

Annual Report 2021

Kwinana Community Financial
Services Limited

Community Bank
Kwinana

ABN 89 169 535 228

Chairman's Report

For the year ended 30th June 2021

On behalf of the Board of Kwinana Community Financial Services Ltd, I am pleased to provide my Chairman's report for the Company's Annual Report for the 2020/2021 financial year. This Annual Report includes our Directors' report, our Manager's report, the Financial Report 2020/21, and the Auditor's reports.

When I review the year since my last report, I realise how busy we have been. In that time, we completed the review of the franchise with Bendigo Bank, completed the building of our new premises, moved from the Market Place Shopping Centre, and opened the branch, hardly missing a beat.

Our business continues to grow in terms of both business on the books and an increase in the number of customers. This increase is reflected in our 2021-2022 Budget which for the first time shows a positive result after allowing for depreciation addbacks. Our challenge now is to grow the business to the point where we cover the losses of the past years and then earn further profits to enable dividends to be paid in the future. The increased business has resulted from hard work by all staff and Board members and a concerted marketing campaign undertaken by the State Marketing Committee consisting of representatives from the Community Bank Network in Western Australia.

Your Board continue to meet monthly reviewing its governance and finances, these meetings and responsibilities also provide an opportunity for personal learning and growth, an opportunity we would like to share with new Directors, please consider if you would like to join us and give me a call.

Congratulations again to Branch Manager Ashley Blower and the staff on being awarded "highest insurance sales" for 2 quarters during the year, Merit Moore our Customer Relationship Officer being awarded "Insurance Champ of the year" for the region, the branch being awarded "Highest Insurance sales in the State" for the year" and "Runner up Highest lending growth percentage for the State". Well, done team.

Thank you to all who have been part of our journey thus far. We have faced several challenges since publishing our Prospectus in 2014 I would say none of which were foreseeable when analysing the risks and challenges which were to lie ahead.

Your Board continues to be excited to be working with an exceptional staff and look forward to a strong future working in and with the Kwinana community.

Yours sincerely,



John Iriks Chairman

ABN 89 169 535 228

Suite 1 Kwinana Professional Centre, 4 Challenger Avenue,
Kwinana WA 6167 Phone 0417904419, Email
secretary@kcfs.com.au

Franchisee of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879

Managers' Report

For the year ending 30 June 2021

It is with great pleasure that I provide my manager's report for Kwinana Community Financial Services Ltd annual report for the financial year 2020/2021.

It has been without a doubt a very busy year for the branch and business with lots of things happening and coming up.

This year seen our biggest growth to date in the home lending space. We Approved a total of 42 home loans totalling over \$12 Million. This was more than double compared to the previous financial year where we only approved just over \$5.6 Million. There is no secret that the property market has been red hot and we have been able to take full advantage of this because we have the right people in the right places and the experience & expertise in the branch to deal with this kind of activity.

Home lending is not the only area that we achieved high growth. We exceeded our insurance targets and took out the **Highest Insurance sales award in WA**. This is a wonderful result from the team as this not only boosts our income, but it ensures our customers are protected and their assets are protected. Something we are very passionate about in the branch.

At the end of the financial year, we had 2,474 customers part of our Community Bank family. We onboarded an additional 206 customers in the 2020/2021 financial year which was a 9.1% uplift from the previous financial year. This number continues to grow each month this financial year.

Finally, I would like to finish by thanking my team for everything we have been able to achieve this financial year. We have had an extremely busy year with moving premises and dealing with staff shortages but non the less we banded together and got the job done.

Thank you to the board for your continued support and assisting us to achieve great things.

I really look forward to another successful financial year.

Ashley Blower
Branch Manager

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

Kwinana

Community Financial Services Ltd

ABN: 89 169 535 228

Financial Report

For the year ended

30 June 2021

Kwinana Community Financial Services Ltd

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:

Johannes Maria Iriks

Chairman

Occupation: Managing Director

Qualifications, experience and expertise: Director KPC Accounting Pty. Ltd, Fellow of the Institute of Public Accountants, Retired from 30 years in Public Accounting Practice, Managing Director KPC Investments Pty Ltd, Managing Director Harfield Holdings Pty Ltd Trading as Western Challenge Real Estate, Justice of the Peace, Past Governor Rotary International District 9460, Current Director of Rotary Club of Kwinana Inc., Director Kwinana Community Chest Pty Ltd. Former Director of Rotary Western Australia Centennial Ltd.

Special responsibilities: Chairman, Chair and member of Corporate Governance committee, member of Marketing committee

Interest in shares: 102,001 ordinary shares

Wayne Milnes

Treasurer

Occupation: Retired

Qualifications, experience and expertise: Wayne worked for The National Australia Bank Limited for over 30 years in metropolitan Perth and country Western Australia with over 15 years experience as a Relationship/Business Banking Manager. Wayne retired in 2020. Educated at Medina Primary School, Kwinana Senior High School (now Gilmour College) with a Diploma of Management from Deakin University, Certificate IV in Property Services Real Estate. A member of Rotary International since 2005 and holding the offices of President of Rotary Club of Safety Bay Port Kennedy Rotary Club 2006-2007, President Rockingham Rotary Club Inc. 2008-2009, Rotary District 9465 Secretary 2011-2013, Rotary District 9465 Assistant Governor Peel Region 2013-16 and District Governor 2019-20 for District 9465.

Special responsibilities: Due Diligence Committee and Property Committee.

Interest in shares: 15,001 ordinary shares

Stephen Paul Williams

Secretary

Occupation: Accountant

Qualifications, experience and expertise: Director SPW Business Pty Ltd, and is a Fellow of the Institute of Public Accountants. Born in the UK and migrating to Australia in June 1991, his working life in the UK was with Barclays Bank PLC for 17 years, before changing careers from banking to accounting. During the years with Barclays Bank PLC, Steve started at the bottom and was trained in all aspects of branch and business banking, culminating in the position of Principal of Corporate Securities at the Tottenham Court Road Barclays Business Centre in London. The Centre controlled three retail branches along Tottenham Court Road and handled the processing of lending, treasury deposits and all aspects of registering loan security. Prior to entering the accounting profession Steve volunteered as a director of the Rockingham Basketball Association to support his children and their friends in a sporting activity. Steve part owned and acted as financial manager of a child care centre after initially qualifying as an accountant, which was in part funded by the government, with all the compliance and audit requirements that such funding entails. His current work includes auditing and business advisory services, on a semi-retired basis.

Special responsibilities: Company Secretary, Corporate and Governance Committee Member.

Interest in shares: 6,101 ordinary shares

Kwinana Community Financial Services Ltd

Directors' Report

Directors (*continued*)

Maxwell John Bird

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Until his retirement Max was the General Manager of Rail Solutions Australia a successful family owned company offering support and advice to selected clients in the rail industry in Australia and South East Asia. Max has also worked with Calibre Rail, MVM Rail, Worley Parsons, Works Infrastructure, LB Consultants, John Holland and Westrail. Max has been a member of the Kwinana Rotary Club for over 20 years and served as Community Director, Treasurer and International Director, currently Project Manager for community projects within Timor-Leste. He served as Club President in 2015/2016. Max also received a Paul Harris Fellow award in 2014 from Rotary International for services to Timor-Leste community.

Special responsibilities: Chairman of Human Resources Committee.

Interest in shares: 20,001 ordinary shares

Sarah Rachel Mahoney

Non-executive director

Occupation: Licenced Settlement Agent

Qualifications, experience and expertise: Sarah is qualified as a Licensed Settlement Agent (Conveyancer) and have been since 2002 and currently full time at Safety Bay Settlements in Rockingham, WA. Established the business Go Kiosk Warnbro in 2009 at Warnbro Train Station and continues to operate. This business proved to be a very successful concept so she established a second store. Go Kiosk Kwinana in 2014 at the Kwinana Train Station and Go Kiosk Aubin Grove in 2017. Established Wendy's ice cream franchise business at Kwinana Marketplace in 2013. Previously owned and operated Mobile Coffee Van. Have extensive experience in the retail and hospitality industry with Managing and Supervising Restaurants and Hotels both in Australia and overseas. Director of Lifesaving & Patrol Captain at Coogee Beach Surf Life Saving Club. Councillor on the Board for the Australian Institute of Conveyancers WA Division (AICWA). Chair of the CPC Governing Committee (Certified Practicing Conveyancer).

Special responsibilities: Marketing Committee.

Interest in shares: 13,001 ordinary shares

Leslie Harris Whiddett

Non-executive director

Occupation: Retired Master Plumber

Qualifications, experience and expertise: Les has worked in the plumbing and gas industries for 40 years owning a contracting business as a working director. A member of the Wandi Progress Association for 25 years, have served on committee, treasurer, Vice President and President, Currently the Vice President. Also a member of the Handtool Preservation Society, where he is a committee member, Finewood Association, Marquetry and Wandi Wood turners club. Presently I am the Wandi Landcare Convener arranging tree planting and environmental days, Clean Up Australia and Neighbour Day.

Special responsibilities: Vice Chairman Property Committee, Human Resources and Marketing Committee.

Interest in shares: 10,001 ordinary shares

Robert George Cooper

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Robert has been involved in Managing Police Section, Past President Rotary international, Past Chair Youth Exchange Rotary International, Treasurer Rotary Club of Kwinana, Past District Governor Rotary International.

Special responsibilities: Nil

Interest in shares: 2,500 ordinary shares

Kwinana Community Financial Services Ltd

Directors' Report

Directors (continued)

Daniel Wei Hoong Chan

Non-executive director (appointed 26 November 2020)

Occupation: Business Owner

Qualifications, experience and expertise: Daniel, his wife and six children moved into the City of Kwinana in 2010. He is an active member of his Church community in Parmelia, along with his wife and children. Originally from Singapore, he immigrated to Perth in 2007. With a background in media and communications, his work revolved around the Creative Industries in South-East Asia, as well as in academia and research, having spent some time in think-tank in the South-East Asian region, as well as a global think-tank based in Belgium. He coordinated and taught media units at Murdoch University for a few years in the South Street campus and oversaw the delivery of courses in Dubai, Singapore and Kuala Lumpur. After leaving academia he managed a multicultural community radio station in North Perth, and later directed the WA and NT office of an international aid and development non-government organisation. He has since retired from the workforce, and dedicates his focus on home schooling his children in the Liberal Arts, and running a multinational business with his wife from home.

Special responsibilities: Human Resources 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 Stephen Williams. Stephen was appointed to the position of secretary on 22 May 2014.

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

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
(110,077)	(156,578)

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Johannes Maria Iriks	102,001	-	102,001
Wayne Milnes	15,001	-	15,001
Stephen Paul Williams	6,101	-	6,101
Maxwell John Bird	20,001	-	20,001
Sarah Rachel Mahoney	13,001	-	13,001
Leslie Harris Whiddett	10,001	-	10,001
Robert George Cooper	2,500	-	2,500
Daniel Wei Hoong Chan	-	-	-

Kwinana Community Financial Services Ltd

Directors' Report

Dividends

No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be paid in the current financial year.

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.

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

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.

	Board Meetings Attended	
	<u>Eligible</u>	<u>Attended</u>
Johannes Maria Iriks	12	12
Wayne Milnes	12	12
Stephen Paul Williams	12	12
Maxwell John Bird	12	12
Sarah Rachel Mahoney	12	6
Leslie Harris Whiddett	12	12
Robert George Cooper	12	9
Daniel Wei Hoong Chan	8	7

Kwinana Community Financial Services Ltd

Directors' Report

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 6.

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



Johannes Maria Iriks, Chairman

Dated this 7th day of September 2021

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

As lead auditor for the audit of Kwinana Community Financial Services Ltd 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: 7 September 2021



Adrian Downing
Lead Auditor

Kwinana Community Financial Services Ltd
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	446,263	391,032
Other revenue	9	58,031	95,863
Finance income	10	109	491
Employee benefit expenses	11c)	(334,504)	(333,247)
Charitable donations, sponsorship, advertising and promotion		(7,888)	(12,488)
Occupancy and associated costs		(63,220)	(34,633)
Systems costs		(42,031)	(38,914)
Depreciation and amortisation expense	11a)	(110,159)	(208,091)
Finance costs	11b)	(9,042)	(6,300)
General administration expenses		(75,823)	(51,323)
Loss before income tax credit		(138,264)	(197,610)
Income tax credit	12a)	28,187	41,032
Loss after income tax credit		(110,077)	(156,578)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(110,077)	(156,578)
Earnings per share		¢	¢
- Basic and diluted loss per share:	30a)	(9.49)	(13.50)

The accompanying notes form part of these financial statements

Kwinana Community Financial Services Ltd
Statement of Financial Position
as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	35	24,316
Trade and other receivables	14a)	47,878	53,491
Total current assets		47,913	77,807
Non-current assets			
Property, plant and equipment	15a)	85,882	94,691
Right-of-use assets	16a)	155,949	-
Intangible assets	17a)	52,404	65,506
Deferred tax asset	18a)	332,962	304,774
Total non-current assets		627,197	464,971
Total assets		675,110	542,778
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	45,067	37,322
Loans and borrowings	20	193,808	182,191
Lease liabilities	21a)	15,208	-
Employee benefits	23a)	19,120	16,982
Provisions	22a)	-	20,455
Total current liabilities		273,203	256,950
Non-current liabilities			
Trade and other payables	19b)	44,852	59,581
Loans and borrowings	20a)	81,250	-
Lease liabilities	21b)	154,054	-
Employee benefits	23b)	14,116	8,535
Total non-current liabilities		294,272	68,116
Total liabilities		567,475	325,066
Net assets		107,635	217,712
EQUITY			
Issued capital	24a)	1,120,118	1,120,118
Accumulated losses	25	(1,012,483)	(902,406)
Total equity		107,635	217,712

The accompanying notes form part of these financial statements

Kwinana Community Financial Services Ltd

Statement of Changes in Equity

for the year ended 30 June 2021

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	1,120,118	(745,828)	374,290
Total comprehensive income for the year	-	(156,578)	(156,578)
Balance at 30 June 2020	1,120,118	(902,406)	217,712
Balance at 1 July 2020	1,120,118	(902,406)	217,712
Total comprehensive income for the year	-	(110,077)	(110,077)
Balance at 30 June 2021	1,120,118	(1,012,483)	107,635

The accompanying notes form part of these financial statements

Kwinana Community Financial Services Ltd

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		551,876	518,909
Payments to suppliers and employees		(469,256)	(466,738)
Interest received		109	535
Interest paid		(2,883)	(3,618)
Lease payments (interest component)	11b)	(6,159)	(1,610)
Lease payments not included in the measurement of lease liabilities	11d)	(67,379)	(33,486)
Net cash provided by operating activities	26	6,308	13,992
Cash flows from investing activities			
Payments for property, plant and equipment		(85,364)	(3,239)
Payments for intangible assets		(13,623)	-
Net cash used in investing activities		(98,987)	(3,239)
Cash flows from financing activities			
Payment of make good provision		(20,455)	-
Proceeds from loans and borrowings		100,000	-
Lease payments - principal		(4,014)	(66,764)
Net cash provided by/(used in) financing activities		75,531	(66,764)
Net cash decrease in cash held		(17,148)	(56,011)
Cash and cash equivalents at the beginning of the financial year		(157,875)	(101,864)
Cash and cash equivalents at the end of the financial year	13b)	(175,023)	(157,875)

The accompanying notes form part of these financial statements

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Kwinana Community Financial Services Ltd (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
Suite 1, 4 Challenger Avenue Kwinana Town Centre WA 6167	Suite 4, 4 Challenger Avenue Kwinana Town Centre WA 6167

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. 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 7 September 2021.

Going concern

The financial statements for the financial year ended 30 June 2021 have been prepared on the basis that the company is a going concern and it would continue its operations for a foreseeable future.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. As disclosed in the financial statements, the company's financial position is as follows:

	2021 \$	2020 \$	Percentage change
Current assets	47,913	77,807	(38.42%)
Current liabilities	273,203	256,950	6.33%
Working capital (deficiency)	(225,290)	(179,143)	25.76%
Total assets	675,110	542,778	24.38%
Total liabilities	567,475	325,066	74.57%
Net assets	107,635	217,712	(50.56%)
Accumulated losses	(1,012,483)	(902,406)	12.20%
Loss before tax	(138,264)	(197,610)	(30.03%)
Loss after tax	(110,077)	(156,578)	(29.70%)
Total comprehensive income	(110,077)	(156,578)	(29.70%)
Operating cash inflows	6,308	13,992	(54.92%)
Cash and cash equivalents	(175,023)	(157,875)	10.86%
Available overdraft and borrowing facilities	124,942	117,809	6.05%

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2 Basis of preparation and statement of compliance (continued)

Going concern (continued)

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 26 August 2022. The overdraft has an approved limit of \$300,000 and was drawn to \$175,058 as at 30 June 2021.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility.

The current economic environment is difficult and while revenue has increased the company has again reported an operating loss for the year. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company has also obtained an undertaking of support from Bendigo Bank that it will continue to support the company and its operations for the next 12 months. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo Bank to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the unforeseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Kwinana Community Financial Services Ltd

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*)

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:

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Kwinana Community Financial Services Ltd

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*)

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

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

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

c) Economic dependency - Bendigo Bank

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

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

The company operates as a 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.

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

d) Employee benefits*Short-term employee benefits*

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

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

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)*Goods and Services Tax*

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

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

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

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position

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:

<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 40 years

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

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying 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.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

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 establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset or 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.

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.

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

j) Impairment (*continued*)*Non-financial assets*

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

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

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

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.

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

m) Leases (*continued*)

As a lessee (continued)

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

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to 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.
- Note 2 - going concern	whether management's assessment of uncertainties about the company's ability to continue as a going concern are appropriate.

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - 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 through 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's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

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

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

- \$300,000 overdraft facility that is unsecured with available facility of \$124,942. Interest is payable at a rate of 2.03% (2020: 2.13%)

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annual by the lender, Bendigo Bank. As at balance date, the lender does not intend to reduce or end the overdraft facility within the next 12 months.

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (*continued*)

b) Liquidity risk (*continued*)

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 overdraft	175,058	175,058	-	-
Bank loans	100,000	18,750	81,250	-
Lease liabilities	169,262	20,955	88,279	88,926
Trade and other payables	89,919	45,067	44,852	-
	<u>534,239</u>	<u>259,830</u>	<u>214,381</u>	<u>88,926</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 overdraft	182,191	182,191	-	-
Trade and other payables	96,903	37,322	59,581	-
	<u>279,094</u>	<u>219,513</u>	<u>59,581</u>	<u>-</u>

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

Kwinana Community Financial Services Ltd

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	351,952	293,421
- Fee income	31,299	28,355
- Commission income	63,012	69,256
	<u>446,263</u>	<u>391,032</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	35,000	57,924
- Cash flow boost	21,873	36,455
- Other income	1,158	1,484
	<u>58,031</u>	<u>95,863</u>

Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	<u>109</u>	<u>491</u>

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

Kwinana Community Financial Services Ltd

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	76,601	123,287
- Plant and equipment	3,128	4,489
	<u>79,729</u>	<u>127,776</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>17,328</u>	<u>60,149</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,184	1,833
- Franchise establishment fee	10,918	18,333
	<u>13,102</u>	<u>20,166</u>
Total depreciation and amortisation expense	<u>110,159</u>	<u>208,091</u>
b) Finance costs		
- Bank overdraft interest paid or accrued	2,883	3,618
- Lease interest expense	6,159	1,610
- Unwinding of make-good provision	-	1,072
	<u>9,042</u>	<u>6,300</u>
Finance costs are recognised as expenses when incurred using the effective interest rate.		
c) Employee benefit expenses		
Wages and salaries	282,139	287,656
Contributions to defined contribution plans	26,546	26,276
Expenses related to long service leave	5,160	4,125
Other expenses	20,659	15,190
	<u>334,504</u>	<u>333,247</u>
d) Recognition exemption		
The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.		
The company pays for the right to use a self-storage unit. The lease agreement is expired and continues on existing terms on a month-by-month basis with no significant penalty for termination. The company also came to the end of their previous branch premises lease agreement during the period. As such the leases have been assessed as short term and exempted from recognition under AASB 16 accounting. Expenses relating to short term exempt leases are included in occupancy and associated costs expenses.		
	2021 \$	2020 \$
Expenses relating to low-value leases	19,778	13,805
Expenses relating to short-term leases	47,601	19,681
	<u>67,379</u>	<u>33,486</u>

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Future income tax benefit attributable to losses	(82,443)	(26,197)
- Movement in deferred tax	40,938	(40,817)
- Adjustment to deferred tax on AASB 16 retrospective application	-	8,399
- Reduction in company tax rate	13,318	17,583
	<u>(28,187)</u>	<u>(41,032)</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of \$13,318 related to the remeasurement of deferred tax assets and liabilities of the company.

b) <i>Prima facie</i> income tax reconciliation	2021 \$	2020 \$
Operating loss before taxation	(138,264)	(197,610)
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	(35,949)	(54,343)
Tax effect of:		
- Non-deductible expenses	131	5,754
- Temporary differences	(40,938)	32,417
- Other assessable income	(5,687)	(10,025)
- Movement in deferred tax	40,938	(40,817)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	13,318	17,583
- Leases initial recognition	-	8,399
	<u>(28,187)</u>	<u>(41,032)</u>

Note 13 Cash and cash equivalents

a) Cash and cash equivalents	2021 \$	2020 \$
- Cash at bank and on hand	35	57
- Term deposits	-	24,259
	<u>35</u>	<u>24,316</u>

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13 Cash and cash equivalents (*continued*)

b) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts. Bank overdrafts are presented with loans and borrowings.

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Note	2021 \$	2020 \$
- Cash at bank and on hand		35	57
- Term deposits		-	24,259
- Bank overdraft	20	(175,058)	(182,191)
		<u>(175,023)</u>	<u>(157,875)</u>

Note 14 Trade and other receivables

	2021 \$	2020 \$
a) Current assets		
Trade receivables	39,363	38,703
Prepayments	8,515	7,101
Other receivables and accruals	-	7,687
	<u>47,878</u>	<u>53,491</u>

Note 15 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	85,364	254,432
Less: accumulated depreciation	(10,960)	(174,347)
	<u>74,404</u>	<u>80,085</u>
<i>Plant and equipment</i>		
At cost	34,741	34,741
Less: accumulated depreciation	(23,263)	(20,135)
	<u>11,478</u>	<u>14,606</u>
Total written down amount	<u>85,882</u>	<u>94,691</u>

Kwinana Community Financial Services Ltd
Notes to the Financial Statements
for the year ended 30 June 2021

Note 15 Property, plant and equipment (continued)

b) Reconciliation of carrying amounts	2021	2020
	\$	\$
<i>Leasehold improvements</i>		
Carrying amount at beginning	80,085	202,226
Additions	85,364	1,146
Disposals - at cost	(254,432)	-
Disposals - accumulated depreciation	239,988	
Depreciation	(76,601)	(123,287)
	<u>74,404</u>	<u>80,085</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	14,606	17,001
Additions	-	2,094
Depreciation	(3,128)	(4,489)
	<u>11,478</u>	<u>14,606</u>
Total written down amount	<u>85,882</u>	<u>94,691</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.

In the previous financial year the company accelerated the leasehold improvement depreciation rates for assets at the previous branch premises. Since the company no longer operates in this premises these leasehold improvements have been disposed.

Note 16 Right-of-use assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Leased land and buildings</i>		
At cost	173,276	328,084
Less: accumulated depreciation	(17,327)	(328,084)
Total written down amount	<u>155,949</u>	<u>-</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Initial recognition on transition	-	328,084
Accumulated depreciation on adoption	-	(267,935)
Additional right-of-use assets recognised	173,277	-
Depreciation	(17,328)	(60,149)
Total written down amount	<u>155,949</u>	<u>-</u>

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 17 Intangible assets

a) Carrying amounts

	2021 \$	2020 \$
<i>Franchise fee</i>		
At cost	20,918	20,918
Less: accumulated amortisation	(12,184)	(10,000)
	<u>8,734</u>	<u>10,918</u>
<i>Franchise renewal process fee</i>		
At cost	54,588	54,588
Less: accumulated amortisation	(10,918)	-
	<u>43,670</u>	<u>54,588</u>
Total written down amount	<u>52,404</u>	<u>65,506</u>

b) Reconciliation of carrying amounts

<i>Franchise fee</i>		
Carrying amount at beginning	10,918	1,833
Additions	-	10,918
Amortisation	(2,184)	(1,833)
	<u>8,734</u>	<u>10,918</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	54,588	-
Additions	-	54,588
Amortisation	(10,918)	-
	<u>43,670</u>	<u>54,588</u>
Total written down amount	<u>52,404</u>	<u>65,506</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.

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 18 Tax assets and liabilities

a) Deferred tax	2021 \$	2020 \$
<i>Deferred tax assets</i>		
- expense accruals	775	780
- employee provisions	8,309	6,634
- make-good provision	-	5,318
- lease liability	42,316	-
- property, plant and equipment	-	18,800
- carried-forward tax losses	342,021	273,257
Total deferred tax assets	393,421	304,789
<i>Deferred tax liabilities</i>		
- income accruals	-	15
- property, plant and equipment	21,471	-
- right-of-use assets	38,988	-
Total deferred tax liabilities	60,459	15
Net deferred tax assets (liabilities)	332,962	304,774
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(28,188)	41,031
Movement in deferred tax charged to Statement of Changes in Equity	-	8,399

Note 19 Trade creditors and other payables

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

a) Current liabilities	2021 \$	2020 \$
Trade creditors	19,540	15,237
Other creditors and accruals	25,527	22,085
	45,067	37,322
b) Non-current liabilities		
Other creditors and accruals	44,852	59,581

Note 20 Loans and borrowings

a) Current liabilities	2021 \$	2020 \$
Bank overdraft	175,058	182,191
Secured bank loans	18,750	-
	193,808	182,191

Bank overdraft

The company has an approved overdraft limit of \$300,000 which was drawn down to \$175,058, leaving \$124,942 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 2.03% (2020: 2.13%).

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 20 Loans and borrowings (continued)

a) Non-current liabilities					2021 \$	2020 \$
Secured bank loans					81,250	-
b) Terms and repayment schedule						
	Weighted Average	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	2.03%	Floating	175,058	175,058	182,191	182,191
Secured bank loans	2.09%	2025	100,000	100,000	-	-

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 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:

- Kwinana Branch The lease agreement is a non-cancellable lease with an initial term of five years which commenced in July 2020. 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 June 2030.

a) Current lease liabilities		2021 \$	2020 \$
Property lease liabilities		20,955	-
Unexpired interest		(5,747)	-
		15,208	-
b) Non-current lease liabilities			
Property lease liabilities		177,205	-
Unexpired interest		(23,151)	-
		154,054	-
c) Reconciliation of lease liabilities			
Balance at the beginning		-	-
Initial recognition on AASB 16 transition		-	66,764
Additional lease liabilities recognised		173,276	-
Lease interest expense		6,159	1,610
Lease payments - total cash outflow		(10,173)	(68,374)
		169,262	-

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21 Lease liabilities (continued)

d) Maturity analysis	2021 \$	2020 \$
- Not later than 12 months	20,955	-
- Between 12 months and 5 years	88,279	-
- Greater than 5 years	88,926	-
Total undiscounted lease payments	198,160	-
Unexpired interest	(28,898)	-
Present value of lease liabilities	169,262	-

Note 22 Provisions

a) Current liabilities	2021 \$	2020 \$
Make-good on leased premises	-	20,455

During the year the make-good provision on the previous branch location was paid upon cessation of the lease and the branch was relocated to its current location at Suite 4, 4 Challenger Avenue, Kwinana Town Centre. At the current location there is no requirement to pay make-good costs when the lease ends.

Note 23 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	19,120	16,982
b) Non-current liabilities		
Provision for long service leave	14,116	8,535
c) Key judgement and assumptions		

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

Note 24 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	1,160,008	1,160,008	1,160,008	1,160,008
Less: equity raising costs	-	(39,890)	-	(39,890)
	1,160,008	1,120,118	1,160,008	1,120,118

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 24 Issued capital (*continued*)

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

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").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 326. As at the date of this report, the company had 361 shareholders (2020: 361 shareholders).

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.

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 24 Issued capital (*continued*)

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

Prohibited shareholding interest (continued)

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

	2021 \$	2020 \$
Balance at beginning of reporting period	(902,406)	(723,684)
Adjustment for transition to AASB 16	-	(22,144)
Net loss after tax from ordinary activities	(110,077)	(156,578)
Balance at end of reporting period	<u>(1,012,483)</u>	<u>(902,406)</u>

Note 26 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net loss after tax from ordinary activities	(110,077)	(156,578)
Adjustments for:		
- Depreciation	97,057	187,925
- Amortisation	13,102	20,166
- (Profit)/loss on disposal of non-current assets	14,444	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	5,613	(12,228)
- (Increase)/decrease in other assets	(28,187)	(40,459)
- Increase/(decrease) in trade and other payables	6,637	10,271
- Increase/(decrease) in employee benefits	28,174	3,823
- Increase/(decrease) in provisions	(20,455)	1,072
Net cash flows provided by operating activities	<u>6,308</u>	<u>13,992</u>

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

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	35	57
Term deposits	13	-	24,259
Trade and other receivables	14	39,363	46,390
		<u>35</u>	<u>24,316</u>
Financial liabilities			
Trade and other payables	19	89,919	96,903
Bank overdrafts	20	175,058	182,191
Secured bank loans	20	100,000	-
Lease liabilities	21	169,262	-
		<u>364,977</u>	<u>279,094</u>

Note 28 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	3,160	2,210
- Share registry services	1,900	1,900
Total auditor's remuneration	<u>10,660</u>	<u>9,510</u>

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Johannes Maria Iriks
Wayne Milnes
Stephen Paul Williams
Maxwell John Bird
Sarah Rachel Mahoney
Leslie Harris Whiddett
Robert George Cooper
Daniel Wei Hoong Chan

Kwinana Community Financial Services Ltd

Notes to the Financial Statements

for the year ended 30 June 2021

Note 29 Related parties (*continued*)

b) Key management personnel compensation

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

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

c) Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2021 \$	2020 \$
<i>Transactions with related parties</i>		
- Johannes Iriks is a Director and shareholder of KPC Investments Pty Ltd who is the owner of Kwinana Professional Centre, Suite 4 which is the building leased by the company.	14,264	-

Note 30 Earnings per share

a) Basic and diluted earnings per share

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

	2021 \$	2020 \$
Loss attributable to ordinary shareholders	(110,077)	(156,578)
	Number	Number
Weighted-average number of ordinary shares	1,160,008	1,160,008
	Cents	Cents
Basic and diluted loss per share	(9.49)	(13.50)

Note 31 Commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

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

Kwinana Community Financial Services Ltd

Directors' Declaration

In accordance with a resolution of the directors of Kwinana Community Financial Services Ltd, 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.



Johannes Maria Iriks, Chairman

Dated this 7th day of September 2021

Independent auditor's report to the Directors of Kwinana Community Financial Services Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kwinana Community Financial Services Ltd'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 Kwinana Community Financial Services Ltd, 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.

Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 2 in the financial report, which indicates that the company incurred a net loss after tax of \$110,077 during the year ended 30 June 2021, further reducing the company's net assets to \$107,635. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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: 7 September 2021



Adrian Downing
Lead Auditor

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 /KwinanaCommunityBank

