021 (2020: $1,009). The cash and cash equivalents are held with Bendgio 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	313,213	312,070
- Fee income	31,928	31,980
- Commission income	118,965	95,710
	464,106	439,760

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	35,625	35,833
- Cash flow boost	13,809	23,015
- Department of transport income	32,564	30,784
	81,998	89,632

Note 10 Expenses

	2021 $	2020 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Plant and equipment	1,890	3,029
Depreciation of right-of-use assets		
- Leased land and buildings	21,735	21,303
- Leased motor vehicles	5,288	5,288
	27,023	26,591
Amortisation of intangible assets:		
- Franchise fee	2,239	2,239
- Franchise renewal process fee	11,192	11,192
	13,431	13,431
Total depreciation and amortisation expense	42,344	43,051

b) Finance costs

	2021 $	2020 $
- Bank overdraft interest paid or accrued	492	1,995
- Lease interest expense	2,670	5,439
- Unwinding of make-good provision	698	666
	3,860	8,100

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

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	226,652	227,813
Contributions to defined contribution plans	22,576	21,285
Expenses related to long service leave	(675)	5,129
Other expenses	23,776	12,376
	272,329	266,603

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	6,791	6,346

Note 11 Income tax expense

a) Amounts recognised in profit or loss	2021 $	2020 $
Current tax expense/(credit)		
- Recoupment of prior year tax losses	13,664	14,130
- Movement in deferred tax	5,255	(19,670)
- Adjustment to deferred tax on AASB 16 retrospective application	-	18,983
- Reduction in company tax rate	15,057	23,677
	33,976	37,120

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of $15,057 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation	2021 $	2020 $
Operating profit before taxation	86,571	70,217
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	22,508	19,310
Tax effect of:		
- Non-deductible expenses	-	463
- Temporary differences	(5,254)	686
- Other assessable income	(3,590)	(6,329)
- Movement in deferred tax	5,255	(19,670)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	15,057	23,677
- Leases initial recognition	-	18,983
	33,976	37,120

Note 12 Cash and cash equivalents

a) Cash and cash equivalents	2021 $	2020 $
- Cash at bank and on hand	34,795	1,009

b) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts. Bank overdrafts are presented with loans and borrowings.

The below figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the financial year as follows:

	Note	2021 $	2020 $
- Cash at bank and on hand		34,795	1,009
- Bank overdraft	19a)	-	(13,454)
		34,795	(12,445)

Note 13 Trade and other receivables

a) Current assets	2021 $	2020 $
Trade receivables	48,185	35,740
Prepayments	11,411	8,009
Other receivables and accruals	5,229	2,400
	64,825	46,149

Note 14 Property, plant and equipment

a) Carrying amounts	2021 $	2020 $
Leasehold improvements		
At cost	168,779	168,779
Less: accumulated depreciation	(168,779)	(168,779)
	-	-
Plant and equipment		
At cost	35,976	35,340
Less: accumulated depreciation	(33,323)	(31,433)
	2,653	3,907
Total written down amount	2,653	3,907

b) Reconciliation of carrying amounts

Plant and equipment		
Carrying amount at beginning	3,907	9,956
Additions	636	1,625
Disposals	-	(4,645)
Depreciation	(1,890)	(3,029)
	2,653	3,907
Motor vehicles		
Carrying amount at beginning	-	22,181
Lease asset transferred out - at cost	-	(26,441)
Lease asset transferred out - accumulated depreciation	-	4,260
	-	-
Total written down amount	2,653	3,907

Following the adoption of AASB 16 in the previous financial year, 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 15 Right-of-use assets

a) Carrying amounts	Note	2021 $	2020 $
Leased land and buildings			
At cost		321,270	319,542
Less: accumulated depreciation		(303,997)	(282,262)
		17,273	37,280
Leased motor vehicles			
At cost		26,441	26,441
Less: accumulated depreciation		(14,836)	(9,548)
		11,605	16,893
Total written down amount		28,878	54,173

b) Reconciliation of carrying amounts

	Note	2021 $	2020 $
Leased land and buildings			
Carrying amount at beginning		37,280	-
Initial recognition on transition		-	319,542
Accumulated depreciation on adoption		-	(260,959)
Remeasurement adjustments		1,728	-
Depreciation		(21,735)	(21,303)
		17,273	37,280
Leased motor vehicles			
Carrying amount at beginning		16,893	-
Lease asset transferred in - at cost	14b)	-	26,441
Lease asset transferred in - accumulated depreciation	14b)	-	(4,260)
Depreciation		(5,288)	(5,288)
		11,605	16,893
Total written down amount		28,878	54,173

Note 16 Intangible assets

a) Carrying amounts	2021 $	2020 $
Franchise fee		
At cost	32,746	32,746
Less: accumulated amortisation and impairment	(31,068)	(28,829)
	1,678	3,917
Franchise renewal process fee		
At cost	113,729	113,729
Less: accumulated amortisation and impairment	(105,334)	(94,142)
	8,395	19,587
Total written down amount	10,073	23,504

Note 16 Intangible assets *(continued)*

b) Reconciliation of carrying amounts

Franchise fee	2021 $	2020 $
Carrying amount at beginning	3,917	6,156
Amortisation	(2,239)	(2,239)
	1,678	3,917
Franchise renewal process fee		
Carrying amount at beginning	19,587	30,779
Amortisation	(11,192)	(11,192)
	8,395	19,587
Total written down amount	10,073	23,504

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) Deferred tax

Deferred tax assets	2021 $	2020 $
- expense accruals	775	780
- employee provisions	7,764	8,941
- make-good provision	3,739	3,706
- lease liability	7,515	19,314
- carried-forward tax losses	364,519	392,764
Total deferred tax assets	384,312	425,505
Deferred tax liabilities		
- property, plant and equipment	3,565	5,408
- right-of-use assets	4,318	9,693
Total deferred tax liabilities	7,883	15,101
Net deferred tax assets (liabilities)	376,429	410,404
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(33,975)	(37,121)
Movement in deferred tax charged to Statement of Changes in Equity	-	18,983

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	3,091	768
Other creditors and accruals	42,020	33,145
	45,111	33,913

b) Non-current liabilities

Other creditors and accruals	-	14,935
	-	14,935

Note 19 Loans and borrowings

a) Current liabilities

	2021 $	2020 $
Bank overdraft	-	13,454
	-	13,454

The company has an approved overdraft limit of $100,000 which was not drawn upon as at 30 June 2021.

Interest is recognised using the effective interest method, currently 2.4% (2020: 4.80%).

b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	2.4%	Floating	-	-	13,454	13,454

Note 20 Lease liabilities

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

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:

- Dandaragan Coorow branch — The lease agreement commenced in April 2007. A five year renewal option was exercised in April 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 March 2022.
- Motor Vehicle — The lease agreement is a non-cancellable term of three years which commenced in September 2018. When the lease is finalised the registered security over the motor vehicles is removed.

Note 20 Lease liabilities *(continued)*

	2021 $	2020 $
a) Current lease liabilities		
Property lease liabilities	30,740	44,336
Unexpired interest	(680)	(2,651)
	30,060	41,685
Motor Vehicle lease liabilities	1,736	10,414
Unexpired interest	(11)	(375)
	1,725	10,039
	31,785	51,724
b) Non-current lease liabilities		
Property lease liabilities	-	33,252
Unexpired interest	-	(654)
	-	32,598
Motor Vehicle lease liabilities	-	1,736
Unexpired interest	-	(11)
	-	1,725
	-	34,323
c) Reconciliation of lease liabilities		
Balance at the beginning	86,047	21,294
Initial recognition on AASB 16 transition	-	114,023
Remeasurement adjustments	(2,114)	-
Lease interest expense	3,045	5,479
Lease payments - total cash outflow	(55,193)	(54,749)
	31,785	86,047
d) Maturity analysis		
- Not later than 12 months	32,476	54,750
- Between 12 months and 5 years	-	34,988
- Greater than 5 years	-	-
Total undiscounted lease payments	32,476	89,738
Unexpired interest	(691)	(3,691)
Present value of lease liabilities	31,785	86,047

Note 21 Provisions

a) Current liabilities

	2021 $	2020 $
Make-good on leased premises	14,954	-

b) Non-current liabilities

Make-good on leased premises	-	14,256

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $15,499 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 March 2022 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Employee benefits

a) Current liabilities

	2021 $	2020 $
Provision for annual leave	22,456	25,114

b) Non-current liabilities

Provision for long service leave	8,601	9,276

c) Key judgement and assumptions

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

Note 23 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	1,507,490	1,578,820	1,507,490	1,578,820

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Note 23 Issued capital *(continued)*

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

Ordinary shares (continued)

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 224. As at the date of this report, the company had 234 shareholders (2020: 238 shareholders).

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

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

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

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

Note 24 Accumulated losses

	2021 $	2020 $
Balance at beginning of reporting period	(1,236,669)	(1,219,719)
Adjustment for transition to AASB 16	-	(50,047)
Net profit after tax from ordinary activities	52,595	33,097
Balance at end of reporting period	(1,184,074)	(1,236,669)

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	52,595	33,097
Adjustments for:		
- Depreciation	28,913	29,620
- Amortisation	13,431	13,431
- (Profit)/loss on disposal of non-current assets	-	4,645
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(18,675)	393
- (Increase)/decrease in other assets	33,976	37,120
- Increase/(decrease) in trade and other payables	9,839	(8,058)
- Increase/(decrease) in employee benefits	(3,333)	8,831
- Increase/(decrease) in provisions	698	665
Net cash flows provided by operating activities	117,444	119,744

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	12	34,795	1,009
Trade and other receivables	13	53,414	38,140
		88,209	39,149
Financial liabilities			
Trade and other payables	18	45,111	33,913
Bank overdrafts	19	-	13,454
Lease liabilities	20	31,785	86,047
		76,896	133,414

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	1,000	1,000
- General advisory services	3,080	2,970
- Share registry services	2,670	2,471
Total auditor's remuneration	11,750	11,241

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Peter John Edwin House
Keiran Ashley Sullivan
Robert William Shanhun
Matthew James Sporn
Alison Margaret Cooke
Nathaniel Joseph O'Hare
Suza Todorovska
Anthony Patrick O'Gorman
Jolanta Anna Rutkowska

b) Key management personnel compensation

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

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

c) Related party transactions

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

Note 29 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	52,595	33,097
	Number	Number
Weighted-average number of ordinary shares	1,507,490	1,507,490
	Cents	Cents
Basic and diluted earnings per share	3.49	2.20

Note 30 Commitments

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

Note 31 Contingencies

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

Note 32 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 Dancoor Community Finances 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.

Peter John Edwin House, Chair

Dated this 23rd day of August 2021

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03 5443 0344

Independent auditor's report to the Directors of Dancoor Community Finances Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dancoor Community Finances 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 Dancoor Community Finances 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.

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337

Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

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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: 23 August 2021

Joshua Griffin
Lead Auditor

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Bendigo Bank

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