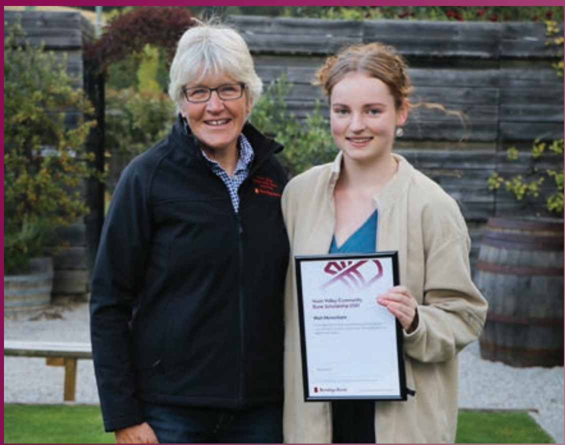

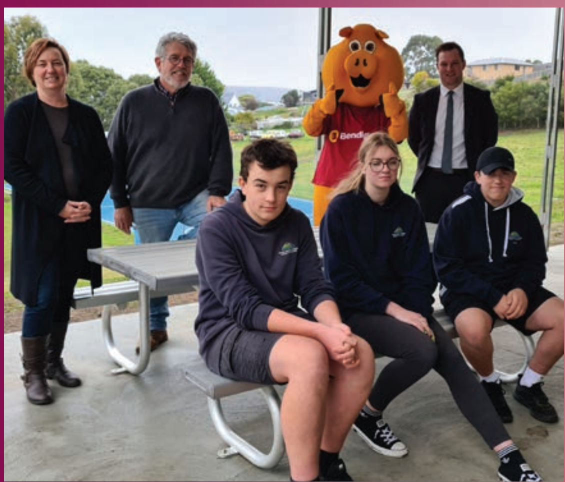

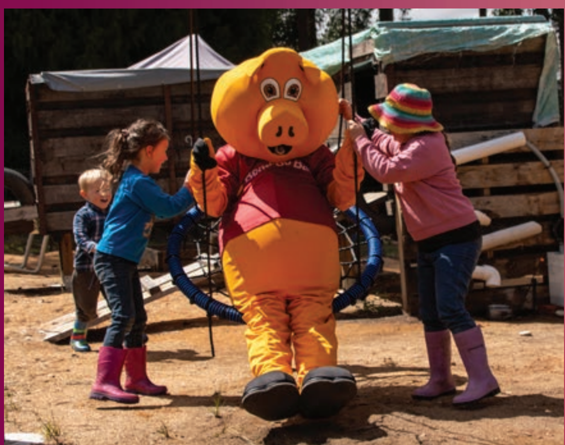

Huon Valley Financial Services Limited

ABN 34 101 469 854

2021 Annual Report

Community Bank · Huon Valley

Contents

Chairman’s report

For year ending 30 June 2021

At it’s core, the success of the Community Bank model is due to the fact that we return the profits from our banking operations to the people in the Huon Valley who bank with us.

At the end of the financial year we proudly celebrated the return of over $3 million to our community since we first opened our Geeveston and Dover branches in May 2003.

There are some amazing numbers over those 18 years. From 2003 to 2010, the Geeveston and Dover branches gave over $400,000 back to our community, including $200,000 towards the establishment of the Geeveston Medical Centre. We have been able to award 33 Community Bank Scholarships in the last five years, worth $137,500. There are now 13 AED units in the Valley provided by your Community Bank. And in this financial year alone we have been able to return nearly $370,000 to organisations and individuals in the Valley through grants, sponsorships and donations.

Such amazing results have only been achieved by the professionalism, energy, commitment and dedication of our wonderful staff and I would like to acknowledge each and every one of these fantastic people. Without them there would be no Huon Valley Financial Services Limited and the Huon Valley community would be very different. Our staff are the day-to-day contact we have with our community and our customers and whether they work at Dover, Geeveston, Huonville or Cygnet, they are an integral part of our business. Thank you.

What is also extremely satisfying is to appreciate the diversity of organisations that we are able to support. Looking back over the last 12 months alone we have been able to assist groups including: Huon Art Exhibition Group; Geeveston Progress Association; Huon Cricket Club; Huon Regional Care; Huonville Men’s Shed; Lions Club of the Huon; Dover District High School; Huonville Golf Club; Beyond Blue; Judbury Cricket Club; Berry Street Education Model; Cygnet Bowls Club; Southern Storm Football Club and Huon Valley Little Athletics.

In their report, our Senior Manager and Branch Managers make the important point about the value of face-to-face banking and how this is reflected in the growth of our business. Face-to-face banking and interaction with our customers is a critical part of the success of the Community Bank model and one that does not always get the credit it rightly deserves. At none of the big four banks can you ring your local branch and speak to the staff or the Branch Manager. At all of our branches the Manager’s mobile phone number is publicly available.

As someone who was born in the first half of the 20th century, and thus far removed from the digital age, I can understand many of our customers wanting to speak across the counter to our staff. At the same time I understand the needs of our younger customers and their desire to do as much business as possible on line. No other bank provides that choice.

I would like to endorse the Senior Manager and Branch Manager’s welcome to Jo Milne as our new Cygnet Branch Manager and Jason Mitchell as Assistant Branch Manager at Huonville.

Along with our staff, the role of our Directors cannot be overstated. Their commitment, on a totally voluntary basis, is outstanding. In addition to their primary role as Directors, they all have added responsibilities. David Brereton is the Chair of the state wide organisation that coordinates Community Bank marketing to ensure that our limited marketing funds are spent wisely and consistently.

Chairman's report (continued)

Then there are our Grants and Marketing Committee members – Pam Lane, Sally Doyle, Jillian Griggs and Ken Langston. These folks are responsible for ensuring that the large number of applications that we receive each month for financial support are professionally assessed and recommendations made for giving back to the community the profits from our banking activities.

There is a huge amount of work involved in the day-to-day activities of ensuring that our grant processes run smoothly and our community can access financial support in the most efficient, effective and straightforward way possible. After all it is their money that we are returning to them. Our Community Liaison Officer, Sam Paul, is wonderful in this role and I cannot thank her enough for the professional way she undertakes this task.

Critical also to the smooth running of the Board are our very special Secretary, David Walker and Treasurer, Brent Hardy. Thank you both.

It is an honour and a privilege to be the Chairman of such an exceptional organisation and to be part of the wonderful family that is Huon Valley Financial Services Limited and our four Community Banks in Dover, Geeveston, Huonville and Cygnet.

Michael Lynch
Chairman

Managers' report

For year ending 30 June 2021

We have now completed our eighteenth full year of operation and we are extremely pleased to report that our business has continued to grow, with total business as at 30 June 2021 now standing at $475.973 million, with 13,644 accounts opened. This represents growth of $74.257 million (18.485%) and 1,000 accounts (7.91%) during the past twelve months.

Our deposits totaled $208.905 million, our lending portfolio $259.899 million and other business $7.169 million.

These results only confirm the support of the community for 'their' Bank, which in turn enables our Community Bank company to return profits back into the community for the benefit of all.

The continued positive manner in which our Bank has been accepted and supported by people from both within and outside our immediate area has been beyond our expectations (and continues to amaze us) and only goes to show that there still is a need for good old fashioned, face-to-face banking services where you can build a relationship with your Bank.

We continue to generate regular monthly profits which are being distributed back into the community in many shapes and forms and it is this distribution of profits back to the community that gives us (the staff) a great deal of pride and satisfaction in the role that we play within your Bank. It is worth noting a very important milestone was achieved during the past year, with in excess of $3 million having now been returned to the local community by way of sponsorships, donations and grants.

The above results have not been achieved without a great deal of hard work, passion and dedication by a great team of staff and as such we would like to acknowledge and thank the following staff for their efforts: Sharee Burgess, Cathy Thomson, Cate Swan, Michelle Doyle, Kerrie-Lyn O'Neill, Kelly Hankin, Narelle Gane, Chris Wood, Tamara Jones, Claudia Pulko, Ellice Harvey, Sophie Brouwer, Jayde Smith, Shirley Kenna, Natalie Page, Steph Perry and Jason Mitchell for their commitment and on-going support.

During April 2021 we were unfortunate to lose the services of our Cygnet Branch Manager, Brent Stanway, who after two years at the helm of our Cygnet branch, decided to take up a Mobile Relationship Managers position within the Bank. We would like to sincerely thank Brent for his contribution to our Community Bank Huon Valley and wish him well in his new role.

As one door closes another opens and we have been fortunate to gain the services of the Yarram (Victoria) Branch Manager, Jo Milne, who grabbed the opportunity to move to Tasmania with her husband and dogs. Jo brings with her a wealth of banking knowledge and we welcome her to our Community Bank Huon Valley team.

We also take this opportunity to welcome Jason Mitchell as Assistant Branch Manager at Huonville, replacing Alanna in this position. Jason also brings with him a wealth of banking knowledge, having worked within the Bank for the past 21 years.

Thanks also to the Board of Directors for their support and guidance over the past twelve months. They are a passionate group of people who give freely of their own time, doing a thankless job for the benefit of the community. It is always an enjoyable experience to work with you as we continue to grow and expand the business together.

To our 'Team' at Regional Office: Martyn, Jordan, Jon and Kim, thank you for your continued support throughout the year, it truly is a pleasure to work with you. It is your contribution to the success of our Community Bank, which ensures that the value of our partnership with Bendigo and Adelaide Bank Limited is maximised.

Finally, we wish to thank all of our customers and shareholders for their support and we trust that our personal service and commitment to the community will ensure the continued future success of Community Bank Huon Valley at Geeveston, Dover, Huonville and Cygnet.

Tony Coulson
Senior Manager

Colleen Shield
Branch Manager
Huonville

Jo Milne
Branch Manager
Cygnet

Phil Woolley
Branch Manager
Geeveston & Dover

Directors' report

For the financial year ended 30 June 2021

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:

Michael Anthony Lynch

Chair

Occupation: Small Business Owner

Qualifications, experience and expertise: Retired Naval Officer, previously General Manager of an electronics manufacturing plant and General Manager of Tasmanian University Research Company, Head of Office: Tasmanian Greens, Director: Tasmanian Conservation Trust, Chairperson: Tasmanian Heritage Council, President: Tasmanian Conservation Trust.

Special responsibilities: Chair, Governance

Interest in shares: nil share interest held

Brent Andrew Hardy

Non-executive director

Occupation: General Manager

Qualifications, experience and expertise: Brent has been the Divisional Manager and is presently the General manager of Duggans Pty Ltd. Previously Aust/Asian Logistics Manager for Erico Pty Ltd and director of the National Precast Association of Australia.

Special responsibilities: Treasurer

Interest in shares: nil share interest held

Jillian Kay Griggs

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Staff Representative on the Board of Huon District Hospital for 6 years, volunteer on kiosk of Huon Eldercare for 11 years. Secretary of Huonville Football Club Ladies Committee for 5 years. Previously on the Board of HVFS for over 2 years before being re-elected in 2010.

Special responsibilities: Grants and Marketing Committee

Interest in shares: 6,000 ordinary shares

Directors (continued)

David Allen Brereton

Non-executive director

Occupation: International Consultant

Qualifications, experience and expertise: Five years in the banking sector, followed by 34 years employed in various Australian Government agencies, including Department of Social Security/Centrelink, Australian Antarctic Division and Australian Bureau of Statistics. Retired from the public sector in 2012. Since 2013, has worked as an International Consultant with the Food and Agriculture Organisation of the United Nations (FAO), working in the Asia-Pacific region. Currently a Community member on the Chinese Medicine Board of Australia and Chair of the Board's Registration and Notification Committee. Involved in various Huon Valley community, school and sporting groups/clubs, including various executive positions.

Special responsibilities: Member of Tasmanian Community Bank State Marketing Committee and State representative on the National Marketing Committee

Interest in shares: 20,000 ordinary shares

Sally Ann Doyle

Non-executive director

Occupation: Director of own Company

Qualifications, experience and expertise: Qualified Teachers Aid, Secretary of L&S Doyle Pty Ltd, Deputy Mayor of Huon Valley Council, Community Liaison for Geeveston Cares and a Member of the Tasmanian Forest Workers Memorial.

Special responsibilities: Grants and Marketing Committee

Interest in shares: 2,000 ordinary shares

Pamela Maree Lane

Non-executive director

Occupation: Retired Teacher, Small Business Owner

Qualifications, experience and expertise: Over 30 years working in education as a teacher, Assistant Principal and Principal. Leader in both the NSW and Tasmanian education systems. Developed and implemented a number of significant educational programs both statewide and regionally. Member of the initial committee overseeing the development of the Huon Valley Trade Training Centre. Co-Leader of overseas trips to support education and health programs across S.E. Asia. Developed and implemented numerous health and wellbeing and employment training programs/initiatives for the Huon Valley community.

Special responsibilities: Chair Grants and Marketing Committee

Interest in shares: nil share interest held

David Lindsay Walker

Non-executive director

Occupation: Accountant

Qualifications, experience and expertise: Qualified accountant, former executive director, chief financial officer and company secretary of a large public group of companies. Extensive experience in the management and oversight of all the financial aspects of a company's operations and strategy.

Special responsibilities: Secretary

Interest in shares: nil share interest held

Directors (continued)

Kenneth Norman Langston

Non-executive director

Occupation: Manager, Finance Sector

Qualifications, experience and expertise: Kenneth has been employed for the last seven years as the Head of Sector Engagement, Bendigo Bank. Before taking on this role he was the CEO of Steps Ltd (Tasmania) for 14 years prior. Kenneth has a Bachelor of Arts and a Graduate Certificate of Social Science.

Special responsibilities: Grants and Marketing Committee

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

The company secretary is David Walker. David was appointed to the position of secretary on 1 January 2017.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights to operate franchised branches 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 $
354,577	270,666

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Michael Anthony Lynch	-	-	-
Brent Andrew Hardy	-	-	-
Jillian Kay Griggs	6,000	-	6,000
David Allen Brereton	20,000	-	20,000
Sally Ann Doyle	2,000	-	2,000
Pamela Maree Lane	-	-	-
David Lindsay Walker	-	-	-
Kenneth Norman Langston	-	-	-

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	7.40	141,636

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 29 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the 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' report (continued)

Directors' meetings

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

	Board Meetings Attended		Grants & Marketing Committee Meetings	
	Eligible	Attended	Eligible	Attended
Michael Anthony Lynch	12	11	-	-
Brent Andrew Hardy	12	9	-	-
Jillian Kay Griggs	12	12	11	11
David Allen Brereton	12	12	-	-
Sally Ann Doyle	12	9	11	7
Pamela Maree Lane	12	10	11	11
David Lindsay Walker	12	10	-	-
Kenneth Norman Langston	12	11	11	10

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the non-audit services provided during the year by the auditor and 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 11.

Signed in accordance with a resolution of the directors at Huonville, Tasmania.

Michael Anthony Lynch, Chair

Dated this 24th day of September 2021

Auditor’s independence declaration

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 Huon Valley Financial Services Limited

As lead auditor for the audit of Huon Valley 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: 24 September 2021

Joshua Griffin
Lead Auditor

Financial statements

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

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	3,076,193	2,838,039
Other revenue	9	143,664	136,717
Finance income	10	6,890	6,624
Employee benefit expenses	11c)	(1,647,643)	(1,558,983)
Charitable donations, sponsorship, advertising and promotion		(378,043)	(366,045)
Occupancy and associated costs		(96,287)	(79,674)
Systems costs		(109,613)	(111,072)
Depreciation and amortisation expense	11a)	(180,806)	(160,364)
Finance costs	11b)	(73,675)	(74,601)
General administration expenses		(265,114)	(268,855)
Profit before income tax expense		**475,566**	**361,786**
Income tax expense	12a)	(120,989)	(91,120)
Profit after income tax expense		**354,577**	**270,666**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**354,577**	**270,666**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	31a)	18.53	14.14

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	1,185,280	853,111
Trade and other receivables	14a)	269,663	249,971
Total current assets		**1,454,943**	**1,103,082**
Non-current assets			
Other investments	15a)	2,000	2,000
Property, plant and equipment	16a)	295,802	327,461
Right-of-use assets	17a)	1,028,272	1,008,778
Intangible assets	18a)	159,062	16,410
Deferred tax asset	19b)	152,719	148,247
Total non-current assets		**1,637,855**	**1,502,896**
Total assets		**3,092,798**	**2,605,978**
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	135,051	76,444
Current tax liabilities	19a)	73,285	16,217
Lease liabilities	21a)	108,453	90,157
Employee benefits	23a)	306,516	190,634
Total current liabilities		**623,305**	**373,452**
Non-current liabilities			
Trade and other payables	20a)	121,134	-
Lease liabilities	21b)	1,187,594	1,252,267
Employee benefits	23b)	42,338	68,718
Provisions	22a)	52,397	58,452
Total non-current liabilities		**1,403,463**	**1,379,437**
Total liabilities		**2,026,768**	**1,752,889**
Net assets		**1,066,030**	**853,089**
EQUITY			
Issued capital	24a)	1,166,334	1,166,334
Accumulated losses	25	(100,304)	(313,245)
Total equity		**1,066,030**	**853,089**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		1,166,334	(470,985)	695,349
Total comprehensive income for the year		-	270,666	270,666
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(112,926)	(112,926)
Balance at 30 June 2020		**1,166,334**	**(313,245)**	**853,089**
Balance at 1 July 2020		1,166,334	(313,245)	853,089
Total comprehensive income for the year		-	354,577	354,577
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(141,636)	(141,636)
Balance at 30 June 2021		**1,166,334**	**(100,304)**	**1,066,030**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		3,470,054	3,246,878
Payments to suppliers and employees		(2,653,212)	(2,649,087)
Interest received		6,846	6,541
Interest paid		-	(111)
Lease payments (interest component)	11b)	(70,445)	(71,429)
Lease payments not included in the measurement of lease liabilities	11d)	(44,673)	(43,973)
Dividends received		25	50
Income taxes paid		(68,393)	(88,522)
Net cash provided by operating activities	**26**	**640,202**	**400,347**
Cash flows from investing activities			
Payments for property, plant and equipment		(10,345)	(46,846)
Payments for intangible assets		(36,707)	-
Net cash used in investing activities		**(47,052)**	**(46,846)**
Cash flows from financing activities			
Proceeds from loans and borrowings		-	49,496
Repayment of loans and borrowings		-	(4,264)
Lease payments (principal component)		(119,345)	(69,703)
Dividends paid	30a)	(141,636)	(112,926)
Net cash used in financing activities		**(260,981)**	**(137,397)**
Net cash increase in cash held		**332,169**	**216,104**
Cash and cash equivalents at the beginning of the financial year		853,111	637,007
Cash and cash equivalents at the end of the financial year	**13**	**1,185,280**	**853,111**

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 Huon Valley 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**
5/13-17 Main Street Huonville TAS 7109	5/13-17 Main Street Huonville TAS 7109

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 equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 24 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.

Ability to change financial return

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.

Note 4 Summary of significant accounting policies (continued)

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

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

Note 4 Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

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

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating personal 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 and salaries are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave, long service leave and personal 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.

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

Deferred tax (continued)

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	4 to 20 years
Plant and equipment	Straight-line	1 to 40 years
Motor vehicles	Straight-line	5 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:

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

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

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, lease liabilities, finance leases and equity securities (shares).

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

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

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

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

k) Issued capital

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

l) 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.

Note 4 Summary of significant accounting policies (continued)

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 not to separate lease and non-lease components when calculating the lease liability.

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

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

a) Judgements (continued)

Note	Judgement
- 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:

Note	Assumptions
- Note 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

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

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

a) Credit risk

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

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo 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.

Note 6 Financial risk management (continued)

b) Liquidity risk (continued)

Exposure to liquidity risk (continued)

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	1,296,047	171,572	671,319	865,493
Trade and other payables	256,185	135,051	121,134	-
	1,552,232	**306,623**	**792,453**	**865,493**

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	1,342,424	159,443	659,041	1,014,438
Trade and other payables	76,444	76,444	-	-
	1,418,868	**235,887**	**659,041**	**1,014,438**

c) Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $1,185,280 at 30 June 2021 (2020: $853,111). 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	2,675,603	2,446,385
- Fee income	252,571	255,235
- Commission income	148,019	136,419
	3,076,193	**2,838,039**

Note 9 Other revenue

	2021 $	2020 $
- Dividend and distribution income	25	50
- Market development fund income	46,042	74,167
- Cash flow boost	37,500	62,500
- Sale of property, plant and equipment	6,364	-
- Gain on disposal of right-of-use asset	53,733	-
	143,664	**136,717**

During the year ended 30 June 2021 Huon Valley Financial Services Limited surrendered the existing lease of their boardroom. The carrying amount of assets relating to such lease have been impaired creating a gain on disposal of ROU asset as the assets will no longer generate cash flows from the date of closure.

Note 10 Finance income

	2021 $	2020 $
- Term deposits	**6,890**	**6,624**

Note 11 Expenses

	2021 $	2020 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Leasehold improvements	34,459	21,369
- Plant and equipment	7,545	8,900
- Motor vehicles	-	4,084
	42,004	**34,353**
Depreciation of right-of-use assets		
- Leased land and buildings	88,877	85,962
- Leased motor vehicles	9,044	347
	97,921	**86,309**
Amortisation of intangible assets:		
- Franchise fee	6,928	6,300
- Franchise establishment fee	10,227	25,160
- Franchise renewal process fee	23,726	8,242
	40,881	**39,702**
Total depreciation and amortisation expense	**180,806**	**160,364**

Note 11 Expenses (continued)

	2021 $	2020 $
b) Finance costs		
- MV interest on loan	1,442	-
- Lease interest expense	69,003	71,429
- Unwinding of make-good provision	3,230	3,061
- Other	-	111
	73,675	**74,601**

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

c) Employee benefit expenses		
Wages and salaries	1,391,589	1,363,847
Non-cash benefits	11,882	7,443
Contributions to defined contribution plans	128,154	125,887
Expenses related to long service leave	20,853	16,588
Other expenses	95,165	45,218
	1,647,643	**1,558,983**

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	**44,673**	**43,973**

Note 12 Income tax expense

	2021 $	2020 $
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Current tax	125,461	73,584
- Movement in deferred tax	(10,581)	(92,260)
- Adjustment to deferred tax on AASB 16 retrospective application	-	101,243
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	6,109	8,553
	120,989	**91,120**
b) Prima facie income tax reconciliation		
Operating profit before taxation	475,566	361,786
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	123,647	99,491

Note 12 Income tax expense (continued)

	2021 $	2020 $
b) Prima facie income tax reconciliation (continued)		
Tax effect of:		
- Non-deductible expenses	984	264
- Temporary differences	10,580	(8,983)
- Other assessable income	(9,750)	(17,188)
- Movement in deferred tax	(10,581)	(92,260)
- Leases initial recognition	-	101,243
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	6,109	8,553
	120,989	**91,120**

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	680,173	389,496
- Term deposits	505,107	463,615
	1,185,280	**853,111**

Note 14 Trade and other receivables

	2021 $	2020 $
a) Current assets		
Trade receivables	247,192	238,270
Prepayments	10,661	10,935
Other receivables and accruals	11,810	766
	269,663	**249,971**

Note 15 Other investments

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

	2021 $	2020 $
a) Non current investments		
South East District Financial Services Limited (Sorell)	1,000	1,000
Tasman Community Financial Services Limited (Nubeena)	1,000	1,000
	2,000	**2,000**

Note 16 Property, plant and equipment

	2021 $	2020 $
a) Carrying amounts		
Leasehold improvements (Geeveston/Dover)		
At cost	163,557	162,999
Less: accumulated depreciation	(94,505)	(84,484)
	69,052	**78,515**
Plant and equipment (Geeveston/Dover)		
At cost	128,904	121,645
Less: accumulated depreciation	(119,757)	(117,713)
	9,147	**3,932**
Leasehold improvements (Huonville)		
At cost	156,654	156,654
Less: accumulated depreciation	(73,893)	(64,611)
	82,761	**92,043**
Plant and equipment (Huonville)		
At cost	47,772	47,772
Less: accumulated depreciation	(37,503)	(35,537)
	10,269	**12,235**
Leasehold improvements (Boardroom Huonville)		
At cost	36,735	36,735
Less: accumulated depreciation	(12,765)	(9,770)
	23,970	**26,965**
Plant and equipment (Boardroom Huonville)		
At cost	19,421	16,894
Less: accumulated depreciation	(16,222)	(15,526)
	3,199	**1,368**
Leasehold improvements (Cygnet)		
At cost	165,514	165,514
Less: accumulated depreciation	(76,039)	(63,878)
	89,475	**101,636**
Plant and equipment (Cygnet)		
At cost	42,953	42,953
Less: accumulated depreciation	(35,024)	(32,186)
	7,929	**10,767**
Motor vehicles		
At cost	-	37,250
Less: accumulated depreciation	-	(37,250)
	-	**-**
Total written down amount	**295,802**	**327,461**
b) Reconciliation of carrying amounts		
Leasehold improvements (Geeveston/Dover)		
Carrying amount at beginning	78,515	84,424
Additions	558	-
Depreciation	(10,021)	(5,909)
	69,052	**78,515**

Note 16 Property, plant and equipment (continued)

	2021 $	2020 $
b) Reconciliation of carrying amounts (continued)		
Plant and equipment (Geeveston/Dover)		
Carrying amount at beginning	3,932	5,340
Additions	7,259	-
Depreciation	(2,044)	(1,408)
	9,147	**3,932**
Leasehold improvements (Huonville)		
Carrying amount at beginning	92,043	95,875
Depreciation	(9,282)	(3,832)
	82,761	**92,043**
Plant and equipment (Huonville)		
Carrying amount at beginning	12,235	14,432
Depreciation	(1,966)	(2,197)
	10,269	**12,235**
Leasehold improvements (Boardroom Huonville)		
Carrying amount at beginning	26,965	28,224
Depreciation	(2,995)	(1,259)
	23,970	**26,965**
Plant and equipment (Boardroom Huonville)		
Carrying amount at beginning	1,368	2,076
Additions	2,528	-
Depreciation	(697)	(708)
	3,199	**1,368**
Leasehold improvements (Cygnet)		
Carrying amount at beginning	101,636	112,005
Depreciation	(12,161)	(10,369)
	89,475	**101,636**
Plant and equipment (Cygnet)		
Carrying amount at beginning	10,767	13,729
Additions	-	1,625
Depreciation	(2,838)	(4,587)
	7,929	**10,767**
Motor vehicles		
Carrying amount at beginning	-	4,084
Depreciation	-	(4,084)
	-	**-**
Total written down amount	**295,802**	**327,461**

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 17 Right-of-use assets

	2021 $	2020 $
a) Carrying amounts		
Leased land and buildings		
At cost	1,719,687	1,656,005
Less: accumulated depreciation	(727,245)	(692,101)
	992,442	**963,904**
Leased motor vehicles		
At cost	45,221	45,221
Less: accumulated depreciation	(9,391)	(347)
	35,830	**44,874**
Total written down amount	**1,028,272**	**1,008,778**
b) Reconciliation of carrying amounts		
Leased land and buildings		
Carrying amount at beginning	963,904	-
Initial recognition on transition	-	1,648,246
Accumulated depreciation on adoption	-	(606,139)
Remeasurement adjustments	117,415	7,759
Depreciation	(88,877)	(85,962)
	992,442	**963,904**
Leased motor vehicles		
Carrying amount at beginning	44,874	-
Additional right-of-use assets recognised	-	45,221
Depreciation	(9,044)	(347)
	35,830	**44,874**
Total written down amount	**1,028,272**	**1,008,778**

Note 18 Intangible assets

	2021 $	2020 $
a) Carrying amounts		
Franchise fee (Geeveston/Dover)		
At cost	89,140	78,344
Less: accumulated amortisation	(79,784)	(77,451)
	9,356	**893**
Franchise renewal process fee (Geeveston/Dover)		
At cost	156,566	113,381
Less: accumulated amortisation	(133,535)	(109,809)
	23,031	**3,572**
Franchise fee (Huonville)		
At cost	32,093	21,297
Less: accumulated amortisation	(22,736)	(20,398)
	9,357	**899**

Note 18 Intangible assets (continued)

	2021 $	2020 $
a) Carrying amounts (continued)		
Franchise renewal process fee (Huonville)		
At cost	180,465	126,484
Less: accumulated amortisation	(126,485)	(122,000)
	53,980	**4,484**
Franchise fee (Cygnet)		
At cost	23,928	13,135
Less: accumulated amortisation	(14,571)	(12,315)
	9,357	**820**
Franchise renewal process fee (Cygnet)		
At cost	145,923	91,942
Less: accumulated amortisation	(91,942)	(86,200)
	53,981	**5,742**
Total written down amount	**159,062**	**16,410**
b) Reconciliation of carrying amounts		
Franchise fee (Geeveston/Dover)		
Carrying amount at beginning	893	2,954
Additions	10,796	-
Amortisation	(2,333)	(2,061)
	9,356	**893**
Franchise renewal process fee (Geeveston/Dover)		
Carrying amount at beginning	3,572	11,814
Additions	43,185	-
Amortisation	(23,726)	(8,242)
	23,031	**3,572**
Franchise fee (Huonville)		
Carrying amount at beginning	899	3,158
Additions	10,796	-
Amortisation	(2,338)	(2,259)
	9,357	**899**
Franchise renewal process fee (Huonville)		
Carrying amount at beginning	4,484	15,786
Additions	53,981	-
Amortisation	(4,485)	(11,302)
	53,980	**4,484**
Franchise fee (Cygnet)		
Carrying amount at beginning	820	2,800
Additions	10,794	-
Amortisation	(2,257)	(1,980)
	9,357	**820**

Note 18 Intangible assets (continued)

	2021 $	2020 $
b) Reconciliation of carrying amounts (continued)		
Franchise renewal process fee (Cygnet)		
Carrying amount at beginning	5,742	19,600
Additions	53,981	-
Amortisation	(5,742)	(13,858)
	53,981	**5,742**
Total written down amount	**159,062**	**16,410**

During the financial year, Geeveston, Dover, Huonville and Cygnet franchise fees were renewed. All are to be amortised over the next five years to November 2025.

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 19 Tax assets and liabilities

	2021 $	2020 $
a) Current tax		
Income tax payable	**73,285**	**16,217**
b) Deferred tax		
Deferred tax assets		
- employee provisions	92,794	75,310
- make-good provision	13,099	15,197
- lease liability	314,853	336,448
Total deferred tax assets	**420,746**	**426,955**
Deferred tax liabilities		
- income accruals	202	200
- property, plant and equipment	19,714	27,893
- right-of-use assets	248,111	250,615
Total deferred tax liabilities	**268,027**	**278,708**
Net deferred tax assets (liabilities)	**152,719**	**148,247**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(4,472)**	**(17,535)**
Movement in deferred tax charged to Statement of Changes in Equity	**-**	**101,243**

Note 20 Trade creditors and other payables

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

	2021 $	2020 $
a) Current liabilities		
Trade creditors	369	20,511
Other creditors and accruals	134,682	55,933
	135,051	**76,444**

Note 20 Trade creditors and other payables (continued)

	2021 $	2020 $
b) Non-current liabilities		
Other creditors and accruals	**121,134**	**-**

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 5.39%. Subsequent lease modifications were discounted at 3.54%.

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:

- Huonville
  The lease agreement commenced in August 2010. A 9 year renewal option was exercised in August 2016. The company has 1 x 5 year renewal option 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 2030.
- Dover
  The lease agreement commenced in May 2003. A 5 year renewal option was exercised in May 2018. The company has 1 x 5 year renewal option 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 May 2028.
- Geeveston
  The lease agreement commenced in May 2018. 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 May 2033.
- Cygnet
  The lease agreement commenced in August 2013. A 5 year renewal option was exercised in August 2018. 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 August 2033.
- Boardroom
  The lease agreement commenced in June 2012. A 5 year renewal option was exercised in June 2020, however during the financial year the company organised a Deed of Surrender whereby the lease now terminates in November 2021. As such, the lease term end date used in the calculation of the lease liability is November 2021.
- Huonville Shop 2
  The lease agreement commenced in June 2021 for 9 years. The company has 1 x 9 year renewal option available which for AASB 16: Leases purposes they are not reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is June 2030.
- Motor vehicle
  The lease agreement commenced June 2020 for a non-cancellable term of 4 years.

	2021 $	2020 $
a) Current lease liabilities		
Property lease liabilities	158,370	146,241
Unexpired interest	(62,077)	(67,844)
	96,293	**78,397**
Motor Vehicle lease liabilities	13,202	13,202
Unexpired interest	(1,042)	(1,442)
	12,160	**11,760**
	108,453	**90,157**

Note 21 Lease liabilities (continued)

	2021 $	2020 $
b) Non-current lease liabilities		
Property lease liabilities	1,511,509	1,634,974
Unexpired interest	(348,390)	(419,342)
	1,163,119	**1,215,632**
Motor Vehicle lease liabilities	25,303	38,505
Unexpired interest	(828)	(1,870)
	24,475	**36,635**
	1,187,594	**1,252,267**
c) Reconciliation of lease liabilities		
Balance at the beginning	1,342,424	-
Initial recognition on AASB 16 transition	-	1,354,872
Additional lease liabilities recognised	184,685	-
Borrowing costs	-	49,496
Remeasurement adjustments	(111,717)	7,759
Lease payments - interest	70,445	71,429
Lease payments - total cash outflow	(189,790)	(141,132)
	1,296,047	**1,342,424**

The remeasurement adjustment was due to the surrender of the existing Boardroom lease and recognition of new lease for Huonville Shop 2.

d) Maturity analysis		
- Not later than 12 months	171,572	159,443
- Between 12 months and 5 years	671,319	659,041
- Greater than 5 years	865,493	1,014,438
Total undiscounted lease payments	**1,708,384**	**1,832,922**
Unexpired interest	(412,337)	(490,498)
Present value of lease liabilities	**1,296,047**	**1,342,424**

Note 22 Provisions

	2021 $	2020 $
a) Non-current liabilities		
Make-good on leased premises	**52,397**	**58,452**

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

Lease	Lease term expiry date per AASB 16	Estimated Provision
Huonville	August 2030	$30,000
Dover	May 2028	$15,000
Geeveston	May 2033	$15,000
Cygnet	August 2033	$30,000

Note 23 Employee benefits

	2021 $	2020 $
a) Current liabilities		
Provision for annual leave	112,572	91,554
Provision for long service leave	145,048	99,080
Provision for personal leave	48,896	-
	306,516	**190,634**
b) Non-current liabilities		
Provision for long service leave	**42,338**	**68,718**

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.

During the period a personal leave provision was recognised to show the companies obligation for sick leave payout upon termination of some employees per the companies Enterprise Agreement.

Note 24 Issued capital

	2021		2020	
	Number	$	Number	$
a) Issued capital				
Ordinary shares - fully paid	1,914,000	1,282,000	1,914,000	1,282,000
Less: equity raising costs	-	(115,666)	-	(115,666)
	1,914,000	**1,166,334**	**1,914,000**	**1,166,334**

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).

Note 24 Issued capital (continued)

b) Rights attached to issued capital (continued)

Ordinary shares (continued)

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

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

Note 25 Accumulated losses

	Note	2021 $	2020 $
Balance at beginning of reporting period		(313,245)	(204,072)
Adjustment for transition to AASB 16		-	(266,913)
Net profit after tax from ordinary activities		354,577	270,666
Dividends provided for or paid	30a)	(141,636)	(112,926)
Balance at end of reporting period		**(100,304)**	**(313,245)**

Note 26 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	354,577	270,666
Adjustments for:		
- Depreciation	139,925	120,662
- Amortisation	40,881	39,702

Note 26 Reconciliation of cash flows from operating activities (continued)

	2021 $	2020 $
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(19,689)	(965)
- (Increase)/decrease in other assets	(4,472)	17,535
- Increase/(decrease) in trade and other payables	(11,535)	(60,350)
- Increase/(decrease) in employee benefits	89,502	24,975
- Increase/(decrease) in provisions	(6,055)	3,060
- Increase/(decrease) in tax liabilities	57,068	(14,938)
Net cash flows provided by operating activities	**640,202**	**400,347**

Note 27 Financial instruments

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

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	680,173	389,496
Term deposits	13	505,107	463,615
Trade and other receivables	14	259,002	239,036
Equity securities	15	2,000	2,000
		1,446,282	**1,094,147**
Financial liabilities			
Trade and other payables	20	256,185	76,444
Lease liabilities	21	1,296,047	1,342,424
		1,552,232	**1,418,868**

Note 28 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	6,400	5,700
Non audit services		
- Taxation advice and tax compliance services	1,300	1,300
- General advisory services	3,350	3,350
- Share registry services	6,108	4,855
Total auditor's remuneration	**17,158**	**15,205**

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Michael Anthony Lynch	Brent Andrew Hardy	Jillian Kay Griggs
David Allen Brereton	Sally Ann Doyle	Pamela Maree Lane
David Lindsay Walker	Kenneth Norman Langston	

b) Key management personnel compensation

Key management personnel compensation comprised the following.

	2021 $	2020 $
Short-term employee benefits	8,841	28,887
Post-employment benefits	840	2,744
	9,681	**31,631**

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

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 the Statement of Cash Flows.

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	**7.40**	**141,636**	**5.90**	**112,926**

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

b) Franking account balance

Franking credits available for subsequent reporting periods

	2021 $	2020 $
Franking account balance at the beginning of the financial year	101,238	55,549
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	71,298	71,266
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(2,905)	17,257
- Franking debits from the payment of franked distributions	(49,764)	(42,834)
Franking account balance at the end of the financial year	**119,867**	**101,238**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	73,285	16,217
Franking credits available for future reporting periods	**193,152**	**117,455**

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	354,577	270,666
	Number	**Number**
Weighted-average number of ordinary shares	1,914,000	1,914,000
	Cents	**Cents**
Basic and diluted earnings per share	18.53	14.14

Note 32 Commitments

The company has no other 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.

Directors' declaration

In accordance with a resolution of the directors of Huon Valley 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.

Michael Anthony Lynch, Chair

Dated this 24th day of September 2021

Independent audit report

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Independent auditor's report to the Directors of Huon Valley Financial Services Limited

Report on the Audit of the Financial Report

Opinion

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

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

Basis for Opinion

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

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

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

AFS
Partners in success
Chartered Accountants

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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: 24 September 2021

Joshua Griffin
Lead Auditor

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