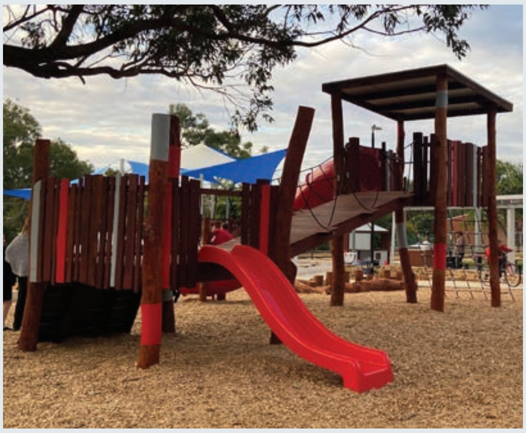
2021 Annual Report



Gingin Districts Community Financial Services Limited

ABN 98 095 382 193

Community Bank · Gingin and Lancelin

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Chairman's report

For year ending 30 June 2021

Despite the uncertain times we now live, Gingin Districts Community Financial Services Limited, your Community Bank company continues to perform well, returning profits to the shareholders and the wider Gingin and Lancelin communities. We have seen some green shoots come and go throughout the year as we learn to live with the COVID-19 uncertainty. A credit to our strong team that we can now boast a total book, that is total lending plus deposits of in excess of $260 million, as at 30 June 2021. Our team continues to write new business, to grow and replace the runoff you get from a mature book, as client's situation and demographic changes.

The $150,000 your Community Bank contributed to the newly completed Adventure Playground in Gingin was the catalyst for leveraging the rest of the Federal, Gingin Shire, and corporate funding that saw this fantastic community effort come to fruition.

The Board and business are supported by strong management provided by Senior Manager Stephen Fidge and Gingin Branch Manager Christian Kelly. The Board is excited about the promotion of one of our own, Tanya Martinovich, to the Lancelin Branch Manager position.

Gingin Districts Community Financial Services Limited maintains a strong Balance Sheet, and adequate retained earnings of $746,634 at 30 June 2021 ($717,958 – 30 June 2020) and as a result the Board is pleased to announce a strong after tax net profit of $134,552 ($186,454 – 30 June 2020) after contributing $30,000 to the Community Enterprise Foundation™. The funds set aside in the Foundation will be available for community projects over the coming years and add to the $3.15 million already invested into many groups, organisations and major infrastructure across the shire.

Dividend payment to date		
Financial year	Cents per share	Total distribution per share
2003/04	7¢	$0.07
2004/05	8¢	$0.15
2005/06	9¢	$0.24
2006/07	12¢	$0.36
2007/08	12¢	$0.48
2008/09	15¢	$0.63
2009/10	16¢	$0.79
2010/11	18¢	$0.97
2011/12	19¢	$1.16
2012/13	20¢	$1.36
2013/14	21¢	$1.57
2014/15	21¢	$1.78
2015/16	21¢	$1.99
2016/17	24¢	$2.23
2017/18	24¢	$2.47
2018/19	24¢	$2.71
2019/20	24¢	$2.95
2020/21	24¢	$3.19

Our scholarship program continues to support our youth to attend university and TAFE to further their education. Currently our company is assisting three young locals and is an initiative that the Board, customers and shareholders alike, should all be very proud of.

Your Board is pleased to again declare a 24c dividend for the year ended 30 June 2021 (24c fully franked year ended 30 June 2020). As you can see this takes the total dividend payout to $3.19 and provides a good balance between community benefit and shareholder reward for the shareholders who risked their capital to back this Community Bank dream twenty years ago.

Looking forward, we believe business and lending opportunities are, and will continue to present themselves. With the cost of funds likely to increase before interest rates do, we will continue to see margin pressure and will continue to be diligent with expenditure and work hard on growing business.

I particularly thank my fellow Directors for their volunteered time, effort and due diligence. Our Board has an exceptional balance of skills and broad thinkers. The workload is shared across the various portfolios which results in a very functional Board.

As always, I sincerely thank Linda Balcombe, the Board's Executive Officer for her support. It is a pleasure working with such a strong team and I can assure you your company is in good hands.

Remember ***Bank with your Community Bank branch and your community will benefit***.

David Roe

David Roe
Chairman

Managers' report

For year ending 30 June 2021

2020/21 saw Gingin Districts Community Financial Services Limited (GDCFS Ltd) celebrate its 20th year of operation along with 15 years for our Lancelin Branch. Community festivities to help us celebrate these milestones will be held in November 2021.

We have come a long way from those humble beginnings 20 years ago and as of 30 June 2021 boasted a combined business book of more than $260 million with community contributions over the years exceeding $3.15 million.

Over the 20-year journey we have three parties who have played a constant role in our Community Bank's success, we would like to take this opportunity to thank David Roe, Tom Cabassi and Rob Kestel for 20 years of continuous dedicated service to GDCFS Ltd. Along the way we have had many other contributors to the success of the group, and we would like to acknowledge their contributions.

GDCFS Ltd over the past year experienced net portfolio growth of 7.2% or just over $17 million.

The low interest rate/margin environment continues to impact on revenues and the challenges in the years ahead will be to improve returns whilst controlling our cost base. We have experienced Directors and Management Team in place that should ensure that we are up to the challenge.

During the year GDCFS Ltd has made the strategic move to appoint Tanya Martinovich to the position of Branch Manager Lancelin following a successful 6-month trial on an "acting" basis. Tanya has stepped up to the challenge and continues to meet expectations.

On behalf of the Management team (Stephen, Christian and Tanya) we would like to take the opportunity to thank our supportive team of Directors without who, we could not continue to support the Community in which we operate.

Our people are the key to the past, present and ongoing success of the business and the Management team would like to take the opportunity to thank all staff for their efforts over the year.

I personally would like to thank Christian, Tanya, Linda and Mathew who directly support me to ensure that GDCFS Ltd continues to prosper in these changing times.

Stephen Fidge
Senior Manager
Gingin & Lancelin

Christian Kelly
Manager
Gingin

Tanya Martinovich
Manager
Lancelin

Bendigo and Adelaide Bank report

For year ending 30 June 2021

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

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

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

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

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

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

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

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

Collin Brady
Head of Community Development

Directors' report

For the financial year ended 30 June 2021

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

Directors

The directors of the company who held office during or since the end of the financial year are:

David William Roe

Non-executive director

Occupation: Primary Producer

Qualifications, experience and expertise: Thirty seven years in family farming business. Past Chairman Gingin Recreation Group and the Angus Society of Western Australia (WA Committee). Past Treasurer Gingin Football Club, Gingin Cricket Club and Gingin Districts Financial Services Ltd. Gingin Shire Councillor 2005 - 2017. Gingin Shire President 2015 - 2017. Current Chairman Gingin District Financial Services Limited.

Special responsibilities: Finance & Audit and Scholarship Committees

Interest in shares: 6,001 ordinary shares

Irene Betty Neville

Non-executive director

Occupation: Primary Producer

Qualifications, experience and expertise: Beef Cattle Farming with Husband. Member of local St John's ambulance for 11 years. Ladies President of Gingin Golf Club. Organising Committee Gingin Garden Group. Previously worked in the Health Industry for over 25 years both in hospital and community nursing.

Special responsibilities: Due Diligence, Marketing and Scholarship Committees

Interest in shares: 5,000 ordinary shares

Thomas Cesare Cabassi

Non-executive director

Occupation: Real Estate

Qualifications, experience and expertise: Certificate IV in Real Estate Management 50513. Chairman of Steering Committee in forming Gingin Community Bank. Past Chairman GDCFSL. Lifelong involvement with various sporting clubs and beef cattle industry.

Special responsibilities: Finance & Audit, Human Resources and Business Development Committees

Interest in shares: 3,801 ordinary shares

Robert William Kestel

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Diploma in Rural Technology, Poultry Farmer 26 years, Director of Mortlock Football League, President of West Australian Broiler Growers Association, Director of Free Range Egg and Poultry Australia Ltd.

Special responsibilities: Marketing, Scholarships and Sponsorships & Grants Committees

Interest in shares: 1,001 ordinary shares

Directors (continued)

Malcolm Robert Harrington

Non-executive director

Occupation: Retail Sales

Qualifications, experience and expertise: Justice of the peace. Ex Wheat Sheep Farmer. Ex Heavy Haulage Contractor/Earth Mover. Currently Hardware Retail Business Ledge Point. President & Secretary of many groups over the years.

Special responsibilities: Secretary, Due Diligence, Business Development, Human Resources and Sponsorships & Grants Committees

Interest in shares: nil share interest held

Anthony Robert Colotti

Non-executive director

Occupation: Primary Producer

Qualifications, experience and expertise: Cert III in Horticultural Studies. Director of Brookrise Fresh Produce. Involved in Gingin Football Club, Gingin Bowling Club and Yachep Surf Lifesaving Club. Donations and sponsorship to many community events and organisations. Other current directorships include Brookrise Fresh Produce.

Special responsibilities: Deputy Chairperson, Chair of Sponsorships & Grants Committee, Finance & Audit and Business Development Committees

Interest in shares: nil share interest held

Wendy Lynette Harris

Non-executive director

Occupation: Chief Sustainability Officer

Qualifications, experience and expertise: Wendy Harris (MBA, GAICD) is the Chief Sustainability Officer at the Eastern Metropolitan Regional Council in Western Australia and was previously an Executive Manager at Keystart Home Loans. Her skills and expertise cover the areas of strategic, business and workforce planning, risk management and marketing. Wendy is also a partner in a family farming enterprise, operating in the Shire of Gingin involved in the production of prime lamb and beef and is passionate about the sustainability and health of rural communities.

Special responsibilities: Treasurer, Finance & Audit and Due Diligence Committees, Chair of Business Development Committee

Interest in shares: 600 ordinary shares

David Tony Burt

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: David is a retired Chief Executive Officer in Local Government, holding a Diploma in Local Government (Clerk). David's main areas of expertise are in Local Government financial management and corporate governance.

Special responsibilities: Due Diligence, Finance & Audit and Sponsorships & Grants Committees

Interest in shares: 450 ordinary shares

Directors (continued)

Hon Martin Aldridge

Non-executive director (appointed 28 July 2020)

Occupation: Member of Parliament

Qualifications, experience and expertise: Elected in 2013 as the Member for the Agricultural Region in the Legislative Council of Western Australia. Currently serving on the Standing Committee on Procedure and Privileges and previously on the Standing Committee on Estimates and Financial Operations. Previously employed as a Senior Firefighter with the Department of Fire and Emergency Services with a background in agriculture.

Special responsibilities: Chair of Marketing Committee, Business Development Committee

Interest in shares: nil share interest held

Stephen James Beckwith

Non-executive director (appointed 4 December 2020)

Occupation: General Manager

Qualifications, experience and expertise: Bachelor of Business (1st Class Honours), GAICD. 20 years experience in a Senior Managerial role with two multinational Horticultural operations across WA and Tasmania. Current role of General Manager. Past Chairperson and Treasurer of Gingin Districts Community Services, current Board member of the Almond Board of Australia, previously and currently involved in various local community organisations including executive committee roles.

Special responsibilities: Chair of Human Resource Committee, Due Diligence and Business Development Committees

Interest in shares: 2,000 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 Malcolm Robert Harrington. Malcolm 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.

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 $
134,552	186,454

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
David William Roe	6,001	-	6,001
Irene Betty Neville	5,000	-	5,000
Thomas Cesare Cabassi	3,801	-	3,801
Robert William Kestel	1,001	-	1,001
Malcolm Robert Harrington	-	-	-
Anthony Robert Colotti	-	-	-
Wendy Lynette Harris	200	400	600
David Tony Burt	450	-	450
Hon Martin Aldridge	-	-	-
Stephen James Beckwith	2,000	-	2,000

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	24.00	105,876

Subsequent to financial year-end, the following dividends were proposed by the directors. The dividends have not been provided for in the financial statements.

	Cents per share	Total amount $
Final fully franked dividend	24.00	105,876

Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, 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

Since the end of the financial year, the board of directors have proposed to pay a fully franked dividend of 24 cents per share, to be paid in November 2021. The financial impact of the dividend, amounting to $105,876, has not been recognised in the financial statements for the financial year ended 30 June 2021, and will be recognised in the subsequent financial statements.

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

E - eligible to attend   A - number attended

	Board Meetings Attended		Committee Meetings Attended							
			Finance & Audit		Human Resources		Scholarship		Marketing	
	E	A	E	A	E	A	E	A	E	A
David William Roe	11	11	1	1	2	1	-	-	1	1
Irene Betty Neville	11	11	-	-	2	1	1	1	1	1
Thomas Cesare Cabassi	11	11	1	1	2	1	-	-	-	-
Robert William Kestel	11	10	-	-	-	-	1	1	1	1
Malcolm Robert Harrington	11	9	-	-	2	1	-	-	-	-
Anthony Robert Colotti	11	9	1	1	2	1	-	-	-	-
Wendy Lynette Harris	11	10	1	1	-	-	-	-	-	-
David Tony Burt	11	9	1	1	-	-	1	1	-	-
Hon Martin Aldridge	11	9	-	-	-	-	1	1	1	1
Stephen James Beckwith	6	6	-	-	2	1	-	-	-	-

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Finance 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 Finance 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 11.

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

David Roe

David William Roe
Chair

Dated this 28th day of August 2021

Auditor's independence declaration

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 28 August 2021

Adrian Downing
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	1,594,966	1,628,878
Other revenue	9	72,500	111,254
Finance income	10	8,035	13,688
Employee benefit expenses	11d)	(1,037,523)	(987,182)
Charitable donations, sponsorship, advertising and promotion	11c)	(88,249)	(183,513)
Occupancy and associated costs		(44,121)	(36,192)
Systems costs		(37,751)	(40,303)
Depreciation and amortisation expense	11a)	(116,317)	(93,249)
Finance costs	11b)	(23,285)	(22,680)
General administration expenses		(159,499)	(155,326)
Profit before income tax expense		**168,756**	**235,375**
Income tax expense	12a)	(34,204)	(48,921)
Profit after income tax expense		**134,552**	**186,454**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**134,552**	**186,454**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	30a)	30.50	42.27

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	949,073	929,319
Trade and other receivables	14a)	149,982	151,864
Current tax assets	18a)	23,474	-
Total current assets		**1,122,529**	**1,081,183**
Non-current assets			
Property, plant and equipment	15a)	293,711	292,298
Right-of-use assets	16a)	300,425	327,616
Intangible assets	17a)	122,359	25,780
Deferred tax asset	18b)	-	16,864
Total non-current assets		**716,495**	**662,558**
Total assets		**1,839,024**	**1,743,741**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	85,049	13,506
Current tax liabilities	18a)	-	13,559
Lease liabilities	20a)	30,081	28,277
Employee benefits	22a)	117,179	97,680
Total current liabilities		**232,309**	**153,022**
Non-current liabilities			
Lease liabilities	20b)	350,233	377,261
Employee benefits	22b)	22,775	18,857
Provisions	21f)	37,454	35,493
Deferred tax liability	18b)	8,469	-
Total non-current liabilities		**418,931**	**431,611**
Total liabilities		**651,240**	**584,633**
Net assets		**1,187,784**	**1,159,108**
EQUITY			
Issued capital	23a)	441,150	441,150
Retained earnings	24	746,634	717,958
Total equity		**1,187,784**	**1,159,108**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2019		441,150	637,380	1,078,530
Total comprehensive income for the year		-	186,454	186,454
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(105,876)	(105,876)
Balance at 30 June 2020		**441,150**	**717,958**	**1,159,108**
Balance at 1 July 2020		**441,150**	**717,958**	**1,159,108**
Total comprehensive income for the year		-	134,552	134,552
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(105,876)	(105,876)
Balance at 30 June 2021		**441,150**	**746,634**	**1,187,784**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,833,591	1,899,514
Payments to suppliers and employees		(1,420,326)	(1,575,060)
Interest received		8,035	13,688
Interest paid		-	(942)
Lease payments (interest component)	11b)	(21,324)	(20,822)
Lease payments not included in the measurement of lease liabilities	11e)	(13,280)	(14,609)
Income taxes paid		(45,903)	(48,921)
Net cash provided by operating activities	**25**	**340,793**	**252,848**
Cash flows from investing activities			
Payments for property, plant and equipment		(74,547)	(51,107)
Proceeds from sale of property, plant and equipment		14,545	-
Payments for intangible assets		(126,579)	-
Net cash used in investing activities		**(186,581)**	**(51,107)**
Cash flows from financing activities			
Lease payments (principal component)		(28,582)	(28,463)
Dividends paid	29a)	(105,876)	(105,876)
Net cash used in financing activities		**(134,458)**	**(134,339)**
Net cash increase in cash held		**19,754**	**67,402**
Cash and cash equivalents at the beginning of the financial year		929,319	861,917
Cash and cash equivalents at the end of the financial year	**13**	**949,073**	**929,319**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
3 Constable Street Gingin WA 6503	3 Constable Street Gingin WA 6503
	442 Lancelin Plaza Lancelin WA 6044

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 28 August 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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:

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

Note 4 Summary of significant accounting policies (continued)

b) Other revenue (continued)

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

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls

Note 4 Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

- 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.

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 (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised 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.

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

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.

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.

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

Goods and Services Tax (continued)

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.

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

Asset class	Method	Useful life
Building	Straight-line	40 years
Leasehold improvements	Straight-line	5 to 20 years
Plant and equipment	Straight-line and diminishing value	2 to 10 years

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

h) Intangible assets

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

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

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

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

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

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

i) Financial instruments

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

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.

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 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.

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

As a lessee (continued)

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.

a) Judgements

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

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

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;

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

b) Assumptions and estimation uncertainties (continued)

Note	Assumptions
- 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.

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	380,314	49,844	199,377	241,819
Trade payables	36,962	36,962	-	-
	417,276	**86,806**	**199,377**	**241,819**

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	405,538	49,444	197,776	289,323
Trade payables	2,205	2,205	-	-
	407,743	**51,649**	**197,776**	**289,323**

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.

Note 6 Financial risk management (continued)

c) Market risk (continued)

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $949,073 at 30 June 2021 (2020: $929,319). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	1,318,336	1,331,316
- Fee income	120,178	115,870
- Commission income	156,452	181,692
	1,594,966	**1,628,878**

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	35,000	48,750
- Cash flow boost	37,500	62,500
- Other income	-	4
	72,500	**111,254**

Note 10 Finance income

	2021 $	2020 $
- Term deposits	**8,035**	**13,688**

Note 11 Expenses

	2021 $	2020 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Leasehold improvements	18,320	9,390
- Plant and equipment	13,197	12,751
- Motor vehicles	24,252	19,111
	55,769	**41,252**
Depreciation of right-of-use assets:		
- Leased land and buildings	30,548	27,099
Amortisation of intangible assets:		
- Franchise fee	30,000	24,898
Total depreciation and amortisation expense	**116,317**	**93,249**

b) Finance costs

	2021 $	2020 $
- Lease interest expense	21,324	20,822
- Unwinding of make-good provision	1,961	1,858
	23,285	**22,680**

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

c) Charitable donations, sponsorship, advertising and promotion

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

	2021 $	2020 $
- Direct sponsorship, advertising, and promotion payments	58,249	53,513
- Contribution to the Community Enterprise Foundation™ (CEF)	30,000	130,000
	88,249	**183,513**

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

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

Note 11 Expenses (continued)

d) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	843,487	846,617
Non-cash benefits	21,602	14,400
Contributions to defined contribution plans	79,854	75,996
Expenses related to long service leave	14,175	(3,596)
Other expenses	78,405	53,765
	1,037,523	**987,182**

e) Recognition exemption

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

	2021 $	2020 $
Expenses relating to low-value leases	**13,280**	**14,609**

Note 12 Income tax expense

	2021 $	2020 $
a) Amounts recognised in profit or loss		
Current tax expense		
- Current tax	8,870	45,616
- Movement in deferred tax	25,673	(28,721)
- Adjustment to deferred tax on AASB 16 retrospective application	-	31,053
- Reduction in company tax rate	(339)	973
	34,204	**48,921**
b) Prima facie income tax reconciliation		
Operating profit before taxation	168,756	235,375
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	43,877	64,728
Tax effect of:		
- Non-deductible expenses	416	408
- Non-assessable income	-	(17,188)
- Temporary differences	(25,673)	(2,332)
- Other assessable income	(9,750)	-
- Movement in deferred tax	25,673	(28,721)
- Leases initial recognition	-	31,053
- Reduction in company tax rate	(339)	973
	34,204	**48,921**

Notes to the financial statements (continued)

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	192,243	243,968
- Term deposits	756,830	685,351
	949,073	**929,319**

Note 14 Trade and other receivables

	2021 $	2020 $
a) Current assets		
Trade receivables	134,799	141,419
Prepayments	15,183	9,252
Other receivables and accruals	-	1,193
	149,982	**151,864**

Note 15 Property, plant and equipment

	2021 $	2020 $
a) Carrying amounts		
Leasehold improvements		
At cost	467,240	467,240
Less: accumulated depreciation	(307,885)	(289,565)
	159,355	**177,675**
Plant and equipment		
At cost	138,740	138,740
Less: accumulated depreciation	(101,032)	(87,835)
	37,708	**50,905**
Motor vehicles		
At cost	147,973	117,223
Less: accumulated depreciation	(51,325)	(53,505)
	96,648	**63,718**
Total written down amount	**293,711**	**292,298**
b) Reconciliation of carrying amounts		
Leasehold improvements		
Carrying amount at beginning	177,675	151,065
Additions	-	36,000
Depreciation	(18,320)	(9,390)
	159,355	**177,675**
Plant and equipment		
Carrying amount at beginning	50,905	48,550
Additions	-	15,106
Depreciation	(13,197)	(12,751)
	37,708	**50,905**

Note 15 Property, plant and equipment (continued)

	2021 $	2020 $
b) Reconciliation of carrying amounts (continued)		
Motor vehicles		
Carrying amount at beginning	63,718	82,829
Additions	74,547	-
Disposals	(17,365)	-
Depreciation	(24,252)	(19,111)
	96,648	**63,718**
Total written down amount	**293,711**	**292,298**

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.

The company's review of estimates resulted in changes in the useful life. The Leasehold improvement's useful life had previously been assessed as 40 years. This is now expected to be 10 years. The effect of these changes on actual and expected depreciation expense was as follows:

	2021	2022	2023	2024	2025
Increase in depreciation expense	7,171	7,171	7,171	7,171	7,171

Note 16 Right-of-use assets

	2021 $	2020 $
a) Carrying amounts		
Leased land and buildings		
At cost	615,863	612,506
Less: accumulated depreciation	(315,438)	(284,890)
Total written down amount	**300,425**	**327,616**
b) Reconciliation of carrying amounts		
Leased land and buildings		
Carrying amount at beginning	327,616	-
Initial recognition on transition	-	577,708
Accumulated depreciation on adoption	-	(257,790)
Remeasurement adjustments	3,357	34,797
Depreciation	(30,548)	(27,099)
Total written down amount	**300,425**	**327,616**

Note 17 Intangible assets

	2021 $	2020 $
a) Carrying amounts		
Franchise fee		
At cost	375,561	248,982
Less: accumulated amortisation and impairment	(253,202)	(223,202)
Total written down amount	**122,359**	**25,780**

Note 17 Intangible assets (continued)

	2021 $	2020 $
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	25,780	50,678
Additions	126,579	-
Amortisation	(30,000)	(24,898)
Total written down amount	**122,359**	**25,780**

During the financial year, Gingin and Lancelin franchise fees were renewed. Both are to be amortised over the next five years to May 2026.

c) Changes in estimates

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

Note 18 Tax assets and liabilities

	2021 $	2020 $
a) Current tax		
Income tax payable/(refundable)	**(23,474)**	**13,559**

b) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- employee provisions	34,989	30,300
- make-good provision	9,364	9,228
- lease liability	95,079	105,440
Total deferred tax assets	**139,432**	**144,968**
Deferred tax liabilities		
- property, plant and equipment	72,795	42,924
- right-of-use assets	75,106	85,180
Total deferred tax liabilities	**147,901**	**128,104**
Net deferred tax assets (liabilities)	**(8,469)**	**16,864**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**25,673**	**(3,306)**
Movement in deferred tax charged to Statement of Changes in Equity	**-**	**31,053**

Note 19 Trade creditors and other payables

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

	2021 $	2020 $
a) Current liabilities		
Trade creditors	36,962	2,205
Other creditors and accruals	48,087	11,301
	85,049	**13,506**

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 5.39%.

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

The company's lease portfolio includes:

- Lancelin branch
  The lease agreement is a non-cancellable lease with an initial term of five years which commenced 17 March 2016. An extension option term of five years was exercised in 2021. The lease has one further five year extension option available. The company is reasonably certain to exercise the remaining term.
- Gingin branch
  The lease agreement is a non-cancellable lease with an initial term of five years which commenced 21 May 2001. An extension option term of five years was exercised in 2006, 2011, 2016 and 2021. The lease has one further five year extension option available. The company is reasonably certain to exercise the remaining term.

	2021 $	2020 $
a) Current lease liabilities		
Property lease liabilities	49,844	49,444
Unexpired interest	(19,763)	(21,167)
	30,081	**28,277**
b) Non-current lease liabilities		
Property lease liabilities	441,196	487,099
Unexpired interest	(90,963)	(109,838)
	350,233	**377,261**
c) Reconciliation of lease liabilities		
Balance at the beginning	405,538	-
Initial recognition on AASB 16 transition	-	399,210
Remeasurement adjustments	3,358	34,791
Lease interest expense	21,324	20,822
Lease payments - total cash outflow	(49,906)	(49,285)
	380,314	**405,538**
d) Maturity analysis		
- Not later than 12 months	49,844	49,444
- Between 12 months and 5 years	199,377	197,776
- Greater than 5 years	241,819	289,323
Total undiscounted lease payments	**491,040**	**536,543**
Unexpired interest	(110,726)	(131,005)
Present value of lease liabilities	**380,314**	**405,538**

Note 21 Provisions

	2021 $	2020 $
a) Non-current liabilities		
Make-good on leased premises	**37,454**	**35,493**

Note 21 Provisions (continued)

a) Non-current liabilities (continued)

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

Lease	Lease term expiry date per AASB 16	Total provision
Lancelin branch	February 2031	$28,513
Gingin branch	June 2031	$35,100

Note 22 Employee benefits

	2021 $	2020 $
a) Current liabilities		
Provision for annual leave	61,185	51,943
Provision for long service leave	55,994	45,737
	117,179	**97,680**
b) Non-current liabilities		
Provision for long service leave	**22,775**	**18,857**

c) Key judgement and assumptions

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

Note 23 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	441,150	441,150	441,150	441,150
	441,150	**441,150**	**441,150**	**441,150**

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Note 23 Issued capital (continued)

b) Rights attached to issued capital (continued)

Ordinary shares (continued)

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

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

Note 24 Retained earnings

	2021 $	2020 $
Balance at beginning of reporting period	717,958	719,249
Adjustment for transition to AASB 16	-	(81,869)
Net profit after tax from ordinary activities	134,552	186,454
Dividends provided for or paid	(105,876)	(105,876)
Balance at end of reporting period	**746,634**	**717,958**

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	134,552	186,454
Adjustments for:		
- Depreciation	86,317	68,351
- Amortisation	30,000	24,898
- Loss on disposal of assets	2,821	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	1,882	2,995
- (Increase)/decrease in other assets	120,563	14,189
- Increase/(decrease) in trade and other payables	(55,632)	(46,124)
- Increase/(decrease) in employee benefits	23,417	15,359
- Increase/(decrease) in provisions	1,961	916
- Increase/(decrease) in tax liabilities	(5,088)	(14,190)
Net cash flows provided by operating activities	**340,793**	**252,848**

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			
Trade and other receivables	14	134,799	142,612
Cash and cash equivalents	13	192,243	243,968
Term deposits	13	756,830	685,351
		1,083,872	**1,071,931**
Financial liabilities			
Trade and other payables	**19**	**36,962**	**2,205**

Note 27 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,700
Non audit services		
- Taxation advice and tax compliance services	1,900	1,300
- General advisory services	5,020	4,350
- Share registry services	3,465	3,491
Total auditor's remuneration	**15,385**	**13,841**

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

David William Roe
Robert William Kestel
Wendy Lynette Harris
Stephen James Beckwith
Irene Betty Neville
Malcolm Robert Harrington
David Tony Burt
Thomas Cesare Cabassi
Anthony Robert Colotti
Hon Martin Aldridge

b) Key management personnel compensation

	2021 $	2020 $
Key management personnel compensation comprised the following.		
Short-term employee benefits	**12,948**	**10,141**

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

c) Related party transactions

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

Note 29 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	**24.00**	**105,876**	**24.00**	**105,876**

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

b) Dividends proposed not recognised at balance date

Since the end of the financial year, the board of directors have proposed to pay a fully franked dividend of 24 cents per share, to be paid in November 2021. The financial impact of the dividend, amounting to $105,876, has not been recognised in the financial statements for the financial year ended 30 June 2021, and will be recognised in the subsequent financial statements.

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	**24.00**	**105,876**	**24.00**	**105,876**

The tax rate at which future dividends will be franked is 25% (2022: 26%).

c) Franking account balance

	2021 $	2020 $
Franking account balance at the beginning of the financial year	440,424	431,662
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	43,030	48,922
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	2,873	-
- Franking debits from the payment of franked distributions	(37,200)	(40,160)
Franking account balance at the end of the financial year	**449,127**	**440,424**

Note 29 Dividends provided for or paid (continued)

c) Franking account balance (continued)

	2021 $	2020 $
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(23,474)	13,559
- Franking debits that will arise from payment of dividends subsequent to financial year end	(37,200)	(37,200)
Franking credits available for future reporting periods	**388,453**	**416,783**

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	134,552	186,454
	Number	**Number**
Weighted-average number of ordinary shares	441,150	441,150
	Cents	**Cents**
Basic and diluted earnings per share	30.50	42.27

Note 31 Commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Gingin Districts Community Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

 (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

David William Roe
Chair

Dated this 28th day of August 2021

Independent audit report

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Gingin Districts Community Financial Services Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Gingin Districts Community Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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

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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 28 August 2021

Adrian Downing
Lead Auditor

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