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Bendigo Bank

Annual Report 2021

Epping and Districts Financial Services Limited

Community Bank
Epping

ABN 57 104 573 499

Contents

Chairman's report

For year ending 30 June 2021

Despite the complexities of the Covid lockdown, difficult economic conditions, and ongoing changes in the banking industry overall, the financial position of our Epping Community Bank continues to be healthy, with significant growth in both loans and deposits.

Amid the uncertainties of the previous year, our Board has acted prudently in overseeing the Company's business activities and continued to be conservative in long-term planning. The ongoing success of our branch has vindicated this disciplined approach to financial management, and as a result we are able to deliver the projected dividend to you, our shareholders.

This outcome has been possible through the hard work of our branch Manager, Stephen Hu, and the staff - Junie Kanlapan, Karen Lee, Anette Uhrig and Julie Galic – who demonstrate commitment and dedication well beyond any standard job description. I congratulate them on their excellent efforts for our branch and for our local community.

Our Board of volunteer Directors, supported by Administrative Assistant Diana Gallagher, continues to bring passion, dedication and wide-ranging expertise to our community enterprise. As individuals, and as a cohesive group, they work hard to support the staff in the best interests of our Company and, most importantly, for the benefit of our community.

The work of our selfless group of long-serving community volunteers has been curtailed by the lockdown and its consequences. The Community Bus Service, which is funded by the branch, was suspended. The activities of our volunteer Committees have been limited, but they have continued to operate as well as can be expected in the restricted circumstances, and I thank them for their persistent efforts.

As well as the external difficulties mentioned above, we also had the disruption of a change of premises. I outlined the complexities and reasons for the decision to relocate to Pembroke St at last year's Annual General Meeting. I am happy to report that the move was very successful, with special thanks to our Director, Mr Ronald Cardwell, for his thorough oversight of the whole operation.

I thank you, as shareholders, for your financial and community investment in our bank, and for your ongoing perseverance and commitment to strengthening our local community through the work of our company. This is what makes us most emphatically different from the Big Four Banks, and without your support we would not be a community-based bank.

As a community bank, our focus is on using the profits from our banking services to support our local community, and I am pleased to say that we have passed the $1.2 million mark in our total funding of community projects around the district.

I look forward to the continued success of our community enterprise in the future. Despite the ongoing health crisis and the prevailing economic uncertainty, I am confident we can overcome any challenges and pressures which present themselves.

Robert Phillips

Robert Phillips
Chairman

Manager’s report

For year ending 30 June 2021

Once again, I have the privilege as Manager of Epping Community Bank Branch of Bendigo Bank to report on the great success we have achieved over the past financial year.

Bendigo Bank is one of the Australia’s most trusted brands, and as a Community Bank branch we continue to focus on adding value to our local community, while exploring new opportunities in the banking industry to grow our business.

To best protect our customers and employees through the Covid pandemic, all our staff were fully vaccinated from a very early stage. All health regulations were adopted and precautions were implemented as required in the changing circumstances. We were able to adapt smoothly to the “new normal” and effectively cope with the pandemic.

It was another challenging year in a highly competitive financial market, with the extensive lockdown and significant digital disruption in the banking industry overall. However, we still managed to grow our loan book by 9.3%, along with 13.2% deposit growth over the past financial year.

These outcomes could not have been achieved without the consistent hard work and commitment of our Epping Community Bank Branch team. I thank our customer service staff of Junie, Karen, Anette, and Julie for their dedication and resilience through all the changes.

My thanks to our community-minded Board of volunteer Directors, the members of the Community Funding and Business Development Committee, and the Governance Committee, for devoting many volunteer hours to work tirelessly to support me and the staff, and to ensure the ongoing success of our business.

And special thanks to our customers and shareholders for their loyalty and perseverance throughout these difficulties times.

I also thank our State Office Team for providing consistent support to our branch.

As a full-service bank, we can deliver all the products and services necessary for our customers’ banking needs. As a Community Bank branch, we are truly part of our local community and supporting our local businesses. Our company is in a unique position to provide quality banking services to our customers while producing great benefits and support for our local community.

We are confident that our continuing strong business growth positions us well for a very positive long-term outlook. It is never too late to join the bank to experience personalised customer service and support the community at the same time. As a customer of Epping Community Bank Branch, you are part of something bigger than a bank.

We look forward to serving you throughout another successful year and encourage all shareholders who don’t currently bank with us to visit our Epping branch and see how we can assist with your banking needs.

Stephen Hu
Manager
Epping Community Bank Branch of Bendigo Bank

Dividend payment history

FINANCIAL YEAR ENDED	AMOUNT PER SHARE	TAX STATUS	DATE PAID
2007	3 cents	unfranked	June 2009
2008	6 cents	unfranked	June 2009
2009	9 cents	unfranked	December 2009
2010	9 cents	unfranked	February 2010
2011	9 cents	unfranked	December 2010
2012	10 cents	franked	February 2012
2013	8 cents	franked	January 2013
2014	6 cents	franked	December 2013
2015	Nil		
2016	Nil		
2017	3 cents	franked	October 2016
2017	3 cents	franked	June 2017
2018	3 cents	franked	August 2017
2019	4 cents	franked	October 2018
2019	4 cents	franked	May 2019
2020	8 cents	franked	November 2019
2020	4 cents	franked	November 2020
2021	Nil		

Our community engagement and investment

For year ended 30 June 2021

- Alexanders Netball Club
- All Saints Anglican Church
- Christian Community Aid Youth Mental Health Program
- Combined Churches Christmas Carols, Boronia Park
- Epping Boys High School
- Epping Districts Athletics Club
- Epping-Eastwood Lions Club
- Macquarie Singers
- Max Potential Youth Leadership Program
- Neighbourhood Watch
- North Epping Community Bus
- North Epping Bowling and Community Club
- North Epping Men's Shed
- North Epping Rangers Sports Club
- Ray Park Heritage Group
- Rotary Club of Epping
- Royal Life Saving Swim and Survive SWIM/VAC program
- St Gerard's Netball Club
- The Northern Centre Domestic Violence/Mental Health Program

The Epping Community Bank model operates on the principle of "SHARED VALUE".
Shared Value is not just 'shared values', however noble those values might be. Nor is it just a sense of 'social conscience' or 'social responsibility'. Nor is it just 'corporate philanthropy'.

It is all of these, and much more.

It embodies the link between business success and corporate social responsibility – the success of a company and the social health of the community around it are mutually dependent.

Our community bank is a franchisee of Bendigo and Adelaide Bank. It uses the bank's infrastructure and expertise to provide local community members with quality financial and banking services through a successful community business venture. The crucial point of difference from other banks is that, under the terms of the franchise agreement, our community bank reinvests up to 80% of its net profits back into the community to support local initiatives and stimulate community well-being. We are a GENUINE community bank.

Shareholders expect a financial return, but they are also committing to a community investment for the benefit of their community as a whole.

The community is at the centre of the business, not at the margins. Our high quality banking services are the means to the end – to generate profits, and thus provide funds to support our community.

Since our foundation in 2003, our company has returned over $1.2 million to OUR community in a wide variety of projects. We must stress that these funds come from OUR Epping branch, OUR local company, not from 'the Bendigo Bank'.

The members of our community who bank with us receive high quality banking services - and are the source of our profits. The more people who bank with our branch, the higher our profits. The higher our profits, the more funds we can pass back into local community projects. It is a WIN-WIN situation.

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Epping and Districts Financial Services Limited

ABN: 57 104 573 499

Financial Report

For the year ended

30 June 2021

Epping and Districts 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:

Robert Michael Phillips
Non-executive director
Occupation: Retired High School Principal
Qualifications, experience and expertise: High school teacher/ Head teacher/ Deputy Principal/ Principal for 37 years; Life Member of NSW Secondary Principals Council; Member of Australian Institute for Teaching and School Leadership; Trained Mediator, Department of Education and Communities; Director and honorary secretary of North Epping Bowling and Community Club; Member of UN Women Australia; Member of Rostrum Clubs of NSW; Member of Epping Civic Trust.
Special responsibilities: Chairman and Member of Finance, Governance and Community Funding & Business Development Committees
Interest in shares: 1,000

Craig Eric Gallagher
Non-executive director
Occupation: Solicitor
Qualifications, experience and expertise: 38 years Epping/Eastwood suburban Practitioner; 1995 appointed trustee State Sports Centre Trust until its closure; 1998 to March 2012 trustee and Chairman of Parramatta Stadium Trust; from March 2012 to 2017 Chairman of Sydney Local Venue Council and director of Venues NSW Authority; September 2012 appointed trustee Sydney University Centre for Disabilities Studies and member and director of Epping Rotary Club for 21 years.
Special responsibilities: Deputy Chairman, Member of Governance and Community Funding & Business Development Committees
Interest in shares: Nil

Ian David Bittner
Non-executive director
Occupation: Quality Officer/Risk Manager, Pathology North, Royal North Shore Hospital
Qualifications, experience and expertise: Pathology Administrator - Graduate Diploma in Management, 1997 Adelaide University School of Management; previously worked as Chief General Manager of Operations in Malaysia and Singapore; past President and current Board member of Epping Rotary Inc.; past Treasurer of Lifeway Lutheran Church, Epping; extensive experience in financial management and currently working in the area of risk management.
Special responsibilities: Company Secretary and Chairman of Governance Committee
Interest in shares: Nil

Ronald Lester Cardwell
Non-executive director
Occupation: Accountant and Insolvency Practitioner
Qualifications, experience and expertise: Practicing accountant for over 33 years, specialising in insolvency and forensic accounting. Current director of Australian Religious Film Society Ltd.
Special responsibilities: Treasurer and Member of Finance Committee
Interest in shares: Nil

Directors *(continued)*

Wendy Faye Yee-Dempster
Non-executive director
Occupation: Business Proprietor
Qualifications, experience and expertise: Managed and operated own hair salon for 30 years; Vice President of the Nissan Patrol 4WD Club of NSW & ACT Inc. Graduate Certificate in Management (Professional Practice) Charles Sturt University, Graduate of the Australian Institute of Company Directors. Master of Business Administration, Charles Sturt University, former member of Bendigo Community Bank National Council.
Special responsibilities: Member of Community Funding & Business Development and Governance Committees
Interest in shares: 10,501

Alan Bede Marsh
Non-executive director
Occupation: Retired CEO of Sydney Olympic Park Authority
Qualifications, experience and expertise: Holds an MBA, Bachelor Business (Distinction), Public Administration Certificate, and is a Certified Practicing Accountant of the Australian Society of CPAs. Former director of Sydney Olympic Park Business Association and former member of Sydney Olympic Park Authority Board (ex officio). Has worked in a variety of executive-level positions for companies including Sydney Olympic Park Authority, NSW Department of Commerce, NSW Premier's Department, Olympic Coordination Authority and Darling Harbour Authority.
Special responsibilities: Chairman of Finance Committee
Interest in shares: Nil

Robyn Dawn Clark
Non-executive director (appointed 29 July 2020)
Occupation: Managing Director of HR Consulting business
Qualifications, experience and expertise: Masters of Educational Leadership, Director Loreto Normanhurst Board 2013-2019, Chair of Principal Selection Committee. Senior HR professional for over 25 years, career in financial services, printing and technology industries.
Special responsibilities: Nil
Interest in shares: Nil

Stefan Walenty Sojka
Non-executive director (resigned 23 June 2021)
Occupation: Creative Director, Consultant, Producer
Qualifications, experience and expertise: Company Director, Cyrius Media Group Pty Ltd; President of Ryde Macquarie Park Chamber of Commerce; The Rotary Clubs of Ryde including various roles: PR Director, Webmaster & Community Services Director and Member of City of Ryde Economic Development Advisory Committee since 2008.
Special responsibilities: Member of Community Funding & Business Development Committee
Interest in shares: Nil

Peter John Kemp
Non-executive director (resigned 29 July 2020)
Occupation: Retired Policeman and Investigator
Qualifications, experience and expertise: 35 years investigative experience – investigations relating to corporate compliance as an employee of NSW fair trading; founder and current President of Monaro Owners Drivers & Enthusiasts Association Inc and former treasurer of an incorporated association.
Special responsibilities: Nil
Interest in shares: Nil

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 Ian David Bittner. Ian was appointed to the position of secretary on 21 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.

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 $
	143,144	141,260

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Robert Michael Phillips	1,000	-	1,000
Craig Eric Gallagher	-	-	-
Ian David Bittner	-	-	-
Ronald Lester Cardwell	-	-	-
Wendy Faye Yee-Dempster	10,501	-	10,501
Alan Bede Marsh	-	-	-
Robyn Dawn Clark	-	-	-
Stefan Walenty Sojka	-	-	-
Peter John Kemp	-	-	-

Dividends

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	4.00	20,440

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the 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:

			Committee Meetings					
E - eligible to attend *A - number attended*	Board Meetings		Governance		Community Funding & Business Development		Finance	
	E	A	E	A	E	A	E	A
Robert Michael Phillips	11	11	2	2	7	5	3	2
Craig Eric Gallagher	11	11	2	2	7	4	3	1
Ian David Bittner	11	10	2	2	-	-	-	-
Ronald Lester Cardwell	11	11	-	-	-	-	3	3
Wendy Faye Yee-Dempster	11	11	2	2	7	5	-	-
Alan Bede Marsh	11	8	-	-	-	-	3	3
Robyn Dawn Clark	10	9	2	2	-	-	-	-
Stefan Walenty Sojka	11	10	-	-	7	7	-	-
Peter John Kemp	-	-	-	-	-	-	-	-

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 27 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Finance 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 Finance 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 Epping, New South Wales.

Robert Phillips

Robert Michael Phillips, Chair

Dated this 30th day of September 2021

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

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

As lead auditor for the audit of Epping and Districts Financial Services Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 30 September 2021

Adrian Downing
Lead Auditor

Epping and Districts Financial Services Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	881,968	938,108
Other revenue	9	32,080	58,278
Finance income	10	480	7,422
Employee benefit expenses	11c)	(416,951)	(403,592)
Charitable donations, sponsorship, advertising and promotion		(63,500)	(185,430)
Occupancy and associated costs		(40,524)	(11,287)
Systems costs		(55,454)	(44,748)
Depreciation and amortisation expense	11a)	(67,998)	(80,077)
Finance costs	11b)	(7,574)	(17,901)
General administration expenses		(78,042)	(79,849)
Profit before income tax expense		184,485	180,924
Income tax expense	12a)	(41,341)	(39,664)
Profit after income tax expense		143,144	141,260
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		143,144	141,260
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	28.01	27.64

The accompanying notes form part of these financial statements

Epping and Districts Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	770,912	671,755
Trade and other receivables	14a)	92,159	124,403
Current tax assets	18a)	15,288	-
Total current assets		878,359	796,158
Non-current assets			
Property, plant and equipment	15a)	76,355	36,033
Right-of-use assets	16a)	352,080	-
Intangible assets	17a)	31,860	45,044
Deferred tax asset	18b)	19,564	49,849
Total non-current assets		479,859	130,926
Total assets		1,358,218	927,084
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	45,676	49,069
Current tax liabilities	18a)	-	381
Lease liabilities	20a)	32,270	48,604
Employee benefits	22a)	50,502	37,771
Total current liabilities		128,448	135,825
Non-current liabilities			
Trade and other payables	19b)	15,228	30,454
Lease liabilities	20b)	317,555	-
Employee benefits	22b)	28,293	21,407
Provisions	21a)	15,541	29,389
Total non-current liabilities		376,617	81,250
Total liabilities		505,065	217,075
Net assets		853,153	710,009
EQUITY			
Issued capital	23a)	479,929	479,929
Retained earnings	24	373,224	230,080
Total equity		853,153	710,009

The accompanying notes form part of these financial statements

Epping and Districts Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2021

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2019		479,929	129,700	609,629
Total comprehensive income for the year		-	141,260	141,260
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29b)	-	(40,880)	(40,880)
Balance at 30 June 2020		479,929	230,080	710,009
Balance at 1 July 2020		479,929	230,080	710,009
Total comprehensive income for the year		-	143,144	143,144
Balance at 30 June 2021		479,929	373,224	853,153

The accompanying notes form part of these financial statements

Epping and Districts Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,002,760	1,086,523
Payments to suppliers and employees		(652,869)	(829,592)
Interest received		3,653	4,507
Lease payments (interest component)	11b)	(6,819)	(16,908)
Lease payments not included in the measurement of lease liabilities	11d)	(51,169)	(20,554)
Income taxes paid		(29,358)	(70,387)
Net cash provided by operating activities	25	266,198	153,589
Cash flows from investing activities			
Payments for property, plant and equipment		(73,065)	-
Payments for intangible assets		(13,844)	(13,844)
Net cash used in investing activities		(86,909)	(13,844)
Cash flows from financing activities			
Lease payments (principal component)		(59,692)	(66,575)
Dividends paid	29a)	(20,440)	(40,880)
Net cash used in financing activities		(80,132)	(107,455)
Net cash increase in cash held		99,157	32,290
Cash and cash equivalents at the beginning of the financial year		671,755	639,465
Cash and cash equivalents at the end of the financial year	13	770,912	671,755

The accompanying notes form part of these financial statements

Note 1 Reporting entity

This is the financial report for Epping and Districts Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Unit 1, 2 Pembroke Street Epping NSW 2121	Shop 3/2-6 Oxford Street Epping NSW 2121

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

Note 2 Basis of preparation and statement of compliance

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

The financial statements have been prepared on an accrual and historical cost basis. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 30 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

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

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

Ability to change financial return

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

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service.

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

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

d) Employee benefits *(continued)*

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss.

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	6 years
Plant and equipment	Straight-line	1 to 6 years

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

h) Intangible assets

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

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

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

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

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

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

i) Financial instruments

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

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

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

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

i) Financial instruments *(continued)*

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

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

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

m) Leases *(continued)*

As a lessee (continued)

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

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

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

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

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Note 5 Significant accounting judgements, estimates, and assumptions *(continued)*

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note	Judgement
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

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

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

a) Credit risk

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

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

Note 6 Financial risk management *(continued)*

b) Liquidity risk

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

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

Exposure to liquidity risk

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

30 June 2021

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	349,825	42,328	182,396	173,627
Trade payables	60,904	45,676	15,228	-
	410,729	88,004	197,624	173,627

30 June 2020

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	48,604	49,177	-	-
Trade payables	79,523	49,069	30,454	-
	128,127	98,246	30,454	-

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $770,912 at 30 June 2021 (2020: $671,755). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

The distribution limit is the greater of:

(a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	781,575	830,641
- Fee income	49,898	60,540
- Commission income	50,495	46,927
	881,968	938,108

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	-	10,000
- Cash flow boost	28,967	48,278
- Gain on disposal of make-good provision	3,113	-
	32,080	58,278

Note 10 Finance income

	2021 $	2020 $
- Term deposits	480	7,422

Note 11 Expenses

a) Depreciation and amortisation expense

	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	28,046	30,370
- Plant and equipment	2,625	3,415
	30,671	33,785
Depreciation of right-of-use assets		
- Leased land and buildings	24,143	33,108
Amortisation of intangible assets:		
- Franchise fee	2,197	2,198
- Franchise renewal process fee	10,987	10,986
	13,184	13,184
Total depreciation and amortisation expense	67,998	80,077

b) Finance costs

	2021 $	2020 $
- Lease interest expense	6,819	16,908
- Unwinding of make-good provision	755	993
	7,574	17,901

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

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	362,452	348,393
Contributions to defined contribution plans	38,149	32,738
Expenses related to long service leave	7,040	2,057
Other expenses	9,310	20,404
	416,951	403,592

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.

Upon expiration of the Oxford Street lease agreement, the company continued to make lease payments on existing terms on a month-by-month basis. This agreement continued until April 2021. As such the lease has 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	30,093	20,534
Expenses relating to short-term leases	21,076	-
	51,169	20,534

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense		
- Current tax	11,056	36,862
- Movement in deferred tax	29,502	(30,452)
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	783	2,876
- Adjustment to deferred tax on AASB 16 retrospective application	-	30,378
	41,341	39,664

b) *Prima facie* income tax reconciliation

	2021	2020
Operating profit before taxation	184,485	180,924
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	47,966	49,754
Tax effect of:		
- Non-deductible expenses	123	310
- Temporary differences	(29,502)	74
- Other assessable income	(7,531)	(13,276)
- Movement in deferred tax	29,502	(30,452)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	783	2,876
- Leases initial recognition	-	30,378
	41,341	39,664

Note 13 Cash and cash equivalents

	2021 $	2020 $
Cash at bank and on hand	189,222	92,867
Term deposits	581,690	578,888
	770,912	671,755

Note 14 Trade and other receivables

a) Current assets

	2021 $	2020 $
Trade receivables	70,067	71,014
Prepayments	7,371	5,620
Other receivables and accruals	14,721	47,769
	92,159	124,403

Note 15 Property, plant and equipment

a) Carrying amounts

	2021 $	2020 $
Leasehold improvements		
At cost	67,402	213,494
Less: accumulated depreciation	(2,967)	(186,342)
	64,435	27,152
Plant and equipment		
At cost	43,191	44,785
Less: accumulated depreciation	(31,271)	(35,904)
	11,920	8,881
Total written down amount	76,355	36,033

b) Reconciliation of carrying amounts

	2021	2020
Leasehold improvements		
Carrying amount at beginning	27,152	57,522
Additions	67,401	-
Disposals	(2,072)	-
Depreciation	(28,046)	(30,370)
	64,435	27,152
Plant and equipment		
Carrying amount at beginning	8,881	12,296
Additions	5,664	-
Depreciation	(2,625)	(3,415)
	11,920	8,881
Total written down amount	76,355	36,033

Upon relocating to the Pembroke Street premises, the company disposed of the leasehold improvements and some plant and equipment from the Oxford Street premises. The additions relate to the building works required to fit out the new premises.

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

Note 16 Right-of-use assets

a) Carrying amounts

	2021 $	2020 $
Leased land and buildings		
At cost	376,223	343,525
Less: accumulated depreciation	(24,143)	(343,525)
Total written down amount	352,080	-

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

b) Reconciliation of carrying amounts

Leased land and buildings

Initial recognition on transition	-	491,891
Additional right-of-use assets recognised	348,611	-
Remeasurement adjustments	27,612	(458,783)
Depreciation	(24,143)	(33,108)
Total written down amount	352,080	-

During the period, the company relocated to a new premises at Unit 1, 2 Pembroke Street Epping. This resulted in a new right-of-use asset being recognised.

Note 17 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	83,917	83,917
Less: accumulated amortisation	(78,607)	(76,410)
	5,310	7,507
Franchise renewal process fee		
At cost	169,577	169,577
Less: accumulated amortisation	(143,027)	(132,040)
	26,550	37,537
Total written down amount	31,860	45,044

b) Reconciliation of carrying amounts

Franchise fee		
Carrying amount at beginning	7,507	9,705
Amortisation	(2,197)	(2,198)
Carrying amount at end	5,310	7,507
Franchise renewal process fee		
Carrying amount at beginning	37,537	48,523
Amortisation	(10,987)	(10,986)
Carrying amount at end	26,550	37,537
Total written down amount	31,860	45,044

c) Changes in estimates

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

Note 18 Tax assets and liabilities

a) Current tax

	2021 $	2020 $
Income tax payable/(refundable)	(15,288)	381

b) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- expense accruals	1,600	1,079
- employee provisions	19,699	16,312
- make-good provision	3,885	7,641
- lease liability	87,456	12,637
- property, plant and equipment	-	13,327
Total deferred tax assets	112,640	50,996
Deferred tax liabilities		
- income accruals	310	1,147
- property, plant and equipment	4,746	-
- right-of-use assets	88,020	-
Total deferred tax liabilities	93,076	1,147
Net deferred tax assets (liabilities)	19,564	49,849
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(30,285)	(2,803)
Movement in deferred tax charged to Statement of Changes in Equity	-	30,378

Note 19 Trade creditors and other payables

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

a) Current liabilities

	2021 $	2020 $
Other creditors and accruals	45,676	49,069

b) Non-current liabilities

	2021 $	2020 $
Other creditors and accruals	15,228	30,454

Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%. Subsequent lease modifications were discounted at 3.00%.

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

The company's lease portfolio includes:

- Epping branch — The lease agreement is a non-cancellable lease with an initial term of 3 years which commenced in December 2020. The company has 2 x 3 year renewal options available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is November 2029.

Note 20 Lease liabilities *(continued)*

a) Current lease liabilities

	2021 $	2020 $
Property lease liabilities	42,328	49,177
Unexpired interest	(10,058)	(573)
	32,270	48,604

b) Non-current lease liabilities

	2021 $	2020 $
Property lease liabilities	356,023	-
Unexpired interest	(38,468)	-
	317,555	-

c) Reconciliation of lease liabilities

	2021 $	2020 $
Balance at the beginning	48,604	-
Initial recognition on AASB 16 transition	-	582,454
Additional lease liabilities recognised	348,611	-
Remeasurement adjustments	12,302	(467,275)
Lease payments - interest	6,819	16,908
Lease payments - total cash outflow	(66,511)	(83,483)
	349,825	48,604

d) Maturity analysis

	2021 $	2020 $
- Not later than 12 months	42,328	49,177
- Between 12 months and 5 years	182,396	-
- Greater than 5 years	173,627	-
Total undiscounted lease payments	398,351	49,177
Unexpired interest	(48,526)	(573)
Present value of lease liabilities	349,825	48,604

Note 21 Provisions

a) Non-current liabilities

	2021 $	2020 $
Make-good on leased premises	15,541	29,389

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision based to be $20,000 on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 30 November 2029 at which time it is expected the face-value costs to restore the premises will fall due.

Note 21 Provisions *(continued)*

b) Reconciliation of make-good provision

	2021 $	2020 $
Balance at the beginning	29,389	-
Face-value of make-good costs recognised	15,310	30,000
Present value discounting	-	(10,096)
Present value unwinding	755	993
Provision remeasurements	(3,113)	8,492
Settlement of provision	(26,800)	-
	15,541	29,389

Upon vacating the Oxford Street premises, the company was required to pay $26,800 in order to restore the premises to it's original condition.

Note 22 Employee benefits

a) Current liabilities

	2021 $	2020 $
Provision for annual leave	49,941	37,364
Provision for long service leave	561	407
	50,502	37,771

b) Non-current liabilities

	2021 $	2020 $
Provision for long service leave	28,293	21,407

c) Key judgement and assumptions

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

Note 23 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	511,008	511,008	511,008	511,008
Less: equity raising costs	-	(31,079)	-	(31,079)
	511,008	479,929	511,008	479,929

Note 22 Issued capital *(continued)*

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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 Retained earnings

	Note	2021 $	2020 $
Balance at beginning of reporting period		230,080	209,789
Adjustment for transition to AASB 16		-	(80,089)
Net profit after tax from ordinary activities		143,144	141,260
Dividends provided for or paid	29b)	-	(40,880)
Balance at end of reporting period		373,224	230,080

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	143,144	141,260
Adjustments for:		
- Depreciation	54,814	66,893
- Amortisation	13,184	13,184
- (Profit)/loss on disposal of non-current assets	2,072	-
- (Profit)/loss on disposal of make-good provision	(3,113)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	32,244	(36,612)
- (Increase)/decrease in other assets	14,616	2,802
- Increase/(decrease) in trade and other payables	15,665	(10,353)
- Increase/(decrease) in employee benefits	19,617	8,947
- Increase/(decrease) in provisions	(26,045)	993
- Increase/(decrease) in tax liabilities	-	(33,525)
Net cash flows provided by operating activities	266,198	153,589

Note 26 Financial instruments

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

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	189,222	92,867
Term deposits	13	581,690	578,888
Trade and other receivables	14	84,788	118,783
		855,700	790,538
Financial liabilities			
Trade and other payables	19	60,904	79,523
Lease liabilities	20	349,825	48,604
		410,729	79,523

Note 27 Auditor's remuneration

	2021 $	2020 $
Amount received or due and receivable by the auditor of the company for the financial year.		
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	600	780
- General advisory services	4,980	5,987
Total auditor's remuneration	10,580	11,567

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Robert Michael Phillips
Craig Eric Gallagher
Ian David Bittner
Ronald Lester Cardwell
Wendy Faye Yee-Dempster
Stefan Walenty Sojka
Alan Bede Marsh
Peter John Kemp

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.

Note 28 Related parties *(continued)*

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.

Transactions with related parties	2021 $	2020 $
- The company used marketing and business development services provided by Cyrius Media Group Pty Ltd., of which Stefen Sojka is a director. The total benefit received was (Inc. GST):	19,200	15,840
Total transactions with related parties	19,200	15,840

Note 29 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	4.00	20,440	8.00	40,881

b) Dividends proposed and recognised as a liability

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	-	-	4.00	20,440

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

c) Franking account balance

	2021 $	2020 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	222,424	167,543
Franking transactions during the financial year:		
- Franking credits from the payment of income tax instalments	35,450	48,971
- Franking credits (debits) arising from income taxes paid (refunded)	(8,725)	21,416
- Franking debits from the payment of franked distributions	(7,182)	(15,506)
Franking account balance at the end of the financial year	241,967	222,424
Franking transactions that will arise subsequent to the financial year end:		
- franking credits/(debits) that will arise from the payment/(refund) of income tax as at the end of the financial year	(15,287)	381
Franking credits available for future reporting periods	226,680	222,805

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

Note 30 Earnings per share

a) Basic and diluted earnings per share

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

	2021 $	2020 $
Profit attributable to ordinary shareholders	143,144	141,260
	Number	Number
Weighted-average number of ordinary shares	511,008	511,008
	Cents	Cents
Basic and diluted earnings per share	28.01	27.64

Note 31 Commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

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

Epping and Districts Financial Services Limited
Directors' Declaration

In accordance with a resolution of the directors of Epping and Districts 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.

Robert Phillips

Robert Michael Phillips, Chair

Dated this 30th day of September 2021

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Independent auditor's report to the Directors of Epping and Districts Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Epping and Districts 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 Epping and Districts Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 30 September 2021

Adrian Downing
Lead Auditor