Annual Report 2021

Heathcote & District Financial Services Limited

Community Bank
Heathcote & District and Nagambie

ABN 44 112 376 986

Contents

Contact Us

Heathcote & District Financial Services Limited
ABN 44 112 376 986

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Phone: 5433 3115 Fax: 5433 3442

Nagambie Branch
Shop 1/263 High Street, Nagambie VIC 3608
Phone: 5794 2565

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119 High Street, Heathcote VIC 3523
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ABN: 44 112 376 986
Email: secretary@heathcotenagambie.community

Share Registry:
AFS & Associates Bendigo

www.heathcotenagambie.community
www.facebook.com/communitybankheathcotedistrict/

Chair's Report

I am guessing the year for the Community Bank was similar to the year experienced by most of us. A year of caution, a year of disruption to plans, a year of looking out for each other. The pandemic dominated much of what happened over the year - but the Directors of your Community Bank are proud to be able to report a year of strong performance and a year of supporting our communities

The most outstanding feature of our operations for the year was the resilience and reliability of our Branch teams. As banking is an essential service, they were asked to continue to work during all the lockdowns and keep all our services available to our clients. They did this without complaint and with an enthusiasm to serve the community which we all admire and appreciate. Our thanks to them for ensuring our banking services were always available.

We recognised that many of our valuable community groups were affected by lockdowns that forced event cancelations and made meetings difficult. The Bank introduced its ClubKeeper program during the year to make available small grants aimed at helping community groups get through the difficult times. We were pleased that a significant number of groups made use of the grants.

Through the cautious approach taken by the Directors the Bank finished the year in a strong position and had a solid financial result.

Our underlying book of loans and deposits increased by $21.7 million over the 12 months and this helped us add over $90,000 to our Community Enterprise Foundation (to support our annual grants programme) and declare a profit of $49764 before tax. This allowed us to declare a fully franked dividend to our community shareholders of 6 cents per share.

The "dividend" to our local communities was $111,955 in grants and sponsorships (funds jointly from operational revenue and the Community Enterprise Foundation)

The Nagambie branch is now earning a modest but solid profit on a monthly basis and we firmly believe that the investment we have made to expand into the Nagambie community will now ensure long term growth for the Community Bank.

Directors have turned their minds to the next growth strategy and we have decided to invest in having a mobile banking resource (a senior banker on the road and meeting with clients where it is convenient to them). We believe this will keep us in line with modern banking trends and customer service demands and underpin continued growth.

The Directors who manage the business on behalf of our shareholders and for the benefit of the local community are all volunteers and devote considerable time and intellectual effort to ensuring the business is profitable and strong both now and into the future. We saw Greg Spiers (who has been an extremely long serving Director) retire from the Board during the year. His wisdom, experience, local knowledge and thoughtfulness is missed.

Finally, a big thankyou to our long term and new customers who support the bank and make possible our ability to return locally generated profits to our local communities.

Stephen Trompp
Chair

Manager's report

The 2021 financial year was one of continued growth for our Heathcote and Nagambie branches.

Whilst lending activity and growth for our Heathcote branch remained challenging, the branch excelled in most other areas of our business and was recognised as being a leader within the insurance space amongst all branches in Regional Victoria/Tasmania. A strategy and plan have been formulated and activated to address our lending challenges moving forward into the new financial year.

Our Nagambie branch continued to move from strength-to-strength in achieving most targets set in 2021. The branch is starting to gain some real traction within the Nagambie community, and I look forward to being a part of their continued development.

Both branches combined achieved a lending and deposit growth result of $16,172,000 on a budget of $9,125,000. A great achievement considering the difficult environment we are operating in currently and through the past financial year.

I would like to thank my staff for their efforts over the past 12 months. Our Heathcote team comprising of Teri Johnson, Krystal Eickert, Marlene Troy and Karina Meerman as well as our Nagambie team in Renae Costantini, Kerri Newnham and Alicia McLeod have all contributed significantly to our strong years result. I would also like to acknowledge Nagambie staff member Jacquie Nevill who left our business last year. Jacquie had been with our Nagambie branch for 3 years and was integral in building our business in its formative years in Nagambie. Best wishes to Jacquie in retirement.

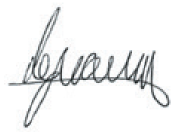
Our board of directors led by chairman Stephen Trompp also deserve a huge thank-you for all their efforts throughout the past year. This group of volunteers continue to dedicate countless hours each month in ensuring our company is run smoothly as well as ensuring the investment back into our local communities is well governed and transparent. Thank-you for the guidance you've provided to the branch team and I over the past 12 months.

Thank-you also to our Bendigo Bank head office team in Regional Manager, Shaun Leech and Business Banker, Simon Perry. Both have contributed significantly to our business and continue to be a great resource for the branch team and I to rely on when required.

I'm extremely optimistic regarding the future of our business. We have restructured parts of our business to better capitalise on different opportunities, particularly in the lending space. Teri Johnson has evolved into a mobile lending position which we are confident will bring with it stronger activity levels required to stimulate our growth in an ever-challenging landscape.

I look forward to seeing what both branches can achieve moving forward into the new year. Opportunities are ever-present for both branches, but all staff need to be ready for when they present themselves which I'm confident our staff have the confidence and capability to achieve this.

Finally, thank-you to our customers and shareholders who's continued loyalty to our business helps us create such a meaningful impact in the Heathcote and Nagambie communities. Your support cannot be underestimated in how crucial it is in making a difference to so many via our sponsorships, grants, and scholarship programs.



Michael Prowse
Heathcote & District and Nagambie Branch Manager

Heathcote & District Financial Services Limited

ABN: 44 112 376 986

Financial Report

For the year ended
30 June 2021

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:

Stephen Roger Trompp
Chairman

Occupation: Retired

Qualifications, experience and expertise: Over 30 years experience in senior management in the financial services sector. Particular emphasis on financial product design, development and marketing.

Special responsibilities: Chairman

Interest in shares: 1,700 ordinary shares

Peter Catherwood Young
Non-executive director

Occupation: Wine Maker

Qualifications, experience and expertise: Former Managing Director of an IT Services Company with $16m revenue. Former President of Heathcote Winegrowers Association. Former Vice President of the Medical Software Industry Association Australia. Peter has a Bachelor of Science (Honours) and an MBA, Master Wine Technology and Viticulture. He is currently CEO and winemaker at Silver Spoon Estate, Heathcote. Currently a board member of Heathcote Tourism and Development.

Special responsibilities: Treasurer

Interest in shares: nil share interest held

Andrew Neil Campbell
Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Registered Wool Classer and Officer Redesdale CFA.

Special responsibilities: Nil

Interest in shares: nil share interest held

Timothy Goodacre
Non-executive director (appointed 15 April 2021)

Occupation: Board Director

Qualifications, experience and expertise: Timothy has over 40 years involvement in Australian and New Zealand agribusiness including the roles of CEO and Board Director. He is currently the Chair of several agribusinesses in New Zealand. Timothy is a past President of Go Nagambie and current Director of Nagambie Health Care. His other directorships include Chair of Scales Corporation, Chair of The Nutritious Kiwifruit Company and Director and Advisor of Prevar Limited.

Special responsibilities: nil

Interest in shares: nil share interest held

Jaclyn Kate Troy
Non-executive director

Occupation: The McIvor Times

Qualifications, experience and expertise: Jaclyn currently works at the McIvor Times and is President of Kiwanis Heathcote. She was the Coordinator for the Bunbunarik Children's Hub in Heathcote, a care program Coordinator during COVID-19 for the Heathcote and District Community Bank, Qualified childcare worker and worked as an after School Care worker in Heathcote.

Special responsibilities: Local Sponsorship Coordinator

Interest in shares: nil share interest held

Bradley Adam Todd
Non-executive director

Occupation: Real Estate Agent - Director Todd Property Heathcote

Qualifications, experience and expertise: Licenced Estate Agent, Bachelors of Business (La Trobe) with 12 years Real Estate Industry experience. Real Estate Institute of Victoria (REIV) member.

Special responsibilities: Nil

Interest in shares: nil share interest held

Gregory Ian Speirs
Non-executive director (resigned 15 April 2021)

Occupation: Retired

Qualifications, experience and expertise: Local Government, Lions Club Member (past President, Treasurer and Secretary), Bowls Club Member (past President and past Secretary), Licensed Surveyor, Town Planner and Justice of Peace.

Special responsibilities: Sponsorship committee

Interest in shares: 5,000 ordinary shares

Marlene (Sissy) Christina Hoskin
Non-executive director

Occupation: Executive Officer - Go Nagambie

Qualifications, experience and expertise: Professional Woolclasser, Registered Nurse, Cert 3 in Education Support, cert 4 hospitality. Currently employed as the Executive Officer for Nagambie Lakes Tourism & Commerce, T/A GoNagambie. Named Nagambie Citizen of the Year in 2014. Awarded the 2013 Strathbogie Shire Event of the Year for the Melbourne Cup Tour, Awarded in 2015 Nagambie Community Organisation of the Year, and Strathbogie Shire Community Organisation of the Year, Nagambie Community Event of the Year 2018 – Daniher Drive, Nagambie Community Event of the Year 2019 - NYE and Australian Government Volunteer Award in 2019 – Go Nagambie. Successful in gaining funding for various projects in Nagambie including current projects - the High Street Nagambie beautification project and the Destination Nagambie project, town entry project. Editor of the fortnightly publication of the Nagambie Community Voice. Currently participating in the 2019 Fairley Leadership program receiving sponsorship from the Strathbogie Shire Council. Member Committee TACAC Strathbogie Shire. Member Parents & Friends Assumption College Parents Friends. Member of the Nagambie Ambulance Service Community Alliance.

Special responsibilities: Nil

Interest in shares: nil share interest held

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

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

Company Secretary

There were two company secretaries holding the position during the financial year:

- Hannah Thomson was appointed company secretary on 1 October 2012.
- Michelle Baker was appointed company secretary on 4 November 2020.

Qualifications, experience and expertise:

- Hannah has extensive experience in areas of managing accounts and customer service.
- Michelle is an experienced Company Secretary with many years working within the Community Bank network. Michelle holds a Bachelor of Arts, Advanced Diploma in Business and has completed extensive training through the Governance Institute of Australia.

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 $
36,579	45,205

Directors' interests

	Fully paid ordinary shares		
	Balance at the start of the year	Changes during the year	Balance at the end of the year
Stephen Roger Trompp	1,700	-	1,700
Bradley Adam Todd	-	-	-
Andrew Neil Campbell	-	-	-
Peter Catherwood Young	-	-	-
Jaclyn Kate Doley	-	-	-
Marlene (Sissy) Christina Hoskin	-	-	-
Timothy Goodacre	-	-	-
Gregory Ian Speirs	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	6	35,695

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 companies financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors’ report (continued)

Directors’ meetings

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

	Board Meetings		Committee Meetings			
			Sponsorship		Finance	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Stephen Roger Trompp	11	10	2	1	2	2
Bradley Adam Todd	11	8	2	1	-	-
Andrew Neil Campbell	11	9	2	1	-	-
Peter Catherwood Young	11	10	2	1	2	2
Jaclyn Kate Doley	11	7	2	1	-	-
Marlene (Sissy) Christina Hoskin	11	8	2	1	-	-
Timothy Goodacre	3	1	-	-	-	-
Gregory Ian Speirs	9	8	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*.

Directors’ report (continued)

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 26 to the accounts.

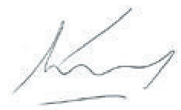
The board of directors has considered the non-audit services provided during the year by the auditor and, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board 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 Heathcote, Victoria.



Stephen Roger Trompp
Chairman

Dated this 16th day of September 2021

Auditor's independence declaration

AFS Partners in success Chartered Accountants

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 Heathcote & District Financial Services Limited

As lead auditor for the audit of Heathcote & District 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: 16th September 2021

Adrian Downing
Lead Auditor

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afsbendigo.com.au

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

Financial statements

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

	Note	2021 $	2020 $
Revenue from contracts with customers	8	859,973	878,615
Other revenue	9	66,667	82,837
Finance income	10	3,187	5,530
Employee benefit expenses	11d)	(471,453)	(446,664)
Charitable donations, sponsorship, advertising and promotion	11c)	(111,955)	(149,488)
Occupancy and associated costs		(36,364)	(38,417)
Systems costs		(33,811)	(35,349)
Depreciation and amortisation expense	11a)	(75,337)	(70,984)
Finance costs	11b)	(24,187)	(9,762)
General administration expenses		(126,956)	(149,148)
Profit before income tax expense		49,764	67,170
Income tax expense	12	(13,185)	(21,965)
Profit after income tax expense		36,579	45,205
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		36,579	45,205
Earnings per share		¢	¢
- Basic and diluted earnings per share:	29	6.15	7.60

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position

As at June 30 2021

	Note	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	445,694	406,954
Trade and other receivables	14	15,222	39,160
Current tax assets	18a)	1,751	-
Total current assets		462,667	446,114
Non-current assets			
Property, plant and equipment	15a)	62,195	66,171
Right-of-use assets	16a)	540,632	585,552
Intangible assets	17a)	100,517	126,333
Deferred tax asset	18b)	5,599	220
Total non-current assets		708,943	778,276
Total assets		1,171,610	1,224,390
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	55,828	48,282
Current tax liabilities	18a)	-	6,309
Lease liabilities	20a)	26,476	24,823
Total current liabilities		82,304	79,414
Non-current liabilities			
Trade and other payables	19b)	56,097	84,145
Lease liabilities	20b)	510,257	540,469
Provisions	21	39,505	37,799
Total non-current liabilities		605,859	662,413
Total liabilities		688,163	741,827
Net assets		483,447	482,563
EQUITY			
Issued capital	22a)	558,357	558,357
Accumulated losses	23	(74,910)	(75,794)
Total equity		483,447	482,563

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Issued capital $	Retained Earnings $	Total equity $
Balance at 1 July 2019		558,357	(82,330)	476,027
Total comprehensive income for the year		-	45,205	45,205
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28	-	(38,669)	(38,669)
Balance at 30 June 2020		558,357	(75,794)	482,563
Balance at 1 July 2020		558,357	(75,794)	482,563
Total comprehensive income for the year		-	36,579	36,579
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28	-	(35,695)	(35,695)
Balance at 30 June 2021		558,357	(74,910)	483,447

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,040,394	1,065,607
Payments to suppliers and employees		(853,472)	(904,566)
Interest received		3,187	5,530
Interest paid		-	(8)
Lease payments (interest component)	11b)	(22,481)	(9,754)
Lease payments not included in the measurement of lease liabilities	11e)	(11,886)	(11,156)
Income taxes paid		(26,624)	(7,590)
Net cash provided by operating activities	24	129,118	138,063
Cash flows from investing activities			
Payments for property, plant and equipment		(3,688)	-
Payments for intangible assets		(25,498)	(37,511)
Net cash used in investing activities		(29,186)	(37,511)
Cash flows from financing activities			
Lease payments (principle component)		(25,496)	(37,063)
Dividends paid	28	(35,696)	(38,669)
Net cash used in financing activities		(61,192)	(75,732)
Net cash increase in cash held		38,740	24,820
Cash and cash equivalents at the beginning of the financial year		406,954	382,134
Cash and cash equivalents at the end of the financial year	13a)	445,694	406,954

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 Heathcote & District 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 2, 119 High Street Heathcote VIC 3523	Shop 2, 19 High Street Heathcote VIC 3523
	1/263 High Street Nagambie VIC 3608

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 27.

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 basis and historical costs 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 16 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.

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.

Notes to the Financial statements (continued)
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 (continued)

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

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

b) Other revenue

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

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF"	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.
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.

c) Economic dependency - Bendigo Bank

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

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.

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

c) Economic dependency - Bendigo Bank *(continued)*

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

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

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

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

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

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

d) Employee benefits

Bendigo Bank seconds employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

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.

Notes to the Financial statements (continued)
For the year ended 30 June 2021

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

e) Taxes *(continued)*

Deferred tax (continued)

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

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

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	1 to 40 years
Plant and equipment	Straight-line	1 to 40 years
Motor vehicles	Straight-line	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. The company has also acquired a customer list from Bendigo Bank.

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 and domiciled customer accounts acquired are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Domiciled customer accounts acquired are recognised at cost at the date of acquisition and are assessed as having indefinite useful life. They are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

h) Intangible assets *(continued)*

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

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

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

Notes to the Financial statements (continued)

For the year ended 30 June 2021

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

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.

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.

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

m) Leases *(continued)*

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

b) Assumptions and estimation uncertainties

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

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

Note 6 Financial risk management *(continued)*

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	536,733	47,781	199,243	451,128
Trade and other payables	111,925	55,828	56,097	-
	648,658	103,609	255,340	451,128

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	565,292	47,281	196,173	506,748
Trade and other payables	132,427	48,282	84,145	-
	697,719	95,563	280,318	506,748

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. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 6 Financial risk management *(continued)*

c) Market risk *(continued)*

The company held cash and cash equivalents of $148,150 at 30 June 2021 (2020: $109,410). 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	717,134	733,171
- Fee income	65,681	71,179
- Commission income	77,158	74,265
	859,973	878,615

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	66,667	75,000
- Other income	-	7,837
	66,667	82,837

Note 10 Finance income

	2021 $	2020 $
- Term deposits	3,187	5,530

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 11 Expenses

a) Depreciation and amortisation expense	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	2,617	4,095
- Plant and equipment	1,964	2,127
- Motor vehicles	3,082	3,082
	7,663	9,304
Depreciation of right-of-use assets		
- Leased land and buildings	41,858	27,462
Amortisation of intangible assets:		
- Franchise fee	4,303	4,304
- Franchise establishment fee	-	9,918
- Franchise renewal process fee	21,513	11,594
- Domiciled agency or branch business	-	8,402
	25,816	34,218
Total depreciation and amortisation expense	75,337	70,984

b) Finance costs

- Bank overdraft interest paid or accrued	-	8
- Lease interest expense	24,187	9,754
	24,187	9,762

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	25,591	54,488
- Contribution to the Community Enterprise Foundation™ (CEF)	86,364	95,000
	111,955	149,488

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.

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 11 Expenses *(continued)*		
d) Employee benefit expenses	2021 $	2020 $
Wages and salaries	377,315	374,001
Non-cash benefits	5,274	5,328
Contributions to defined contribution plans	36,214	34,646
Expenses related to long service leave	4,194	(3,312)
Other expenses	48,456	36,001
	471,453	446,664

e) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2021 $	2020 $
Expenses relating to low-value leases	11,886	11,156

Note 12 Income tax expense		
a) Amounts recognised in profit or loss	2021 $	2020 $
Current tax expense		
- Current tax	18,564	28,500
- Movement in deferred tax	(5,603)	(14,011)
- Adjustment to deferred tax on AASB 16 retrospective application	-	7,463
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	224	13
	13,185	21,965
b) *Prima facie* income tax reconciliation		
Operating profit before taxation	49,764	67,170
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	12,939	18,472
Tax effect of:		
- Non-deductible expenses	22	3,481
- Temporary differences	5,603	6,547
- Movement in deferred tax	(5,603)	(14,011)
- Leases initial recognition	-	7,463
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	224	13
	13,185	21,965

Note 13 Cash and cash equivalents	2021 $	2020 $
- Cash at bank and on hand	148,150	109,410
- Term deposits	297,544	297,544
	445,694	406,954

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 14 Trade and other receivables		
Current assets	2021 $	2020 $
Trade receivables	8,219	8,367
Prepayments	7,003	10,032
Other receivables and accruals	-	20,761
	15,222	39,160

Note 15 Property, plant and equipment		
a) Carrying amounts	2021 $	2020 $
Leasehold improvements		
At cost	126,223	123,560
Less: accumulated depreciation	(85,665)	(83,048)
	40,558	40,512
Plant and equipment		
At cost	63,063	62,039
Less: accumulated depreciation	(50,320)	(48,356)
	12,743	13,683
Motor vehicles		
At cost	24,659	24,659
Less: accumulated depreciation	(15,765)	(12,683)
	8,894	11,976
Total written down amount	62,195	66,171
b) Reconciliation of carrying amounts		
Leasehold improvements		
Carrying amount at beginning	40,512	44,607
Additions	2,663	-
Depreciation	(2,617)	(4,095)
	40,558	40,512
Plant and equipment		
Carrying amount at beginning	13,683	15,810
Additions	1,024	-
Depreciation	(1,964)	(2,127)
	12,743	13,683
Motor vehicles		
Carrying amount at beginning	11,976	15,058
Depreciation	(3,082)	(3,082)
	8,894	11,976
Total written down amount	62,195	66,171

Notes to the Financial statements (continued)

For the year ended 30 June 2021

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

c) Changes in estimates

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

Note 16 Right-of-use assets

a) Carrying amounts	2021 $	2020 $
Leased land and buildings		
At cost	863,332	866,394
Less: accumulated depreciation	(322,700)	(280,842)
	540,632	585,552

b) Reconciliation of carrying amounts		
Leased land and buildings		
Carrying amount at beginning	585,552	-
Initial recognition on transition	-	424,004
Accumulated depreciation on adoption	-	(253,380)
Remeasurement adjustments	(3,062)	442,390
Depreciation	(41,858)	(27,462)
Total written down amount	540,632	585,552

Note 17 Intangible assets

a) Carrying amounts	2021 $	2020 $
Franchise fee		
At cost	110,223	110,223
Less: accumulated amortisation	(93,470)	(89,167)
	16,753	21,056
Franchise establishment fee		
At cost	30,030	30,030
Less: accumulated amortisation	(30,030)	(30,030)
	-	-
Franchise renewal process fee		
At cost	221,082	221,082
Less: accumulated amortisation	(137,318)	(115,805)
	83,764	105,277
Cash-generating unit - domiciled accounts		
At cost	8,402	8,402
Less: accumulated amortisation	(8,402)	(8,402)
	-	-
Total written down amount	100,517	126,333

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 17 Intangible assets *(continued)*

b) Reconciliation of carrying amounts	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	21,056	4,110
Additions	-	21,250
Amortisation	(4,303)	(4,304)
	16,753	21,056
Franchise establishment fee		
Carrying amount at beginning	-	9,918
Amortisation	-	(9,918)
	-	-
Franchise renewal process fee		
Carrying amount at beginning	105,277	10,628
Additions	-	106,243
Amortisation	(21,513)	(11,594)
	83,764	105,277
Cash-generating unit - domiciled accounts		
Carrying amount at beginning	-	8,402
Amortisation	-	(8,402)
	-	-
Total written down amount	100,517	126,333

c) Changes in estimates

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

Note 18 Tax assets and liabilities

a) Current tax	2021 $	2020 $
Income tax payable/(refundable)	(1,751)	6,309

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 18 Tax assets and liabilities *(continued)*

b) Deferred tax	2021 $	2020 $
Deferred tax assets		
- expense accruals	800	806
- bad debt provisions	6,125	6,370
- make-good provision	9,876	9,828
- lease liability	134,184	146,976
Total deferred tax assets	150,985	163,980
Deferred tax liabilities		
- property, plant and equipment	10,228	11,516
- cash-generating units	135,158	152,244
Total deferred tax liabilities	145,386	163,760
Net deferred tax assets (liabilities)	5,599	220
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(5,379)	6,535
Movement in deferred tax charged to Statement of Changes in Equity	-	7,464

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	185	185
Other creditors and accruals	55,643	48,097
	55,828	48,282
b) Non-current liabilities		
Other creditors and accruals	56,097	84,145

Note 20 Lease liabilities

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

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

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 20 Lease liabilities *(continued)*

The company's lease portfolio includes:

- Heathcote Branch: The lease agreement commenced in August 2005. A 5 year renewal option was exercised in August 2020. The company has 2 x 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 July 2035.
- Nagambie Branch: The lease agreement commenced in April 2016 with an initial term of 6 years. The company has a 2 x 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 March 2032.

a) Current lease liabilities	2021 $	2020 $
Property lease liabilities	47,781	47,281
Unexpired interest	(21,305)	(22,458)
	26,476	24,823
b) Non-current lease liabilities		
Property lease liabilities	650,371	702,921
Unexpired interest	(140,114)	(162,452)
	510,257	540,469
c) Reconciliation of lease liabilities		
Balance at the beginning	565,292	-
Initial recognition on AASB 16 transition	-	197,764
Remeasurement adjustments	(3,063)	404,591
Lease interest expense	22,481	9,754
Lease payments - total cash outflow	(47,977)	(46,817)
	536,733	565,292
d) Maturity analysis		
- Not later than 12 months	47,781	47,281
- Between 12 months and 5 years	199,243	196,173
- Greater than 5 years	451,128	506,748
Total undiscounted lease payments	698,152	750,202
Unexpired interest	(161,419)	(184,910)
Present value of lease liabilities	536,733	565,292

Note 21 Provisions

Non-current liabilities	2021 $	2020 $
Make-good on leased premises	39,505	37,799

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.

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 21 Provisions *(continued)*

Non-current liabilities *(continued)*

Lease	Lease term expiry date per AASB 16	Estimated provision
Heathcote	July 2035	$33,800
Nagambie	March 2032	$33,800

Note 22 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	594,910	594,910	594,910	594,910
Less: equity raising costs	-	(36,553)	-	(36,553)
	594,910	558,357	594,910	558,357

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 22 Issued capital (continued)

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

Prohibited shareholding interest (continued)

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 23 Accumulated losses

	Note	2021 $	2020 $
Balance at beginning of reporting period		(75,794)	(62,653)
Adjustment for transition to AASB 16		-	(19,677)
Net profit after tax from ordinary activities		36,579	45,205
Dividends provided for or paid	28a)	(35,695)	(38,669)
Balance at end of reporting period		(74,910)	(75,794)

Note 24 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	36,579	45,205
Adjustments for:		
- Depreciation	49,521	36,766
- Amortisation	25,816	34,218
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	23,938	(18,463)
- (Increase)/decrease in other assets	(7,130)	21,844
- Increase/(decrease) in trade and other payables	4,997	25,962
- Increase/(decrease) in provisions	1,706	-
- Increase/(decrease) in tax liabilities	(6,309)	(7,469)
Net cash flows provided by operating activities	129,118	138,063

Note 25 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	8,219	29,128
Cash and cash equivalents	13	148,150	109,410
Term deposits	13	297,544	297,544
		453,913	436,082
Financial liabilities			
Trade and other payables	19	111,925	132,427
Lease liabilities	20	536,733	565,292
		648,658	697,719

Note 26 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	1,350	1,405
- General advisory services	2,860	3,080
- Share registry services	4,027	3,693
Total auditor's remuneration	13,237	12,878

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Stephen Roger Trompp
Bradley Adam Todd
Andrew Neil Campbell
Peter Catherwood Young
Jaclyn Kate Troy
Marlene (Sissy) Christina Hoskin
Timothy Goodacre
Gregory Ian Speirs

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.

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 27 Related parties *(continued)*

c) Related party transactions

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

Note 28 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	6.00	35,695	6.50	38,669

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

b) Franking account balance

	2021 $	2020 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	47,391	54,469
Franking transactions during the financial year:		
- Franking credits arising from income tax instalments paid	20,208	29,658
- Franking debits from the refund of income tax following lodgement of annual income tax return	6,309	(22,068)
- Franking debits from the payment of franked distributions	(12,541)	(14,668)
Franking account balance at the end of the financial year	61,367	47,391
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits that will arise from payment of income tax	(1,751)	8,620
Franking credits available for future reporting periods	59,616	56,011

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 29 Earnings per share

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	36,579	45,205
	Number	Number
Weighted-average number of ordinary shares	594,910	594,910
	Cents	Cents
Basic and diluted earnings per share	6.15	7.60

Notes to the Financial statements (continued)

For the year ended 30 June 2021

Note 30	Commitments

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

Note 31	Contingencies

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

Note 32	Subsequent events

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

Directors' declaration

In 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.

Stephen Roger Trompp, Chair

Dated this 16th day of September 2021

Independent audit report

Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Heathcote & District 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 Heathcote & District 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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afs@afsbendigo.com.au
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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: 16th September 2021

Adrian Downing
Lead Auditor

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Share Registry:
AFS & Associates Bendigo

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Bendigo Bank