

Annual Report 2021

Drouin & District Community
Financial Services Limited

Community Bank
Drouin & District

ABN 37 096 687 240



**DROUIN & DISTRICT
COMMUNITY FINANCIAL SERVICES LTD
30 June 2021**

ABN 37 096 687 240

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CHAIR REPORT

On behalf of Drouin and District Community Financial Services Limited, I am pleased to present the 20th Annual Report.

The results again this year have been very positive and met expectations despite an extremely challenging environment for all sectors of our economy including the banking sector. Overall, it has been another successful year for the company particularly given the challenges caused by multiple lockdowns and the significant disruption of the COVID 19 pandemic.

Our Branch Manager, Rob Hutchinson, has been with us for 5 years and his wide breadth of experience and enthusiasm has had a positive impact on our performance. Rob has continued to build strong relationships with our many community partners and community leaders which stand us in good stead in these challenging times.

We maintain our strong commitment to Drouin, Longwarry and our surrounding community. With the departure of the ANZ, we are now the only bank in Drouin and remain committed to our community. We are continuing to build our presence in Warragul as well. We have distributed approximately \$222,529 in the past year which includes community investments, grants and dividends to shareholders. Over the past 20 years, we have distributed a total of \$6.65 million to our community.

We have had fewer grant presentations this year due to social distancing restrictions, but the ones we have had were well attended. Our grant presentations gave recipients an understanding of the breadth of community organisations that we have supported. These functions also highlight how Community Banks are different, and how we are able to strengthen our community. Participants leave these functions knowing that they are part of something special.

Our shareholders are our key responsibility. The table below highlights the dividends for previous years which have been very good. The company was affected by a customer complaint that required settlement; however, the situation was managed as best as possible and the cost to shareholders minimised. In 2020, the Board prudently resolved to draw back the dividend to a fully franked dividend of 0.15 cents per share due to the unprecedented circumstances. With our solid performance over 2021, this dividend will remain at 0.15 cents per share to those people who hold shares at the close of business on 28th February 2022.

Also as we will celebrate our 20th birthday in March 2022 our Board has also approved a “special dividend” of 0.10 cents per share to celebrate this event. The company’s performance this year, by any standard, has been a strong one for shareholders and our community.

Financial year	Cents per share	Dividend Declared	Dividend Paid
		\$	\$
2004/2005	3.5	21,552	21,552
2005/2006	6	36,945	36,945
2006/2007	11	67,733	67,733
2007/2008	12	73,890	73,890
2008/2009	12	73,890	73,890
2009/2010	14	86,205	86,205
2010/2011	17	104,677	104,677
2011/2012	18	110,835	110,835
2012/2013	18	110,835	110,835
2012/2013 (Special)	5	30,787	30,787
2013/2014	18	110,835	110,835
2014/2015	18	110,835	110,835
2015/2016	25	153,937	153,937
2016/2017	25	153,937	153,937
2017/2018	25	153,937	153,937
2018/2019	25	153,937	153,937
2019/2020	15	92,362	92,362
2021/2022	15	92,362	-
2021/2022 (Special)	10	61,575	-

Our company now has a new purpose-built boardroom and offices, a sizable community meeting space and 2 shops on the land on the corner of Bank Place and Young Street. Both shops have been leased, and we are preparing the meeting space for community use. I especially want to recognise directors Kim Rees and Sean Walsh for their significant work to bring this project to completion. The Board is now looking to lease the old Boardroom and office space in the State Bank building.

We have also worked to strengthen our relationship with Baw Baw Shire to our mutual benefit. Baw Baw Shire understand the unique and substantial contribution Community Banks continue to make within our shire. We have contributed \$250,000 towards the recently re-opened Drouin Civic Park, which is a great community asset for our families. In exchange for this contribution, we have received naming rights for the large playground area.

I would like to thank our Branch Manager Rob Hutchinson and our wonderful branch team for their dedication over the past year. Their work in tackling the challenges posed by COVID 19 have been tireless, and have contributed to the company's success. We farewelled Kim Nelson who had 16 years working for our bank this year. Jade Dance also celebrated 15 years of great service for our bank. I would also like to thank our hard-working directors who have been a great team, our company staff Julieanne Palinkas and Helen Taylor and our franchise partner Bendigo Bank.

During the last year the Board welcomed Sonia Lombardo as a director. I would like to recognise three of our directors who are retiring by rotation this year. They are Sean Walsh, Vanessa Marsh and Brett McKellar. They have all made substantial positive contributions to our Board during their time on it. I am pleased that Vanessa Marsh and Sean Walsh are renominating as directors and thank them for their strong contributions over during their term as directors. Sadly due to medical issues current director Brett McKellar was not able to continue as a director. I want to thank Brett for his significant contribution over the past 3 years. I am pleased to report that Sonia Lombardo will also be nominating for election by shareholders. Sonia was seconded to the Board this year and has been a director for the past few months.

The Board believes that the outlook for the next 12 months will continue to be challenging but feel more positive than this time last year. We have developed a budget that is realistic and achievable. The Board, in partnership with our branch team, will work hard to achieve our goals. We thank our shareholders for their continued support and trust.

Rodney Dunlop

Board Chair

BRANCH MANAGER'S REPORT

It has been another challenging but successful year for our Community Bank company as we have traded through a full financial year amidst the impacts of the Covid19 pandemic. Large amounts of Government stimulus have allowed the country to weather an economic storm however lockdowns and restrictions have resulted in localised business impacts particularly in the tourism and hospitality space. Business aside we have seen personal impacts such as rising anxiety, stress and frustration within our community. Pleasingly, as an essential service we have maintained our full trading hours and staffing to ensure that we can fully support our customer base face to face and via telephone. The timing and the look of the post Covid recovery continues to remain uncertain. Separate to the pandemic, fierce competition and reduced margins (profitability) remain a challenge for the entire banking sector notwithstanding our local Community enterprise. Amongst the ongoing pandemic landscape, we still enjoyed some interesting positives in the year.

Since our last Annual Report, we have continued to grow our banking business to circa \$280 million with net growth of \$30,765,805 against a plan of \$7.2m.

Annual income was 95% of budget projections

Net profit was 170% of budget projection

The past 12 months saw the Community Bank Drouin & District commit approximately \$125,000 in contributions to our local community groups. Lockdowns and restrictions disrupted sports seasons and planned events which reduced the level of requests for support. Quite a number of 2020 recipients carried forward their funds to 2021 hopeful of hosting events. This means over \$6.65 million has now been returned to our community since our inception in 2002.

Again, I would like to thank our dedicated staff members: Bruce Sorrell, Katy Slater, Kim Nelson, Jade Dance, Michele Sandford and Trudy DeCrescenzo. Bruce is now in his 14th year with our company, Jade in her 15th and Kim in her 16th with our Community Bank company on 31st May and was awarded a special gift from the Board. Leanne Marriott, our Mobile Relationship Manager, continues to be a great asset to our business. We are continuing to invest in the development of our people as the way we transact with our customers increasingly by phone is becoming the new norm. In line with industry trends, we experienced a 14% reduction in transaction numbers which based on research is below the norm.

I sincerely thank the volunteer Board of Directors and administrative staff for their ongoing leadership, effort, time and continued support. The relationship between our Board and Branch team is very important as we work toward a common goal of making our community a better place.

To our shareholders, community groups, local clubs and customers, I sincerely say thank you for choosing us as your Community Bank Branch. It is your support that enables us to continue to invest in the community. You are the voice and our story needs to be told at every opportunity to increase awareness throughout the community.

Thank you to our franchise partner, Bendigo & Adelaide bank Limited who continue to support us as we grow in partnership with them and our community.

We are a real alternative to the major banks and we are capitalising on that goodwill and uncertainty within the overall banking sector.

The move to digital banking is exciting and Bendigo and Adelaide bank has committed to making this a priority. We are already ahead when it comes to our online offerings. For those customers who don't want to step into a traditional bank, that's great news and we're looking forward to advances in this area by Bendigo and Adelaide Bank.

For those people who want to continue the tradition of coming to the branch – we're not going anywhere. We're still here and committed to helping you over the counter with all of your banking needs.

Banking is an everyday function for every single person in the community.

The difference with the Community Bank model is that every time people bank with their local Community Bank Branch, the bottom-line increases allowing us to provide more funds for our community.

The strength of our Community Bank Drouin & District Branch is built on the back of our community in partnership with the people of Drouin, Warragul, Longwarry and the surrounding areas.

To ensure our continued success we encourage our shareholders, community sponsorship/grant recipients and their members to transfer their banking arrangements and also consider the range of competitive financial products available through our Community Bank Drouin & District Branch. We also encourage existing customers, shareholders and Directors to not only bank with us but to spread the word and advocate for your local Community Bank Drouin & District Branch.

On behalf of your local Community Bank Drouin & District Branch I thank you all for your ongoing support and look forward to another successful year ahead.

Rob Hutchinson

Branch Manager

Drouin & District

Community Financial Services Limited

ABN: 37 096 687 240

Financial Report

For the year ended

30 June 2021

Drouin & District Community Financial Services Limited

Directors' Report

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

Directors

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

Rodney Bruce Dunlop

Non-executive director

Occupation: Project Manager

Qualifications, experience and expertise: Business Manager, Bachelor of Economics and a Master of Education, ex School Principal.

Special responsibilities: Chair, Member of all committees (including Chair of Marketing Committee)

Interest in shares: 200 ordinary shares

Kim David Rees

Non-executive director

Occupation: Civil Contractor / Developer

Qualifications, experience and expertise: Business Owner and foundation director of company.

Special responsibilities: Vice Chair, member of the Marketing & Sponsorship Committee, HR Committee & Finance & Budget Committee, Convenor of Buildings & Maintenance Committee

Interest in shares: 5,000 ordinary shares

Roberto James Celada

Non-executive director

Occupation: Lawyer

Qualifications, experience and expertise: Bachelor of Laws/Bachelor of Science (Genetics), business owner.

Special responsibilities: Company Secretary, member of Marketing & Sponsorship Committee, Governance & Audit Committee & Finance & Budget Committee

Interest in shares: 250 ordinary shares

Matthew Marc Williamson

Non-executive director

Occupation: Head of Operational Risk Services

Qualifications, experience and expertise: Extensive experience with banking and financial services in governance, internal audit & risk management, financial management. Bachelor of Commerce (Accounting), Master of Applied Finance, MAICD.

Special responsibilities: member of Marketing & Sponsorship Committee, HR Committee & Finance & Budget Committee and Chair of Governance & Audit Committee

Interest in shares: nil share interest held

Vanessa Louise Marsh

Non-executive director

Occupation: Manager

Qualifications, experience and expertise: Manager for over 10 years in the TAFE/VET sector, Bachelor of Education.

Special responsibilities: member of Marketing & Sponsorship Committee, Finance & Budget Committee & Chair of HR Committee

Interest in shares: nil share interest held

Drouin & District Community Financial Services Limited

Directors' Report

Directors (*continued*)

(Patrick) Sean Walsh

Non-executive director

Occupation: Company Director

Qualifications, experience and expertise: 20 years banking (NAB) 1964 - 1984. Construction and engineering 1984 - current.

Dairying and farming - Cattle and horses 1978 - 1999. Yooralla Community Partnership Advisory Committee 2014 - current. Run

director - Warragul Parkrun 2017 - current. Licenced private pilot 1981 - current. Australian Bank Employees Union 1967 - 1984.

Administrative Officer, Bunyip Community Bank 2012 - 2019. Various times: President National Bank Sub branch, Victorian Division Treasurer, Conference delegate, Federal executive member.

Special responsibilities: Member - Governance and Audit Committee, Member - Building and Maintenance Committee

Interest in shares: nil share interest held

Sonia Gaye Lombardo

Non-executive director (appointed 27 July 2021)

Occupation: Business Owner

Qualifications, experience and expertise: Small Business Manager

Special responsibilities: nil

Interest in shares: 500 ordinary shares

Brett Allan McKellar

Non-executive director (resigned 13 September 2021)

Occupation: Business Manager

Interest in shares: nil share interest held

Martin Francis Sayers

Non-executive director (resigned 18 November 2020)

Occupation: Company Director

Interest in shares: 250 ordinary shares

Matthew Ryan Middel

Non-executive director (resigned 18 November 2020)

Occupation: Small business owner

Interest in shares: 1,000 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 Rob Celada. Rob was appointed to the position of secretary on 28 November 2017.

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.

Drouin & District Community Financial Services Limited

Directors' Report

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
\$	\$
208,035	200,875

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Rodney Bruce Dunlop	200	-	200
Kim David Rees	5,000	-	5,000
Roberto James Celada	250	-	250
Matthew Marc Williamson	-	-	-
Vanessa Louise Marsh	-	-	-
(Patrick) Sean Walsh	-	-	-
Sonia Gaye Lombardo	-	500	500
Brett Allan McKellar	-	-	-
Martin Francis Sayers	250	-	250
Matthew Ryan Middel	1,000	-	1,000

Dividends

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

	Cents per share	Total amount \$
Final fully franked dividend	15	92,362
Special fully franked dividend	10	61,575
Total amount	25	153,937

In the prior financial year, the following dividends were declared and provided for but not paid. The dividends have been paid for in the financial statements.

	Cents per share	Total amount \$
Final fully franked dividend	15	92,632

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.

Drouin & District Community Financial Services Limited

Directors' Report

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 29 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		Committee Meetings			
			Marketing Committee		HR Committee	
	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
Rodney Bruce Dunlop	15	15	11	11	1	1
Kim David Rees	15	14	11	10	1	1
Roberto James Celada	15	15	11	11	-	-
Matthew Marc Williamson	15	14	11	10	1	1
Vanessa Louise Marsh	15	14	11	10	1	1
(Patrick) Sean Walsh	15	15	11	11	-	-
Sonia Gaye Lombardo	-	-	-	-	-	-
Brett Allan McKellar	15	10	11	8	-	-
Martin Francis Sayers	5	4	4	3	-	-
Matthew Ryan Middel	5	5	4	4	-	-

E - eligible to attend

A - number attended

Drouin & District Community Financial Services Limited

Directors' Report

Proceedings on behalf of the company

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

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

Non audit services

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

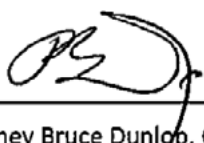
The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Governance and Audit Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



Rodney Bruce Dunlop, Chairman

Dated this 6th day of October 2021

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

As lead auditor for the audit of Drouin & District 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: 6 October 2021



Joshua Griffin
Lead Auditor

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

	Note	2021 \$	2020 \$
Revenue from contracts with customers	9	1,310,846	1,473,640
Other revenue	10	56,917	77,395
Finance income	11	7,830	27,577
Employee benefit expenses	12c)	(636,785)	(704,379)
Charitable donations, sponsorship, advertising and promotion		(137,683)	(324,016)
Occupancy and associated costs		(62,946)	(56,362)
Systems costs		(53,525)	(54,433)
Depreciation and amortisation expense	12a)	(45,468)	(42,616)
Finance costs	12b)	-	(3)
General administration expenses		(175,191)	(138,700)
Fair value gains/(losses) on financial assets	13	4,683	(5,779)
Profit before income tax expense		268,678	252,324
Income tax expense	14a)	(60,643)	(51,449)
Profit after income tax expense		208,035	200,875
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Net gain on revaluation of land and buildings	24b)	3,647	121,157
Other comprehensive income for the year, net of income tax		3,647	121,157
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		211,682	322,032
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	33.79	32.62

The accompanying notes form part of these financial statements

Drouin & District Community Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	15	1,200,861	1,759,047
Trade and other receivables	17a)	87,916	106,697
Current tax assets	20a)	-	25,652
Total current assets		1,288,777	1,891,396
Non-current assets			
Trade and other receivables	17b)	2,478	2,478
Other investments	16a)	14,445	9,386
Property, plant and equipment	18a)	2,981,586	2,172,452
Intangible assets	19a)	9,327	20,519
Total non-current assets		3,007,836	2,204,835
Total assets		4,296,613	4,096,231
LIABILITIES			
Current liabilities			
Trade and other payables	21a)	270,608	120,030
Current tax liabilities	20a)	13,396	-
Employee benefits	22a)	53,611	61,255
Total current liabilities		337,615	181,285
Non-current liabilities			
Employee benefits	22b)	6,630	-
Deferred tax liability	20b)	191,764	212,087
Total non-current liabilities		198,394	212,087
Total liabilities		536,009	393,372
Net assets		3,760,604	3,702,859
EQUITY			
Issued capital	23a)	615,750	615,750
Reserves	24b)	612,993	609,346
Retained earnings	25	2,531,861	2,477,763
Total equity		3,760,604	3,702,859

The accompanying notes form part of these financial statements

Drouin & District Community Financial Services Limited

Statement of Changes in Equity

for the year ended 30 June 2021

	Note	Issued capital \$	Revaluation reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019		615,750	488,189	2,369,250	3,473,189
Total comprehensive income for the year		-	-	200,875	200,875
Other comprehensive income:					
Net gain on revaluation of land and buildings		-	121,157	-	121,157
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	30b)	-	-	(92,362)	(92,362)
Balance at 30 June 2020		615,750	609,346	2,477,763	3,702,859
Balance at 1 July 2020		615,750	609,346	2,477,763	3,702,859
Total comprehensive income for the year		-	-	208,035	208,035
Other comprehensive income:					
Net gain on revaluation of land and buildings		-	3,647	-	3,647
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	30b)	-	-	(153,937)	(153,937)
Balance at 30 June 2021		615,750	612,993	2,531,861	3,760,604

The accompanying notes form part of these financial statements

Drouin & District Community Financial Services Limited

Statement of Cash Flows

for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,521,013	1,153,693
Payments to suppliers and employees		(1,082,872)	(904,828)
Interest received		7,830	27,577
Interest paid		-	(3)
Lease payments not included in the measurement of lease liabilities	12d)	(30,274)	(30,006)
Income taxes paid		(42,973)	(62,820)
Net cash provided by operating activities	26	372,724	183,613
Cash flows from investing activities			
Payments for property, plant and equipment		(838,547)	(79,373)
Net cash used in investing activities		(838,547)	(79,373)
Cash flows from financing activities			
Dividends paid	30a)	(92,363)	(153,938)
Net cash used in financing activities		(92,363)	(153,938)
Net cash decrease in cash held		(558,186)	(49,698)
Cash and cash equivalents at the beginning of the financial year		1,759,047	1,808,745
Cash and cash equivalents at the end of the financial year	15	1,200,861	1,759,047

The accompanying notes form part of these financial statements

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Drouin & District 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
26 Main Street Pakenham VIC 3810	42 Princes Way Drouin VIC 3818

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

Note 2 Basis of preparation and statement of compliance

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

The financial statements have been prepared on an accrual and historical cost basis, except for certain properties and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period. 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 6 October 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.

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

a) Revenue from contracts with customers

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 loss.

Commission

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

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

Fee income

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

Core banking products

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

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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.

<u>Revenue</u>	<u>Revenue recognition policy</u>
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.
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
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.

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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 franchisee 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.

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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.

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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 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
Plant and equipment	Straight-line	3 to 5 years
Motor vehicles	Straight-line	3 to 4 years

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

h) Intangible assets

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

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

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

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

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

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

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

i) Financial instruments

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

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, except for the equity securities which remain at fair value through profit or loss (FVTPL).

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

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

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

k) Issued capital

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

l) 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.

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

m) Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

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) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 20 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised.
Note 18 - fair value	determining the fair value less costs to sell of the disposal group on the basis valuations performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Note 16 - fair value	determining the fair value less costs to sell of the disposal group on the basis of quoted market price at the close of business at the end of the reporting period.
- Note 18 - 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 through promotion and inflation.

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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.

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

<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>
Trade and other payables	270,608	270,608	-	-

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>
Trade and other payables	120,030	120,030	-	-

c) 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 primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

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

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (*continued*)

c) Market risk (*continued*)

Price risk (continued)

Sensitivity analysis - equity price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX). Changes in equity securities value is recognised through Profit or Loss or Other Comprehensive Income.

	2021		2020	
	\$		\$	
	10% increase	10% decrease	10% increase	10% decrease
Equity securities	1,445	(1,445)	939	(939)

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$1,200,861 at 30 June 2021 (2020: \$1,759,047). 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 monitors 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:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- 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 financial year 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.

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 8 Correction of error

Accounting errors were made in the comparative period (year ended 30 June 2020) in relation to the following areas:

- Deferred tax was not recognised on the market value of properties
- Listed shares were not recorded at market value

The following table summaries the impacts on the financial statements:

	As previously reported	Adjustment	As restated
	\$	\$	\$
30 June 2020			
Statement of Financial Position (extract)			
ASSETS			
Non-current assets			
Other investments	17,108	(7,722)	9,386
Property, plant and equipment	2,066,724	105,728	2,172,452
Total assets	3,998,225	98,006	4,096,231
LIABILITIES			
Non-current liabilities			
Deferred tax liability	-	212,087	212,087
Total liabilities	181,285	212,087	393,372
Net assets	3,816,940	(114,081)	3,702,859
EQUITY			
Reserves	-	609,346	609,346
Retained earnings	3,201,190	(723,427)	2,477,763
Total equity	3,816,940	(114,081)	3,702,859
Statement of Profit or Loss or Other Comprehensive Income (extract)			
Fair value gains/(losses) on financial assets	-	(5,779)	(5,779)
Total comprehensive income for the year	327,811	(5,779)	322,032

Note 9 Revenue from contracts with customers

	2021	2020
	\$	\$
- Margin income	1,104,132	1,261,039
- Fee income	107,650	120,725
- Commission income	99,064	91,876
	<u>1,310,846</u>	<u>1,473,640</u>

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 10 Other revenue

	2021 \$	2020 \$
- Rental income	26,808	17,218
- Dividend and distribution income	536	1,185
- Market development fund income	-	10,000
- Cash flow boost	29,361	48,935
- Other income	212	57
	<u>56,917</u>	<u>77,395</u>

Note 11 Finance income

	2021 \$	2020 \$
- Term deposits	<u>7,830</u>	<u>27,577</u>

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

Note 12 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Buildings	24,276	12,006
- Plant and equipment	10,000	11,066
- Motor vehicles	-	8,352
	<u>34,276</u>	<u>31,424</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	<u>11,192</u>	<u>11,192</u>
Total depreciation and amortisation expense	<u>45,468</u>	<u>42,616</u>
b) Finance costs		
- Other	<u>-</u>	<u>3</u>

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

c) Employee benefit expenses

Wages and salaries	517,411	559,455
Non-cash benefits	4,428	5,087
Contributions to defined contribution plans	41,160	35,905
Expenses related to long service leave	5,721	7,919
Other expenses	68,065	96,013
	<u>636,785</u>	<u>704,379</u>

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12 Expenses (*continued*)

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.

The company pays for the right to use the land surrounding the branch building. The lease agreements have expired and continue on existing terms on a month-by-month basis with no significant penalty for termination. As such the leases have been assessed as short term and exempted from recognition under AASB 16 accounting. Expenses relating to short term exempt leases are included in occupancy and associated costs expenses.

	2021 \$	2020 \$
Expenses relating to low-value leases	24,136	24,017
Expenses relating to short-term leases	6,138	5,989
	<u>30,274</u>	<u>30,006</u>

Note 13 Fair value gains/(losses) on financial assets

	2021 \$	2020 \$
- At FVTPL - equity instruments	<u>4,683</u>	<u>(5,779)</u>

These amounts relate to the increase and decrease in the market value of financial assets held by the company.

Note 14 Income tax expense

a) Amounts recognised in profit or loss

	2021 \$	2020 \$
<i>Current tax expense</i>		
- Current tax	82,181	51,449
- Movement in deferred tax	(13,916)	-
- Reduction in company tax rate	(7,622)	-
	<u>60,643</u>	<u>51,449</u>

b) *Prima facie* income tax reconciliation

Operating profit before taxation	268,678	252,324
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	69,856	69,389
Tax effect of:		
- Non-assessable income	(7,635)	(13,457)
- Temporary differences	19,960	(4,483)
- Movement in deferred tax	(13,916)	-
- Reduction in company tax rate	(7,622)	-
	<u>60,643</u>	<u>51,449</u>

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 15 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	485,677	318,752
- Term deposits	715,184	1,440,295
	<u>1,200,861</u>	<u>1,759,047</u>

Note 16 Other investments

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

a) Non-current investments

	2021 \$	2020 \$
Equity securities - at FVTPL	<u>14,445</u>	<u>9,386</u>

Note 17 Trade and other receivables

a) Current assets

	2021 \$	2020 \$
Trade receivables	<u>87,916</u>	<u>106,697</u>

b) Non-current assets

Other receivables and accruals	<u>2,478</u>	<u>2,478</u>
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Note 18 Property, plant and equipment

a) Carrying amounts

	2021 \$	2020 \$
<i>Land</i>		
At fair value	<u>543,989</u>	<u>543,989</u>
<i>Buildings</i>		
At cost and fair value	2,608,917	1,775,507
Less: accumulated depreciation	(171,320)	(147,044)
	<u>2,437,597</u>	<u>1,628,463</u>
<i>Plant and equipment</i>		
At cost	242,875	232,875
Less: accumulated depreciation	(242,875)	(232,875)
	<u>-</u>	<u>-</u>
<i>Motor vehicles</i>		
At cost	34,461	34,461
Less: accumulated depreciation	(34,461)	(34,461)
	<u>-</u>	<u>-</u>
Total written down amount	<u>2,981,586</u>	<u>2,172,452</u>

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 18 Property, plant and equipment (*continued*)

b) Reconciliation of carrying amounts	2021	2020
	\$	\$
<i>Land</i>		
Carrying amount at beginning	543,989	543,989
<i>Buildings</i>		
Carrying amount at beginning	1,628,463	1,532,408
Additions	828,547	79,373
Revaluation increment	4,863	163,726
Depreciation	(24,276)	(147,044)
	2,437,597	1,628,463
<i>Plant and equipment</i>		
Carrying amount at beginning	-	11,066
Additions	10,000	-
Depreciation	(10,000)	(11,066)
	-	-
<i>Motor vehicles</i>		
Carrying amount at beginning	-	8,352
Depreciation	-	(8,352)
	-	-
Total written down amount	2,981,586	2,172,452

During the year the company completed works on the building located at 9 Bank Place, Drouin.

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.

d) Fair value

The fair value of land and buildings was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued. Independent valuers provide the fair value of the company's investment property portfolio every 3 to 5 years.

The company's Drouin branch and Princess Way offices properties were independently valued effective 30 June 2020 by Williamson's Real Estate on 12 August 2020. The valuations resulted in an increment to the carrying amount of the properties resulting in a revaluation gain of \$3,647 in the Statement of Profit or Loss and Other Comprehensive Income.

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 19 Intangible assets

a) Carrying amounts	2021 \$	2020 \$
<i>Franchise fee</i>		
At cost	55,961	55,961
Less: accumulated amortisation	(46,634)	(35,442)
Total written down amount	<u>9,327</u>	<u>20,519</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	20,519	31,711
Amortisation	(11,192)	(11,192)
Total written down amount	<u>9,327</u>	<u>20,519</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 20 Tax assets and liabilities

a) Current tax	2021 \$	2020 \$
Income tax payable/(refundable)	<u>13,396</u>	<u>(25,652)</u>
b) Deferred tax		
<i>Deferred tax assets</i>		
- expense accruals	16,442	-
- employee provisions	15,060	-
- accounts payable	3,031	-
- fair value of investments	760	2,008
Total deferred tax assets	<u>35,293</u>	<u>2,008</u>
<i>Deferred tax liabilities</i>		
- accounts receivable	19,981	-
- property, plant and equipment	207,076	214,095
Total deferred tax liabilities	<u>227,057</u>	<u>214,095</u>
Net deferred tax assets (liabilities)	<u>(191,764)</u>	<u>(212,087)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>20,323</u>	<u>-</u>

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21 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	13,338	5,160
Other creditors and accruals	257,270	114,870
	<u>270,608</u>	<u>120,030</u>

Note 22 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	21,106	26,953
Provision for long service leave	32,505	34,302
	<u>53,611</u>	<u>61,255</u>
b) Non-current liabilities		
Provision for long service leave	<u>6,630</u>	<u>-</u>

c) Key judgement and assumptions

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

In the absence of sufficient historical employee attrition rates, 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	<u>615,750</u>	<u>615,750</u>	<u>615,750</u>	<u>615,750</u>

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 23 Issued capital (*continued*)

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- 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 299. As at the date of this report, the company had 321 shareholders (2020: 324 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.

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 23 Issued capital (*continued*)

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

Prohibited shareholding interest (continued)

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 Reserves

a) Nature and purpose of reserves

The revaluation reserve relates to the revaluation of property, plant and equipment and investment properties.

b) Disaggregation of reserve balances, net of tax

	Revaluation reserve		Total other comprehensive income	
	2021	2020	2021	2020
	\$	\$	\$	\$
Balance at beginning of reporting period	609,346	488,189	-	-
Revaluation of property plant and equipment	3,647	121,157	3,647	121,157
Balance at end of reporting period	<u>612,993</u>	<u>609,346</u>	<u>3,647</u>	<u>121,157</u>

Note 25 Retained earnings

	Note	2021	2020
		\$	\$
Balance at beginning of reporting period		2,477,763	2,369,250
Net profit after tax from ordinary activities		208,035	200,875
Dividends provided for or paid	30b)	(153,937)	(92,362)
Balance at end of reporting period		<u>2,531,861</u>	<u>2,477,763</u>

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 26 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	208,035	200,875
Adjustments for:		
- Depreciation	34,276	31,424
- Amortisation	11,192	11,192
- (Increase)/decrease in fair value of equity instruments designated at FVTPL	(4,683)	5,779
- Income reinvested in financial assets	(375)	(829)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	18,782	13,357
- (Increase)/decrease in other assets	25,652	(13,945)
- Increase/(decrease) in trade and other payables	89,001	(65,151)
- Increase/(decrease) in employee benefits	(1,013)	911
- Increase/(decrease) in tax liabilities	(8,143)	-
Net cash flows provided by operating activities	<u>372,724</u>	<u>183,613</u>

Note 27 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. 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	Carrying amount		Fair value level	
		2021 \$	2020 \$	2021 \$	2020 \$
		FVTPL	At amortised cost	FVTPL	At amortised cost
Financial assets measured at fair value:					
Equity securities	16	<u>14,445</u>	<u>-</u>	<u>9,386</u>	<u>-</u>
Financial assets not measured at fair value:					
Cash and cash equivalents	15	-	485,677	-	318,752
Term deposits	15	-	715,184	-	1,440,295
Trade and other receivables	17	-	87,916	-	106,697
		<u>-</u>	<u>1,288,777</u>	<u>-</u>	<u>1,865,744</u>
Financial liabilities not measured at fair value:					
Trade and other payables	21	<u>-</u>	<u>270,608</u>	<u>-</u>	<u>120,030</u>

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 28 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 (AFS)	2,000	-
- Audit and review of financial statements (Julius Sommers)	3,600	3,600
<i>Non audit services</i>		
- General advisory services	1,860	-
Total auditor's remuneration	<u>7,460</u>	<u>3,600</u>

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Rodney Bruce Dunlop
 Kim David Rees
 Roberto James Celada
 Matthew Marc Williamson
 Vanessa Louise Marsh
 (Patrick) Sean Walsh
 Sonia Gaye Lombardo
 Brett Allan McKellar
 Martin Francis Sayers
 Matthew Ryan Middel

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>		
- The company used the legal services of Pathfinder Law, where Rob Celada is a director, in relation to lease agreement and employment contracts. The total benefit received was:	2,528	1,005
Total transactions with related parties	<u>2,528</u>	<u>1,005</u>

Note 30 Dividends provided for or paid

a) Dividends paid during the period

The following dividends were 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	15	92,363	25	153,938

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

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 30 Dividends provided for or paid (*continued*)

b) Dividends provided for during the period

The following dividends were provided for during the reporting period as presented in the Statement of Changes in Equity.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	25	153,937	15	92,363

The tax rate at which dividends will be franked is 25% (2020: 26%).

c) Franking account balance

	2021 \$	2020 \$
Franking account balance at the beginning of the financial year	1,074,948	1,070,515
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	42,973	62,468
- Franking credits from franked distributions received	161	355
- Franking debits from the payment of franked distributions	(32,452)	(58,390)
Franking account balance at the end of the financial year	1,085,630	1,074,948
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	13,396	(25,652)
- Franking debits that will arise from payment of dividends subsequent to financial year end	(51,313)	(32,452)
Franking credits available for future reporting periods	1,047,713	1,016,844

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

Note 31 Earnings per share

a) Basic and diluted earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	208,035	200,875
	Number	Number
Weighted-average number of ordinary shares	615,750	615,750
	Cents	Cents
Basic and diluted earnings per share	33.79	32.62

Note 32 Commitments

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

Drouin & District Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 33 Contingencies

<i>Contingent liabilities at reporting date</i>	2021	2020
Not otherwise provided for or disclosed in the financial statements:		
Contingent liabilities	<u>5,006</u>	<u>50,000</u>

Contingent liabilities related predominantly to actual or potential claims on the company for which amounts are reasonably estimated but the liability is not probable and therefore the company has not provided for such amount in these financial statements.

Assessing the amount or liabilities that are not probable is highly judgemental. Contingent liabilities are disclosed on the basis of the known maximum exposure. At the end of the financial year an investigation is underway into a customer complaint raised with the Australian Financial Complaints Authority (AFCA). In the previous year the financial obligation amount was unknown and would have been covered under the company's professional indemnity insurance policy, for which the excess is \$50,000. However there is now an agreement pending approval by all parties which has the amount of compensation owed to the customer at \$5,006.

Note 34 Subsequent events

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

Drouin & District Community Financial Services Limited

Directors' Declaration

In accordance with a resolution of the directors of Drouin & District 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.



Rodney Bruce Dunlop, Chairman

Dated this 6th day of October 2021

Independent auditor's report to the Directors of Drouin & District Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Drouin & District 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 Drouin & District 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.

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.

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: 6 October 2021



Joshua Griffin
Lead Auditor

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