

Annual Report 2021

Hawkesbury Community
Financial Services Limited

North Richmond

ABN 97 099 838 463





Rowan Parker

Chairman's Report

As the new chairman of Hawkesbury Community Financial Service Ltd, I am privileged to provide you with my first chairman's report. The financial year ending June 2021 has been a difficult time for many businesses, including ours. The COVID-19 pandemic has placed a financial strain on both individuals and businesses within the Hawkesbury community.

As expected, this has placed considerable pressure on our revenue. This year's profit (after income tax expenses) is \$195,771, down from \$288,968 in the year prior. While your board is confident of an increase in profitability in the medium term, we have made the decision to reduce the dividend to \$0.13 per share.

During this period we have endeavoured to meet our goal of making a financial contribution back to the Hawkesbury community. Your company has committed to just over \$190,000 of contributions to local sports, welfare, arts, health, environmental causes and more.

While the past year has been very difficult, the results we have achieved are largely due to the hard work of all the staff members. They have continuously offered a high level of customer service, which has been recognised on a national level by Bendigo Bank. I would also like to congratulate both Tony Weller and Gail Hughes for 10 years of service.

As a shareholder myself, I would like to thank all those that have volunteered their time to serve on the board. During my time as a director, I have had the pleasure of working with two previous chairman's, Trevor Hitchcock and Don Shaddick. With their own style and unique perspective, I hope I'll be able to continue the great level of governance that they have provided.

Of course, the board is more than just the chairman. Thank you also to Bill, Shayne, Craig, David, Monica, Jane, Ben and Gabriela for their contribution. Through their efforts in our various committees, they each ensure that your company is well-governed and contributing back to our community.

Lastly, on behalf of the board, I would like to thank all our shareholders for their continued support.

A handwritten signature in blue ink, appearing to be 'R Parker', written over a faint circular stamp.

Rowan Parker
Chairman



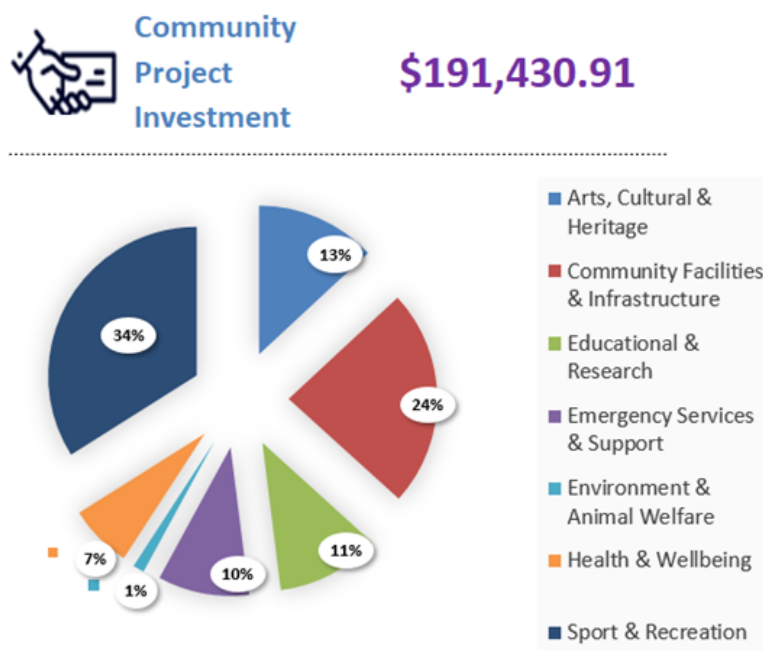
Tony Weller Manager's Report

After last year I guess we all hoped 2021 was going to be a better year. In some ways it was but on others it was just as difficult. We saw a lot of customers looking to downsize their properties and the associated mortgages. This was across both investor and owner-occupied properties with the continued low interest rates on loans leading customers to pay down their debt faster which is a great outcome for our customers but makes it harder to grow our lending book.

Thankfully we did not see a return to the issues in the Banking industry when Covid-19 first hit with most of our customer and businesses not suffering any great financial hardship. It was still very pleasing to see us grow our overall customer numbers by 189 between the 2 branches. The staff have adjusted to providing the same excellent service as customary with the added requirements of constant cleaning and adherence to Covid 19 procedures to help reduce the risk of spreading Covid-19.

Whilst majority of Banks have reduced staffing, hours of service or even days open we have, with the support of our Hawkesbury Community Financial Services Ltd board and Bendigo bank remained open Monday to Friday 9am to 5pm and Saturdays 9am to 12pm to provide our customers with the best face to face banking options in the Hawkesbury. Our branch staff continue to offer excellent service and look forward to welcoming more customers as we continue to grow.

The best part is that we were still able to support local organisations who provide much needed services and support in the local area. Our customers can feel good about who they bank with, it is only through these means that we are able to continue to support our local organisations.



As always, the main driver of success for any business are the staff. I would like to thank Chris, Gail, Kellie, Liz, Jo, Vicki, Sue, Kristy, Lisa, Cindi, Carmen, Josephine, and Anastasia. I would also like to thank once again our amazing, very supportive and hard-working volunteer board of directors of Don, David, Bill, Rowan, Shayne, Monica, Jane and Gabriela and our Company Secretary Craig Bennett.

Hawkesbury Community Financial Services Limited

ABN: 97 099 838 463

Financial Report

For the year ended

30 June 2021

Hawkesbury Community Financial Services Limited

Directors' Report

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

Directors

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

Rowan Parker

Non-executive director

Occupation: Software Developer

Qualifications, experience and expertise: Rowan has a background in Software development, website design and business systems analysis. Chairman of Hawkesbury Community Financial Services Limited, Chairman of the Audit Committee, Social Media and Public Relations and Member of the Scholarship Committee.

Special responsibilities: Chairman, member of Audit, Scholarship and PR/Social Media Committees.

Interest in shares: 500 ordinary shares

William John Kerr

Non-executive director

Occupation: Business Advisor and University Lecturer (Semi-Retired)

Qualifications, experience and expertise: With a scientific background and over 35 years in a variety of Australian and International senior corporate, consulting and academic roles, Bill has over 20 years direct experience in the Medical Technology and Pharmaceutical sector (Sandoz, Baxter, Pharmacia; Canada, USA, Australia + many other client countries). He has also been a respected international lecturer in Strategic Management, International Business, Marketing Management, Operations Management and Competitive Intelligence (Australia, China, Hong Kong, Sri Lanka, Malaysia).

Special responsibilities: Chair of the HR Committee, member of the Community Relations and Scholarships Committees.

Interest in shares: nil share interest held

Donald John Shaddick

Non-executive director

Occupation: Legal Practitioner

Qualifications, experience and expertise: Dip Law (SAB) LLM. Acc Spec, Bus Law. Legal Practitioner for 49 years. Former Director of Richmond Golf Club.

Special responsibilities: Deputy Chairman, member of Community Relations and Audit Committees.

Interest in shares: 5,000 ordinary shares

Shayne Ryan

Non-executive director

Occupation: General Manager

Qualifications, experience and expertise: Shayne has 20 Years experience in general management. Non-executive Director and Chairman of the Premises Committee and Scholarship Committee and Member of the Community Relations Committee and HR Committee.

Special responsibilities: Chair of the Premises and Scholarships Committees, member of the Community Relations Committee

Interest in shares: nil share interest held

David Palamara

Non-executive director

Occupation: Business Management Consultant and Coach

Qualifications, experience and expertise: Senior finance and general management roles of medium sized businesses. Currently providing business management advice as a consultant to similar sized businesses. Bbus (Accounting), CPA.

Special responsibilities: Treasurer, member of the Community Relations and Audit Committees.

Interest in shares: nil share interest held

Hawkesbury Community Financial Services Limited

Directors' Report

Directors (*continued*)

Monica Tatton

Non-executive director

Occupation: Financial Planner

Qualifications, experience and expertise: 20yrs experience working in Taxation and Business Services, including 14yrs owning and managing a Chartered Accounting Firm. Additional trained as a Financial Adviser and incorporating a Financial Planning business into our existing Chartered firm.

Special responsibilities: Chair of the Audit Committee, member of the Community Relations Committee

Interest in shares: nil share interest held

Jane Louise Tweedy

Non-executive director

Occupation: Business Consultant

Qualifications, experience and expertise: Nearly 20 years banking and investment management experience. More recently a Business Connect Advisor, giving business advice to small business owners and running her own small businesses in business coaching, training and job search. Lifelong learner with numerous qualifications and regulator volunteer.

Special responsibilities: Member HR, PR/Social Media and Scholarship committees

Interest in shares: nil share interest held

Benjamin Jeffrey Loveridge

Non-executive director (appointed 29 March 2021 and resigned 28 August 2021)

Occupation: Solicitor

Qualifications, experience and expertise: Benjamin is a solicitor of 2.5 years and holds the following tertiary qualifications: BSocSci, LLM, GDLP and LLM. He has previously worked in child protection, mining and had military service.

Special responsibilities: CRC

Interest in shares: nil share interest held

Gabriela Alejandra Rodriguez D'Andrea

Non-executive director (appointed 26 April 2021)

Occupation: Assistant Accountant

Qualifications, experience and expertise: Currently studying Bachelor of Applied Finance and Bachelor of Commerce - Professional Accounting. Entry level Assistant Accountant position since October 2020.

Special responsibilities: Deputy Treasurer, member of the Community Relations and Audit Committees

Interest in shares: nil share interest held

Craig Bennett

Non-executive director (resigned 26 April 2021)

Occupation: Retired

Qualifications, experience and expertise: Member of Community Board of Advice - Hawkesbury Hospital. Deputy Chair of Hawkesbury City Council Audit Committee. Vice President of Retirement Villages Residents Association (Inc) NSW.

Interest in shares: 5,000 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 Craig Bennett. Craig was appointed to the position of secretary on 26 October 2015.

Hawkesbury Community Financial Services Limited

Directors' Report

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
\$	\$
195,771	288,968

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Rowan Parker	500	-	500
William John Kerr	-	-	-
Donald John Shaddick	5,000	-	5,000
Shayne Ryan	-	-	-
David Palamara	-	-	-
Monica Tatton	-	-	-
Jane Louise Tweedy	-	-	-
Benjamin Jeffrey Loveridge	-	-	-
Gabriela Alejandra Rodriguez D'Andrea	-	-	-
Craig Bennett	5,000	-	5,000

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	15.00	93,751

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.

Hawkesbury Community Financial Services Limited

Directors' Report

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

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 attended by each of the directors of the company during the financial year were:

E - eligible to attend

A - number attended

Rowan Parker
William John Kerr
Donald John Shaddick
Shayne Ryan
David Palamara
Monica Tatton
Jane Louise Tweedy
Benjamin Jeffrey Loveridge
Gabriela Alejandra Rodriguez D'Andrea
Craig Bennett

Board Meetings Attended	
<i>E</i>	<i>A</i>
12	10
12	12
12	11
12	10
12	10
12	11
12	10
4	4
3	3
12	8

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*.

Hawkesbury Community Financial Services Limited

Directors' Report

Non audit services

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

The board of directors has considered the non-audit services provided during the year by the auditor and is, in accordance with the advice received from the Audit Committee, 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 Audit Committee to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

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

Signed in accordance with a resolution of the directors at Richmond, New South Wales.



Rowan Parker, Chairman

Dated this 17th day of September 2021

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

As lead auditor for the audit of Hawkesbury 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: 17 September 2021



Joshua Griffin
Lead Auditor

Hawkesbury Community Financial Services Limited

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue from contracts with customers	8	1,562,518	1,717,260
Other revenue	9	84,130	95,000
Finance income	10	19,128	42,242
Employee benefit expenses	11c)	(853,992)	(860,150)
Charitable donations, sponsorship, advertising and promotion		(197,132)	(242,636)
Occupancy and associated costs		(58,578)	(47,786)
Systems costs		(54,681)	(51,336)
Depreciation and amortisation expense	11a)	(89,631)	(104,863)
Finance costs	11b)	(17,619)	(20,637)
General administration expenses		(151,321)	(156,602)
Profit before income tax expense		242,822	370,492
Income tax expense	12a)	(47,051)	(81,524)
Profit after income tax expense		195,771	288,968
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		195,771	288,968
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	31.32	46.23

The accompanying notes form part of these financial statements

Hawkesbury Community Financial Services Limited

Statement of Financial Position

as at 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	1,867,398	1,742,631
Trade and other receivables	14a)	133,439	154,844
Total current assets		2,000,837	1,897,475
Non-current assets			
Property, plant and equipment	15a)	606,856	604,180
Right-of-use assets	16a)	337,985	411,176
Intangible assets	17a)	39,834	54,474
Total non-current assets		984,675	1,069,830
Total assets		2,985,512	2,967,305
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	110,909	85,710
Current tax liabilities	18a)	9,556	23,775
Loans and borrowings	20a)	-	11,956
Lease liabilities	21a)	39,197	36,391
Employee benefits	22a)	114,471	142,506
Total current liabilities		274,133	300,338
Non-current liabilities			
Trade and other payables	19a)	-	26,386
Lease liabilities	21b)	327,541	391,871
Employee benefits	22b)	42,138	4,127
Deferred tax liability	18b)	35,350	40,253
Total non-current liabilities		405,029	462,637
Total liabilities		679,162	762,975
Net assets		2,306,350	2,204,330
EQUITY			
Issued capital	23a)	625,009	625,009
Reserves	24b)	238,289	238,289
Retained earnings	25	1,443,052	1,341,032
Total equity		2,306,350	2,204,330

The accompanying notes form part of these financial statements

Hawkesbury Community Financial Services Limited

Statement of Changes in Equity

for the year ended 30 June 2021

	Note	Issued capital \$	Revaluation reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019		625,009	238,289	1,145,815	2,009,113
Total comprehensive income for the year		-	-	288,968	288,968
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	30	-	-	(93,751)	(93,751)
Balance at 30 June 2020		625,009	238,289	1,341,032	2,204,330
Balance at 1 July 2020		625,009	238,289	1,341,032	2,204,330
Total comprehensive income for the year		-	-	195,771	195,771
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	30	-	-	(93,751)	(93,751)
Balance at 30 June 2021		625,009	238,289	1,443,052	2,306,350

The accompanying notes form part of these financial statements

Hawkesbury Community Financial Services Limited

Statement of Cash Flows

for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,842,526	1,848,139
Payments to suppliers and employees		(1,429,257)	(1,377,272)
Interest received		13,691	42,242
Interest paid		(296)	(733)
Lease payments (interest component)	11b)	(17,323)	(19,904)
Lease payments not included in the measurement of lease liabilities	11d)	(20,944)	(20,108)
Income taxes paid		(66,173)	(74,682)
Net cash provided by operating activities	26	322,224	397,682
Cash flows from investing activities			
Payments for property, plant and equipment		(36,605)	(4,134)
Proceeds from sale of property, plant and equipment		7,000	-
Payments for intangible assets		(26,385)	(26,385)
Net cash used in investing activities		(55,990)	(30,519)
Cash flows from financing activities			
Repayment of loans and borrowings		(11,955)	(5,497)
Lease payments (principal component)		(35,761)	(33,026)
Dividends paid	30	(93,751)	(93,751)
Net cash used in financing activities		(141,467)	(132,274)
Net cash increase in cash held		124,767	234,889
Cash and cash equivalents at the beginning of the financial year		1,742,631	1,507,742
Cash and cash equivalents at the end of the financial year	13a)	1,867,398	1,742,631

The accompanying notes form part of these financial statements

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Hawkesbury 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
Shop 7 & 8, 36-38 Riverview Street North Richmond NSW 2754	Shop 7 & 8, 36-38 Riverview Street North Richmond NSW 2754

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

Note 2 Basis of preparation and statement of compliance

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

The financial statements have been prepared on an accrual and historical cost basis, except for certain properties that are measured at revalued amounts or fair values at the end of each reporting period. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 17 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.

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

Ability to change financial return

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

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

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

b) Other revenue

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

<u>Revenue</u>	<u>Revenue recognition policy</u>
Sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

b) Other revenue (*continued*)*Cash flow boost*

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

d) Employee benefits*Short-term employee benefits*

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

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

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

e) Taxes (*continued*)

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Building	Straight-line	40 years
Leasehold improvements	Straight-line	10 years
Plant and equipment	Straight-line	1 to 10 years
Motor vehicles	Straight-line	7 to 8 years

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

h) Intangible assets

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

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

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

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

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

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

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

i) Financial instruments

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

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.

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

l) 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.

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.

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

m) Fair value measurement

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

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) 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:

<u>Note</u>	<u>Judgement</u>
- Note 21 - 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:

<u>Note</u>	<u>Assumptions</u>
- 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 26 - fair value	determining the fair value less costs to sell of the disposal group on the basis of valuations performed by a third party qualified valuer using quoted prices for similar assets in an active market;

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

b) Assumptions and estimation uncertainties (*continued*)

- Note 15 - estimation of useful lives key assumptions on historical experience and the condition of the asset; of assets
- Note 22 - long service leave key assumptions on attrition rate and pay increases through promotion and inflation; provision

Note 6 Financial risk management

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

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

a) Credit risk

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

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

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	366,738	54,765	235,116	141,874
Trade and other payables	110,909	110,909	-	-
	<u>477,647</u>	<u>165,674</u>	<u>235,116</u>	<u>141,874</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	428,262	54,765	241,860	220,183
Trade and other payables	112,096	85,710	26,386	-
	<u>540,358</u>	<u>140,475</u>	<u>268,246</u>	<u>220,183</u>

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (*continued*)

c) Market risk

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 \$1,867,398 at 30 June 2021 (2020: \$1,742,631). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

- (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 financial year can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	1,390,113	1,530,781
- Fee income	120,237	129,129
- Commission income	52,168	57,350
	<u>1,562,518</u>	<u>1,717,260</u>

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	31,875	45,000
- Cash flow boost	50,000	50,000
- Sale of property, plant and equipment	638	-
- Other income	1,617	-
	<u>84,130</u>	<u>95,000</u>

Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	<u>19,128</u>	<u>42,242</u>

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

Note 11 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Buildings	6,171	4,638
- Leasehold improvements	5,666	5,682
- Plant and equipment	7,762	15,883
- Motor vehicles	7,966	4,513
	<u>27,565</u>	<u>30,716</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>47,426</u>	<u>49,840</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	4,641	4,419
- Franchise renewal process fee	9,999	19,888
	<u>14,640</u>	<u>24,307</u>
Total depreciation and amortisation expense	<u>89,631</u>	<u>104,863</u>
b) Finance costs		
- Bank loan interest paid or accrued	296	733
- Lease interest expense	17,323	19,904
	<u>17,619</u>	<u>20,637</u>

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

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 11 Expenses (*continued*)

c) Employee benefit expenses	2021 \$	2020 \$
Wages and salaries	750,081	737,967
Non-cash benefits	3,021	4,028
Contributions to defined contribution plans	81,939	77,773
Expenses related to long service leave	1,139	8,055
Other expenses	17,812	32,327
	<u>853,992</u>	<u>860,150</u>

d) Recognition exemption

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

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>20,944</u>	<u>20,108</u>

Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Current tax	51,470	94,474
- Movement in deferred tax	(1,293)	(7,003)
- Reduction in company tax rate	(3,610)	-
- Changes in estimates related to prior years	484	(5,947)
	<u>47,051</u>	<u>81,524</u>
b) <i>Prima facie</i> income tax reconciliation		
Operating profit before taxation	242,822	370,492
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	63,134	101,885
Tax effect of:		
- Non-deductible expenses	43	-
- Temporary differences	1,293	6,338
- Other assessable income	(13,000)	(13,749)
- Movement in deferred tax	(1,293)	(7,003)
- Reduction in company tax rate	(3,610)	-
- Under/(over) provision of income tax in the prior year	484	(5,947)
	<u>47,051</u>	<u>81,524</u>

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13 Cash and cash equivalents

a) Cash and cash equivalents	2021 \$	2020 \$
- Cash at bank and on hand	442,398	455,217
- Term deposits	1,425,000	1,287,414
	<u>1,867,398</u>	<u>1,742,631</u>

Note 14 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	120,891	154,844
Prepayments	7,111	-
Other receivables and accruals	5,437	-
	<u>133,439</u>	<u>154,844</u>

Note 15 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Land</i>		
At fair value	<u>355,000</u>	<u>355,000</u>
<i>Buildings</i>		
At fair value	185,000	185,000
Less: accumulated depreciation	(18,856)	(12,685)
	<u>166,144</u>	<u>172,315</u>
<i>Leasehold improvements</i>		
At cost	56,667	56,667
Less: accumulated depreciation	(30,094)	(24,428)
	<u>26,573</u>	<u>32,239</u>
<i>Plant and equipment</i>		
At cost	156,057	156,057
Less: accumulated depreciation	(132,067)	(124,305)
	<u>23,990</u>	<u>31,752</u>
<i>Motor vehicles</i>		
At cost	36,605	32,946
Less: accumulated depreciation	(1,456)	(20,072)
	<u>35,149</u>	<u>12,874</u>
Total written down amount	<u>606,856</u>	<u>604,180</u>

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

b) Reconciliation of carrying amounts	2021	2020
	\$	\$
<i>Land</i>		
Carrying amount at beginning	355,000	355,000
	<u>355,000</u>	<u>355,000</u>
<i>Buildings</i>		
Carrying amount at beginning	172,315	176,953
Depreciation	(6,171)	(4,638)
	<u>166,144</u>	<u>172,315</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning	32,239	37,921
Depreciation	(5,666)	(5,682)
	<u>26,573</u>	<u>32,239</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	31,752	43,501
Additions	-	4,134
Depreciation	(7,762)	(15,883)
	<u>23,990</u>	<u>31,752</u>
<i>Motor vehicles</i>		
Carrying amount at beginning	12,874	17,387
Additions	36,605	-
Disposals	(6,364)	-
Depreciation	(7,966)	(4,513)
	<u>35,149</u>	<u>12,874</u>
Total written down amount	<u>606,856</u>	<u>604,180</u>

c) Changes in estimates

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

d) Fair value

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

The company's North Richmond property was independently valued effective 5 June 2018 by CIVIC MJD on 5 June 2018.

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 16 Right-of-use assets

a) Carrying amounts	2021 \$	2020 \$
<i>Leased land and buildings</i>		
At cost	435,252	461,016
Less: accumulated depreciation	(97,267)	(49,840)
Total written down amount	<u>337,985</u>	<u>411,176</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	411,176	-
Initial recognition on transition	-	461,016
Remeasurement adjustments	(25,765)	-
Depreciation	(47,426)	(49,840)
Total written down amount	<u>337,985</u>	<u>411,176</u>

Note 17 Intangible assets

a) Carrying amounts	2021 \$	2020 \$
<i>Franchise fee</i>		
At cost	22,036	22,036
Less: accumulated amortisation	(16,707)	(12,066)
	<u>5,329</u>	<u>9,970</u>
<i>Franchise renewal process fee</i>		
At cost	99,168	99,168
Less: accumulated amortisation	(64,663)	(54,664)
	<u>34,505</u>	<u>44,504</u>
Total written down amount	<u>39,834</u>	<u>54,474</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	9,970	14,389
Amortisation	(4,641)	(4,419)
	<u>5,329</u>	<u>9,970</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	44,504	64,392
Amortisation	(9,999)	(19,888)
	<u>34,505</u>	<u>44,504</u>
Total written down amount	<u>39,834</u>	<u>54,474</u>

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 18 Tax assets and liabilities

a) Current tax	2021 \$	2020 \$
Income tax payable	9,556	23,775
b) Deferred tax		
<i>Deferred tax assets</i>		
- expense accruals	1,838	5,136
- employee provisions	39,152	40,324
- lease liability	91,685	117,771
Total deferred tax assets	132,675	163,231
<i>Deferred tax liabilities</i>		
- income accruals	1,359	-
- property, plant and equipment	82,169	90,411
- right-of-use assets	84,497	113,073
Total deferred tax liabilities	168,025	203,484
Net deferred tax assets (liabilities)	(35,350)	(40,253)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	4,903	12,951

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 \$
Trade creditors	29,020	26,386
Other creditors and accruals	81,889	59,324
	110,909	85,710
b) Non-current liabilities		
Trade creditors	-	26,386

Note 20 Loans and borrowings

a) Current liabilities		2021		2020	
		\$		\$	
Chattel mortgage					

During the financial year the motor vehicle chattel mortgage was paid out in January 2021.

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21 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 4.46%.

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:

- Richmond branch The lease agreement commenced in August 2018 for 5 years. The company has one 5 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 August 2028.

a) Current lease liabilities	2021 \$	2020 \$
Property lease liabilities	54,765	54,765
Unexpired interest	(15,568)	(18,374)
	<u>39,197</u>	<u>36,391</u>
b) Non-current lease liabilities		
Property lease liabilities	376,990	462,043
Unexpired interest	(49,449)	(70,172)
	<u>327,541</u>	<u>391,871</u>
c) Reconciliation of lease liabilities		
Balance at the beginning	428,262	-
Initial recognition on AASB 16 transition	-	461,016
Remeasurement adjustments	(25,763)	-
Lease interest expense	17,323	19,904
Lease payments - total cash outflow	(53,084)	(52,658)
	<u>366,738</u>	<u>428,262</u>
d) Maturity analysis		
- Not later than 12 months	54,765	54,765
- Between 12 months and 5 years	235,116	241,860
- Greater than 5 years	141,874	220,183
Total undiscounted lease payments	<u>431,755</u>	<u>516,808</u>
Unexpired interest	(65,017)	(88,546)
Present value of lease liabilities	<u>366,738</u>	<u>428,262</u>

Note 22 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	57,292	48,455
Provision for long service leave	57,179	94,051
	<u>114,471</u>	<u>142,506</u>

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 22 Employee benefits (*continued*)

b) Non-current liabilities	2021 \$	2020 \$
Provision for long service leave	42,138	4,127

c) Key judgement and assumptions

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

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

Note 23 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	625,009	625,009	625,009	625,009

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*.

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 23 Issued capital (*continued*)

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

Prohibited shareholding interest

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 Reserves

a) Nature and purpose of reserves

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

b) Disaggregation of reserve balances, net of tax

	Revaluation reserve	
	2021	2020
	\$	\$
Balance at beginning of reporting period	238,289	238,289
Balance at end of reporting period	<u>238,289</u>	<u>238,289</u>

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 25 Retained earnings

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		1,341,032	1,145,815
Net profit after tax from ordinary activities		195,771	288,968
Dividends provided for or paid	30a)	(93,751)	(93,751)
Balance at end of reporting period		<u>1,443,052</u>	<u>1,341,032</u>

Note 26 Reconciliation of cash flows from operating activities

		2021 \$	2020 \$
Net profit after tax from ordinary activities		195,771	288,968
Adjustments for:			
- Depreciation		74,991	80,556
- Amortisation		14,640	24,307
- (Profit)/loss on disposal of non-current assets		(638)	-
Changes in assets and liabilities:			
- (Increase)/decrease in trade and other receivables		21,404	(16,028)
- Increase/(decrease) in trade and other payables		25,200	3,079
- Increase/(decrease) in employee benefits		9,978	10,230
- Increase/(decrease) in tax liabilities		(19,122)	6,570
Net cash flows provided by operating activities		<u>322,224</u>	<u>397,682</u>

Note 27 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised cost. 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	442,398	455,217
Term deposits	13	1,425,000	1,287,414
Trade and other receivables	14	126,328	154,844
Lease receivables	14	-	-
		<u>1,993,726</u>	<u>1,897,475</u>
Financial liabilities			
Trade and other payables	19	110,909	112,096
Bank overdrafts	20	-	-
Secured bank loans	20	-	-
Unsecured bank loans	20	-	-
Lease liabilities	21	366,738	428,262
		<u>477,647</u>	<u>540,358</u>

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 28 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	2,500	-
- Audit and review of financial statements (RSD)	3,900	5,450
<i>Non audit services</i>		
- Taxation advice and tax compliance services	700	-
- Taxation advice and tax compliance services (RSD)	1,140	-
- General advisory services	1,395	-
- General advisory services (RSD)	1,350	5,893
Total auditor's remuneration	10,985	11,343

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Rowan Parker
 William John Kerr
 Donald John Shaddick
 Shayne Ryan
 David Palamara
 Monica Tatton
 Jane Louise Tweedy
 Benjamin Jeffrey Loveridge
 Gabriela Alejandra Rodriguez D'Andrea
 Craig Bennett

b) Key management personnel compensation

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

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

c) Related party transactions

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

Note 30 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	15.00	93,751	15.00	93,751

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

Hawkesbury Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

b) Franking account balance	2021 \$	2020 \$
Franking account balance at the beginning of the financial year	616,421	576,849
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	66,173	75,133
- Franking debits from the payment of franked distributions	(35,561)	(35,561)
Franking account balance at the end of the financial year	<u>647,033</u>	<u>616,421</u>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	9,556	23,775
Franking credits available for future reporting periods	<u>656,589</u>	<u>640,196</u>
The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.		

Note 31 Earnings per share

a) Basic and diluted earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	<u>195,771</u>	<u>288,968</u>
	Number	Number
Weighted-average number of ordinary shares	<u>625,009</u>	<u>625,009</u>
	Cents	Cents
Basic and diluted earnings per share	<u>31.32</u>	<u>46.23</u>

Note 32 Commitments

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

Note 33 Contingencies

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

Note 34 Subsequent events

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

Hawkesbury Community Financial Services Limited

Directors' Declaration

In accordance with a resolution of the directors of Hawkesbury 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.



Rowan Parker, Chairman

Dated this 17th day of September 2021

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

Report on the Audit of the Financial Report

Opinion

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

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

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 17 September 2021



Joshua Griffin
Lead Auditor

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