

Annual Report 2021

Kulin Community Financial
Services Limited

Community Bank
Kulin

ABN 49 088 885 438

CB Annual Report 2021
BEN message
26 August 2021

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

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

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

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

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

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

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

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



Collin Brady
Head of Community Development

Chairperson's Report

FOR THE YEAR ENDING JUNE 30 2021

The Board of Kulin Community Financial Services Limited takes great pleasure in presenting to you, our valued shareholders, this year's Annual Report.

CURRENT POSITION

This board is pleased to report an operating profit after tax of \$79,726. While this result was only just over half of our budgeted profit it also includes a significant donation of \$114,000 through the Bendigo Bank's charity -Community Enterprise Foundation towards the Kulin District High School's third stage of their quadrangle renovation.

Licensing income contributed \$ 16,118 to our net profit down somewhat from last year.

We are very happy to report that we have seen another year of positive business growth with our bank book finishing the year at \$151,702,000, an increase of \$18,601,000 since my last report. This is an excellent result when we consider the operating environment and challenges, we have faced this past year.

SPONSORSHIP

Our Board has continued to support many community and sporting groups throughout our region as well as donating funds to our school and many other significant community events. This year we have contributed \$171,824 towards these various groups and organisations which strongly reflects our values within our community. Out of this amount our school has received the \$114,000 donation outlined earlier as well as a contribution of \$20,000 towards the secondary specialist program that we fund. This demonstrates the importance we place on education in our community.

STAFF

Our Branch Manager Jocelyn Brandis along with our Business Development Manager Tom Murphy have once again been pivotal in the growth of our business both in seeking out new customers as well as supporting existing customers with their needs.

In branch we have an excellent team consisting of Andrena Mullan, Jill Brewis, Dani Olyett and Michelle Tyson to look after our customers. We are fortunate to have such a welcoming, pleasant team who work well together to support our customers and our community.

Our team drives our success and our growth result this year is testament to that point. Please join me in thanking them for their great work.

PROFESSIONAL ASSISTANCE

Our board welcomes Alison Lucchesi to the team handling the combined role of Company Secretary and Treasurer. This has at times proven to be quite a demanding role and we are grateful for her commitment and expertise.

BOARD

This year our board has seen the retirement of Fiona Murphy and Harry Hodgson and we wish to thank them both for all that they have contributed and the time that have put in to advance us to where we are now.

Your Board consists of a team of Directors and Officers that professionally run Kulin Community Financial Services Limited. They are community members that volunteer their time and services in the operation of Community Bank Kulin. It is through their efforts and resolve that this community

owned company achieves the successes that brings back so many tangible benefits to our community. Please join me in thanking them for their efforts and commitment over this past year.

We look forward to your continued support and encouragement through the coming years and we shall see you at the Annual General Meeting on Thursday 28 October.

A handwritten signature in black ink, appearing to read 'Derek Young', with a stylized flourish at the end.

Derek Young
CHAIRPERSON

Business Development Manager's Report

Another financial year gone and another strong year for our "little" Branch. While COVID has turned the world upside-down, thankfully we have been largely untouched out here in Kulin. It did have a small effect on my role, which largely relies on going to various grower and industry events to make new connections with potential customers of the branch or strengthen existing relationships. Many of these events were conducted online which gives little chance of beginning new relationships. It was feared that we would need to reinvent the way in which we do business, something that has been quite successful to date. Fortunately, the local events started getting back to the face-to-face format and have allowed for an almost "business as usual" approach.

That being said it was still a strong year for the Community Bank Kulin with growth in excess of \$18 million and our total book exceeding the \$150 million mark. This is a huge achievement for our business which only five years ago was sitting at just over \$76 million, an increase of 199%!

With Branch Manager Jocelyn Brandis taking maternity leave around Christmas, it was also a time for the remaining branch staff of Andrena Mullan, Jill Brewis and Michelle Tyson and Dani Barndon (currently on maternity leave) to "hold the fort" in Jocelyn's absence. From where I sit, they have done an incredible job and should be thanked for maintaining their professional yet personal approach to community banking.

The banking world continues to change with increased compliance in all aspects adding a burden which, while it is needed, creates difficulty for bank staff and customers alike. We continue to see branches closing in rural areas which can signal the beginning of the end to those communities. Here in Kulin, we are proud to still offer banking services five days per week and certainly see it as an essential community service. Where the future lies for banking, I'm not sure, but we are constantly assessing what we do and how we could make our business more viable so that we are here well into the future.

Finally, a huge thankyou to all our shareholders and customers. Your faith and support in what we do is not unnoticed, and we would not be in such a strong position without you. We are highly motivated to continue the strong growth of this branch so don't hesitate to refer your friends and family to us, we won't let them down.

Tom Murphy

Business Development Manager

Kulin

Community Financial Services Limited

ABN: 49 088 885 438

Financial Report

For the year ended

30 June 2021

Kulin Community Financial Services Limited

Directors' Report

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

Directors

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

Derek Harvie Young

Non-executive director

Occupation: Self-employed farmer

Qualifications, experience and expertise: Self-employed farmer for 30 years. Board representative of Cultivating Kulin Committee.

Interest in shares: 2,750 ordinary shares

Robin James McInnes

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Employed by the Water Corporation for 33 years. Member of the steering committee to establish the Community Bank in Kulin. Life member of the fire brigade and football club and awarded Emergency Services Medal in 2003. Gold card in AOOB's. Treasurer of several lodges.

Interest in shares: 14,601 ordinary shares

Graeme John Robertson

Non-executive director

Occupation: Self-employed farmer

Qualifications, experience and expertise: Self-employed farmer for 38 years. Inaugural chairman for Kulin Community Financial Services Limited from 1999 to 2005.

Interest in shares: 6,001 ordinary shares

Bradley James Smoker

Non-executive director

Occupation: Farmer and Farm Consultant

Qualifications, experience and expertise: Farming background as farmer and farm consultant for 15 years.

Interest in shares: nil share interest held

Jennie Marie McInnes

Non-executive director

Occupation: Parts Manager

Qualifications, experience and expertise: Former Company Secretary and Treasurer of the company, bookkeeping and administration experience.

Interest in shares: 1,300 ordinary shares

Cassi-Dee Tina Vandenberg

Non-executive director

Occupation: Deputy CEO Shire of Kulin

Qualifications, experience and expertise: Accountant with tax and local government experience.

Special responsibilities:

Interest in shares: nil share interest held

Kulin Community Financial Services Limited

Directors' Report

Directors (continued)

Henry John Hodgson

Non-executive director (resigned 27 October 2020)

Occupation: Farmer

Qualifications, experience and expertise: Self-employed farmer for 13 years.

Interest in shares: 3,000 ordinary shares

Fiona Elizabeth Murphy

Non-executive director (resigned 31 August 2020)

Occupation: Senior Finance Officer Shire of Kulin

Qualifications, experience and expertise: Accountant with audit background.

Interest in shares: nil share interest held

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

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

Company Secretary

There have been two company secretaries holding the position during the financial year:

- Fiona Murphy was appointed company secretary on 24 October and ceased on 1 August 2020.
- Alison Lucchesi was appointed company secretary on 1 August 2020.

Qualifications, experience and expertise: Bookkeeping and secretarial skills, Self employed.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of these activities during the financial year.

Operating results

The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
79,726	94,425

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Derek Harvie Young	2,750	-	2,750
Robin James McInnes	14,601	-	14,601
Graeme John Robertson	6,001	-	6,001
Bradley James Smoker	-	-	-
Jennie Marie McInnes	1,300	-	1,300
Cassi-Dee Tina Vandenberg	-	-	-
Henry John Hodgson	3,000	-	3,000
Fiona Elizabeth Murphy	-	-	-

Kulin Community Financial Services Limited

Directors' Report

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	10	\$32,891

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 30 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

Kulin Community Financial Services Limited

Directors' Report

Directors' meetings

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

<i>E - eligible to attend</i> <i>A - number attended</i>	Board Meetings	
	<i>E</i>	<i>A</i>
Derek Harvie Young	12	12
Robin James McInnes	12	11
Graeme John Robertson	12	11
Bradley James Smoker	12	8
Jennie Marie McInnes	12	11
Cassi-Dee Tina Vandenberg	12	8
Henry John Hodgson	12	9
Fiona Elizabeth Murphy	12	11

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 29 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 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 5.

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



Derek Harvie Young, Chair

Dated this 10th day of September 2021

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

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 10 September 2021



Joshua Griffin
Lead Auditor

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

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	774,212	688,946
Other revenue	9	62,626	85,975
Finance income	10	1,494	1,809
Employee benefit expenses	11d)	(380,691)	(385,775)
Charitable donations, sponsorship, advertising and promotion	11c)	(171,824)	(66,743)
Occupancy and associated costs		(7,118)	(18,892)
Systems costs		(19,023)	(19,994)
Depreciation and amortisation expense	11a)	(61,378)	(53,814)
Finance costs	11b)	(17,452)	(14,836)
General administration expenses		(80,658)	(100,335)
Profit before income tax expense		100,188	116,341
Income tax expense	12a)	(20,462)	(21,916)
Profit after income tax expense		79,726	94,425
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		79,726	94,425
Earnings per share		¢	¢
- Basic and diluted earnings per share:	32a)	24.24	28.71

The accompanying notes form part of these financial statements

Kulin Community Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	395,625	388,843
Trade and other receivables	15a)	77,942	94,256
Total current assets		473,567	483,099
Non-current assets			
Other investments	14a)	200	200
Property, plant and equipment	16a)	200,278	177,898
Right-of-use assets	17a)	272,802	293,390
Intangible assets	18a)	43,404	56,574
Deferred tax asset	19b)	11,030	552
Total non-current assets		527,714	528,614
Total assets		1,001,281	1,011,713
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	29,050	79,064
Current tax liabilities	19a)	28,006	9,036
Loans and borrowings	21a)	14,700	14,685
Lease liabilities	22a)	12,819	11,744
Employee benefits	24a)	51,601	43,833
Total current liabilities		136,176	158,362
Non-current liabilities			
Trade and other payables	20b)	30,295	45,443
Loans and borrowings	21b)	13,027	26,023
Lease liabilities	22b)	273,854	286,673
Employee benefits	24b)	9,191	3,437
Provisions	23a)	2,452	2,323
Total non-current liabilities		328,819	363,899
Total liabilities		464,995	522,261
Net assets		536,286	489,452
EQUITY			
Issued capital	25a)	322,663	322,663
Retained earnings	26	213,623	166,789
Total equity		536,286	489,452

The accompanying notes form part of these financial statements

Kulin Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2021

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019	322,663	72,364	395,027
Total comprehensive income for the year	-	94,425	94,425
Balance at 30 June 2020	322,663	166,789	489,452
Balance at 1 July 2020	322,663	166,789	489,452
Total comprehensive income for the year	-	79,726	79,726
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	31a) -	(32,892)	(32,892)
Balance at 30 June 2021	322,663	213,623	536,286

The accompanying notes form part of these financial statements

Kulin Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		927,722	803,967
Payments to suppliers and employees		(765,583)	(631,713)
Interest received		1,908	2,171
Interest paid		(1,524)	(2,499)
Lease payments (interest component)	11b)	(15,799)	(12,245)
Lease payments not included in the measurement of lease liabilities	11e)	(6,585)	(6,715)
Income taxes received/(paid)		(11,968)	3,331
Net cash provided by operating activities	27	128,171	156,297
Cash flows from investing activities			
Payments for property, plant and equipment		(50,000)	(25,816)
Payments for intangible assets		(13,770)	(13,770)
Proceeds from investments		-	100,000
Net cash provided by/(used in) investing activities		(63,770)	60,414
Cash flows from financing activities			
Repayment of loans and borrowings		(12,981)	(13,493)
Lease payments (principle component)		(11,746)	(8,184)
Dividends paid	31a)	(32,892)	-
Net cash used in financing activities		(57,619)	(21,677)
Net cash increase in cash held		6,782	195,034
Cash and cash equivalents at the beginning of the financial year		388,843	193,809
Cash and cash equivalents at the end of the financial year	13	395,625	388,843

The accompanying notes form part of these financial statements

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
1/157 Bull Street Kulin WA 6365	1/157 Bull Street Kulin WA 6365

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 30.

Note 2 Basis of preparation and statement of compliance

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

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

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 10 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.

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission 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.

Commission

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.

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

Ability to change financial return

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

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

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

b) Other revenue

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

<u>Revenue</u>	<u>Revenue recognition policy</u>
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.

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

d) Employee benefits (*continued*)

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	over the lease term
Plant and equipment	Straight-line	5 to 10 years
Motor vehicles	Straight-line	8 years

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

h) Intangible assets

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

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

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

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

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

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

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, borrowings and lease liabilities.

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

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

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

i) Financial instruments (*continued*)

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

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

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

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5 Summary of significant accounting policies (continued)

m) Leases (continued)*As a lessee (continued)*

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.

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 22 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- 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 24 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 23 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

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

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

a) Credit risk

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

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

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (*continued*)

b) Liquidity risk

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

The company maintains the following lines of credit with Bendigo Bank:

- \$27,727 commercial loan with available redraw facility of \$8 at the end of the financial year.

Exposure to liquidity risk

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

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	27,727	14,700	13,027	-
Lease liabilities	286,673	27,957	116,093	262,384
Trade and other payables	59,345	29,050	30,295	-
	<u>373,745</u>	<u>71,707</u>	<u>159,415</u>	<u>262,384</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	40,708	14,685	26,023	-
Lease liabilities	298,417	27,546	114,378	292,058
Trade and other payables	124,507	79,064	45,443	-
	<u>463,632</u>	<u>121,295</u>	<u>185,844</u>	<u>292,058</u>

c) Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of \$395,625 at 30 June 2021 (2020: \$388,843). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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	334,663	322,191
- Fee income	23,274	23,029
- Commission income	416,275	343,726
	<u>774,212</u>	<u>688,946</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Dividend and distribution income	4	6
- Market development fund income	22,500	25,000
- Cash flow boost	24,004	40,000
- Other income	16,118	20,969
	<u>62,626</u>	<u>85,975</u>

Note 10 Finance income

	2021 \$	2020 \$
- Cash at bank	<u>1,494</u>	<u>1,809</u>

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

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 11 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	17,963	18,071
- Plant and equipment	5,520	6,215
- Motor vehicles	4,137	4,156
	<u>27,620</u>	<u>28,442</u>
<i>Depreciation of right-of-use assets:</i>		
- Leased land and buildings	<u>20,588</u>	<u>15,442</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,198	2,140
- Franchise renewal process fee	10,972	7,790
	<u>13,170</u>	<u>9,930</u>
Total depreciation and amortisation expense	<u>61,378</u>	<u>53,814</u>
b) Finance costs		
- Bank loan interest paid or accrued	1,524	2,499
- Lease interest expense	15,799	12,245
- Unwinding of make-good provision	129	92
	<u>17,452</u>	<u>14,836</u>

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

c) Charitable donations, sponsorship, advertising and promotion

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

	2021 \$	2020 \$
- Direct sponsorship, advertising, and promotion payments	51,824	46,743
- Contribution to the Community Enterprise Foundation™ (CEF)	120,000	20,000
	<u>171,824</u>	<u>66,743</u>

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

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

Kulin Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 11 Expenses (continued)

d) Employee benefit expenses	2021 \$	2020 \$
Wages and salaries	324,691	327,294
Non-cash benefits	2,257	3,054
Contributions to defined contribution plans	31,249	31,144
Expenses related to long service leave	7,545	3,205
Other expenses	14,949	21,078
	<u>380,691</u>	<u>385,775</u>

e) Recognition exemption

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

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>6,585</u>	<u>6,715</u>

Note 12 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Current tax	30,941	9,038
- Recoupment of prior year tax losses	-	3,380
- Net benefit of franking credits on dividends received	(1)	(3)
- Movement in deferred tax	(10,919)	9,469
- Reduction in company tax rate	441	32
	<u>20,462</u>	<u>21,916</u>

b) Prima facie income tax reconciliation

Operating profit before taxation	100,188	116,341
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	26,049	31,994
Tax effect of:		
- Non-deductible expenses	214	895
- Temporary differences	10,919	(9,470)
- Other assessable income	(6,241)	(11,001)
- Movement in deferred tax	(10,919)	9,469
- Net benefit of franking credits on distributions received	(1)	(3)
- Reduction in company tax rate	441	32
	<u>20,462</u>	<u>21,916</u>

Kulin Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 13 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	395,625	388,843

Note 14 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.

a) Non-current investments	2021 \$	2020 \$
Equity securities - at FVTPL	200	200

Note 15 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	71,575	86,581
Prepayments	6,367	7,261
Other receivables and accruals	-	414
	<u>77,942</u>	<u>94,256</u>

Note 16 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	211,584	211,584
Less: accumulated depreciation	(85,706)	(67,743)
	<u>125,878</u>	<u>143,841</u>
<i>Plant and equipment</i>		
At cost	104,683	104,683
Less: accumulated depreciation	(93,566)	(88,046)
	<u>11,117</u>	<u>16,637</u>
<i>Motor vehicles</i>		
At cost	83,182	33,182
Less: accumulated depreciation	(19,899)	(15,762)
	<u>63,283</u>	<u>17,420</u>
Total written down amount	<u>200,278</u>	<u>177,898</u>

Kulin Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 16 Property, plant and equipment (continued)

b) Reconciliation of carrying amounts	2021	2020
	\$	\$
<i>Leasehold improvements</i>		
Carrying amount at beginning	143,841	138,596
Additions	-	23,316
Depreciation	(17,963)	(18,071)
	<u>125,878</u>	<u>143,841</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	16,637	20,352
Additions	-	2,500
Depreciation	(5,520)	(6,215)
	<u>11,117</u>	<u>16,637</u>
<i>Motor vehicles</i>		
Carrying amount at beginning	17,420	21,576
Additions	50,000	-
Depreciation	(4,137)	(4,156)
	<u>63,283</u>	<u>17,420</u>
Total written down amount	<u>200,278</u>	<u>177,898</u>

c) Changes in estimates

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

Note 17 Right-of-use assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Leased land and buildings</i>		
At cost	308,832	308,832
Less: accumulated depreciation	(36,030)	(15,442)
Total written down amount	<u>272,802</u>	<u>293,390</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	293,390	308,832
Depreciation	(20,588)	(15,442)
Total written down amount	<u>272,802</u>	<u>293,390</u>

Kulin Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 18 Intangible assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Franchise fee</i>		
At cost	40,987	40,987
Less: accumulated amortisation	(33,753)	(31,555)
	<u>7,234</u>	<u>9,432</u>
<i>Franchise renewal process fee</i>		
At cost	54,932	54,932
Less: accumulated amortisation	(18,762)	(7,790)
	<u>36,170</u>	<u>47,142</u>
Total written down amount	<u>43,404</u>	<u>56,574</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	9,432	585
Additions	-	10,987
Amortisation	(2,198)	(2,140)
	<u>7,234</u>	<u>9,432</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	47,142	
Additions	-	54,932
Amortisation	(10,972)	(7,790)
	<u>36,170</u>	<u>47,142</u>
Total written down amount	<u>43,404</u>	<u>56,574</u>
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

a) Current tax	2021	2020
	\$	\$
Income tax payable	<u>28,006</u>	<u>9,036</u>

Kulin Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 19 Tax assets and liabilities (continued)

b) Deferred tax	2021	2020
	\$	\$
<i>Deferred tax assets</i>		
- expense accruals	-	1,292
- employee provisions	15,262	12,335
- make-good provision	613	604
- lease liability	71,668	77,588
Total deferred tax assets	<u>87,543</u>	<u>91,819</u>
<i>Deferred tax liabilities</i>		
- income accruals	-	107
- deductible prepayments	1,514	1,433
- property, plant and equipment	6,798	13,446
- right-of-use assets	68,201	76,281
Total deferred tax liabilities	<u>76,513</u>	<u>91,267</u>
Net deferred tax assets (liabilities)	<u>11,030</u>	<u>552</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(10,478)</u>	<u>(12,882)</u>

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.

a) Current liabilities	2021	2020
	\$	\$
Trade creditors	1,316	44,767
Other creditors and accruals	27,734	34,297
	<u>29,050</u>	<u>79,064</u>
b) Non-current liabilities		
Other creditors and accruals	<u>30,295</u>	<u>45,443</u>

Note 21 Loans and borrowings

a) Current liabilities	2021	2020
	\$	\$
Secured bank loans	<u>14,700</u>	<u>14,685</u>
b) Non-current liabilities		
Secured bank loans	<u>13,027</u>	<u>26,023</u>

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	4.39%	2024	27,727	27,727	40,708	40,708

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 22 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%.

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

The company's lease portfolio includes:

- Kulin branch The lease agreement commenced in October 2019 for 5 years. 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 September 2034.

a) Current lease liabilities	2021	2020
	\$	\$
Property lease liabilities	27,957	27,546
Unexpired interest	(15,138)	(15,802)
	<u>12,819</u>	<u>11,744</u>
b) Non-current lease liabilities		
Property lease liabilities	378,477	406,436
Unexpired interest	(104,623)	(119,763)
	<u>273,854</u>	<u>286,673</u>
c) Reconciliation of lease liabilities		
Balance at the beginning	298,417	-
Initial recognition on AASB 16 transition	-	306,601
Lease interest expense	15,799	12,245
Lease payments - total cash outflow	(27,545)	(20,429)
	<u>286,671</u>	<u>298,417</u>
d) Maturity analysis		
- Not later than 12 months	27,957	27,546
- Between 12 months and 5 years	116,093	114,378
- Greater than 5 years	262,384	292,058
Total undiscounted lease payments	<u>406,434</u>	<u>433,982</u>
Unexpired interest	(119,761)	(135,565)
Present value of lease liabilities	<u>286,673</u>	<u>298,417</u>

Note 23 Provisions

a) Non-current liabilities	2021	2020
	\$	\$
Make-good on leased premises	<u>2,452</u>	<u>2,323</u>

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be \$5,000 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 lease is due to expire on 30 September 2034 at which time it is expected the face-value costs to restore the premises will fall due.

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 24 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	24,919	18,942
Provision for long service leave	26,682	24,891
	51,601	43,833
b) Non-current liabilities		
Provision for long service leave	9,191	3,437

c) Key judgement and assumptions

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

Note 25 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	328,919	328,910	328,919	328,910
Less: equity raising costs	-	(6,247)	-	(6,247)
	328,919	322,663	328,919	322,663

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 25 Issued capital *(continued)*

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

Prohibited shareholding interest

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

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

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

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

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

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

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

Note 26 Retained earnings

	2021	2020
	\$	\$
Balance at beginning of reporting period	166,789	72,364
Net profit after tax from ordinary activities	79,726	94,425
Dividends provided for or paid	(32,892)	-
Balance at end of reporting period	<u>213,623</u>	<u>166,789</u>

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 27 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	79,726	94,425
Adjustments for:		
- Depreciation	48,208	43,884
- Amortisation	13,170	9,930
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	16,315	(37,860)
- (Increase)/decrease in other assets	(10,478)	16,213
- Increase/(decrease) in trade and other payables	(51,390)	23,716
- Increase/(decrease) in employee benefits	13,522	(3,138)
- Increase/(decrease) in provisions	128	91
- Increase/(decrease) in tax liabilities	18,970	9,036
Net cash flows provided by operating activities	<u>128,171</u>	<u>156,297</u>

Note 28 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	395,625	388,843
Trade and other receivables	15	71,575	86,995
		<u>71,575</u>	<u>86,995</u>
Financial liabilities			
Trade and other payables	20	59,345	124,507
Secured bank loans	21	27,727	40,708
Lease liabilities	22	286,673	298,417
		<u>373,745</u>	<u>463,632</u>

Note 29 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	4,430	3,350
- Share registry services	2,829	-
Total auditor's remuneration	<u>10,030</u>	<u>8,750</u>

Kulin Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 30 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Derek Harvie Young
 Robin James McInnes
 Graeme John Robertson
 Bradley James Smoker
 Jennie Marie McInnes
 Cassi-Dee Tina Vandenberg
 Henry John Hodgson
 Fiona Elizabeth Murphy

b) Key management personnel compensation

	2021 \$	2020 \$
Key management personnel compensation comprised the following.		
Short-term employee benefits	2,463	9,475
Post-employment benefits	234	900
	<u>2,697</u>	<u>10,375</u>

Compensation of the company's key management personnel includes salaries, contributions to a post-employment defined contribution plan.

c) Related party transactions

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

Note 31 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	<u>10.00</u>	<u>32,892</u>	<u>-</u>	<u>-</u>

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

Kulin Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 31 Dividends provided for or paid (continued)

b) Franking account balance	2021	2020
	\$	\$
Franking account balance at the beginning of the financial year	106,386	109,714
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	9,035	(3,331)
- Franking credits from income tax instalments paid	2,933	-
- Franking credits from franked distributions received	1	3
- Franking debits from the payment of franked distributions	(11,557)	-
Franking account balance at the end of the financial year	<u>106,798</u>	<u>106,386</u>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	28,006	9,036
Franking credits available for future reporting periods	<u>134,804</u>	<u>115,422</u>

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

Note 32 Earnings per share

a) Based and diluted earnings per share

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

	2021	2020
	\$	\$
Profit attributable to ordinary shareholders	<u>79,726</u>	<u>94,425</u>
	Number	Number
Weighted-average number of ordinary shares	<u>328,919</u>	<u>328,919</u>
	Cents	Cents
Basic and diluted earnings per share	<u>24.24</u>	<u>28.71</u>

Note 33 Commitments

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

Note 34 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.

Kulin Community Financial Services Limited

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Derek Harvie Young, Chair

Dated this 10th day of September 2021

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

Report on the Audit of the Financial Report

Opinion

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

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

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

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

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 10 September 2021



Joshua Griffin
Lead Auditor

Community Branch - Kulin
1/75 Bull Street,
Kulin WA 6365
Phone: 9880 1422 Fax: 9880 1433
Email: KulinMailbox@bendigoadelaide.com.au
Web: bendigobank.com.au/kulin

Franchisee: Kulin Community Financial Services Limited
ABN: 49 088 885 438
PO Box 21, Kulin WA 6365
Phone: 0439 927 315
Email: kcfstreasurer@outlook.com

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
Phone: 5443 0344
Fax: 5443 5304
Email: shareregistry@afsbendigo.com.au

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 **Bendigo Bank**