Annual Report 2021

North Central Financial Services Limited

Community Bank
Charlton & District

ABN 90 140 265 394

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Chairman’s report

For year ending 30 June 2021

Greetings fellow shareholders. As I sit down to write this year’s annual report it is with a strong sense of déjà vu. In fact, it almost seems to be that with a few small changes, I could re submit last year’s report.

However, as I began to write, I was reminded of how, despite COVID-19, how much things have changed during the last twelve months. Yes, we still have COVID-19 disrupting people’s health across our state and at the time of writing we are all ‘enjoying’, another lockdown. Whilst the Buloke Shire remains COVID-19 free, the lockdown continues to have a significant effect on us as individuals and how we interact with each other. **People’s mental health has in some cases suffered and I urge all shareholders to be aware of fellow community members who may need assistance**. It has also had a sustained and substantial long-term detrimental effect on not only ours, but indeed nearly all commercial businesses.

So, with the above in mind, it is with much pleasure that I present my report as the current Chairman of North Central Financial Services Limited (NCFS). I also wish to point out that at the time of writing, it is uncertain as to whether we will be able to meet face-to-face at our annual AGM or must meet electronically.

Despite the above distractions the Board and your company have continued to be very active during the last twelve months.

We thank all our clients for their willingness to work with our staff in helping to meet the current restrictions. Your cooperation assists in ensuring both their and your own continued good health. Hopefully with an ever-increasing percentage of vaccination in our community (48% at the time of writing) this risk will be reduced to a much more manageable level within the next reporting year.

On a more positive note, the seasonal prospects for agriculture this year are looking reasonable and are helping to buoy our communities’ spirits during these trying times.

As per my report last year, there are challenges beyond COVID-19 in the banking sector. The extremely low interest rates whilst being a boom to our customers, has had an ongoing and significant impact on our bottom line. This is especially so in terms of margins earned. Your company (NCFS) continues to be profitable and viable, albeit at a lower rate of return. It has brought into focus, just how important has been the completion of the Board’s aim to recapitalize the company’s financial base.

Board activity

This year the Board has again been very busy. COVID-19 has accelerated the existing trend to electronic banking. It has permanently altered the way many of you, our customers, use our services. Your Board, together with the Community Bank Donald and Bendigo Bank conducted an extensive review into these changes. We needed to look at ways in which we as a company could remain viable, whilst continuing to offer a service to you, our customers. To that end we have made some significant adjustments to several areas of our business.

For example, in looking at the way in which the bulk of our clients use our services, we have altered our opening times to reflect the demand. Our opening times are now 11.00 am to 4.00 pm Monday to Thursday and 11.00 am to 5.00 pm Friday. The review also concluded that NCFS had to change the way in which we interact with and best meet the ongoing and future needs of both existing and potential clients. Those resulting adopted changes are outlined in the Bank staff section of this report.

Share buyback offer

It is very frustrating to report that the new current preconditions required for a share buyback, have the net effect of making any offer below 100,000 shares financially unsustainable. This is due to the very high costs involved in meeting the requirements, imposing an unfair financial burden on remaining shareholders. A very disappointing outcome, that I believe will have to be revisited sooner rather than later.

Board retirements and elections

This year the retiring Directors are Amy Nicolson, Simon Peck and Win Scott. Simon and Win are both eligible for re-election and have nominated for a further three-year term.

Amy has chosen not to renominate, and both the Board and I wish to thank her for her service. Amy has led the Marketing and Publicity sub-committee. She has been the driving force and manager behind our website and promotional material. On a personal note, I wish to thank her for her dedication, drive and enthusiasm during her time on the Board of NCFS. The Board of NCFS wishes Amy, Geoff and Stella all the best in their future endeavours.

Bank staff

This year has seen no staff turnover but the addition of one new member. Our new staff member, Anika has been on staff for the past few months and has a shared role between us and the Community Bank Donald. Our Manager Glenden Watts has a new position as a Business Development Manager and will be 'out and about' (COVID-19 permitting). He will be available to service existing and new potential clients at a time and place that best suits them. The Board and Glenden look forward to continuing growth in our business and in striving to give all our clients a great banking experience. I encourage all shareholders to contact Glenden if you are considering any financial activity. Existing staff member Lizzy has stepped up and will be the acting Branch Manager for the time being. The Board thanks her for agreeing to this new role. These changes have come about from the review and a recognition by the Board for a need to refocus and move with the times. The Board thanks all staff members for recognising the need for change and their continued service to us and our community, during the abnormal stresses caused by COVID-19.

Dividend

At the time of writing the Board has not yet decided on the amount (if any) of a dividend payment. Any dividend announcement will likely reflect the potential impact of COVID-19 on our business and its possible ongoing influence.

Sponsorships and grants

We have continued to support local clubs and organisations. The following projects were supported through either grants or sponsorship.

The Charlton Angling Club	$ 3,300	(Challenge Grant)
The Charlton Football Club	$ 3,297	
The Golden Grains Museum	$ 2,238	
Charlton Forum	$ 3,500	
Charlton Junior Football	$ 1,694	
Charlton Neighbourhood House	$ 5,000	
Charlton Lions Club	$ 4,750	
CHARTSEC	$ 8,136	
Culgoa Development Group	$ 2,000	
Sponsorship to Sporting Clubs Birchip, Boort, Charlton, North Central Sport and Wycheproof	$ 18,636	
Total	**$ 52,558**	

What a fantastic figure

All shareholders and Community Bank clients should take a great deal of pride in being part of the process that enabled such a figure to be contributed, especially given the trying times.

I would also like to publicly thank our departing Secretary John Harley who is leaving the role and Charlton. John has been an active and influential member of our community, well beyond the role of being the Secretary for NCFS. I and the Board wish him and Susan well in their new life in Ballarat.

Finally, and by no means last, I wish to thank all Board members for their respective contribution and efforts over the past year. Those thanks extend to all partners (especially mine) for their support and encouragement. Board members are not paid, and a significant amount of time, effort and personal sacrifice is involved in making sure that shareholder funds are not only protected but are well managed.

Jon Whykes,
Chairman (NCFS Ltd)

Manager’s report

For year ending 30 June 2021

The 2020 financial year started off with a good base for growth, after a strong local agricultural season and the government continuing to financially stimulate the economy, coupled with (COVID-19) travel restrictions and limitations, we were in the box seat to assist existing and new clients with their banking requirements as their savings and desires grew as we endured the ‘lockdowns’. We absolutely took our branch footings for the ride of its life.

We saw the busiest year in consumer lending activity in recent memory, with 68 applications completed, compared with the previous year’s 24. Of those, we approved 42, equating to $11.4 million of new home lending, which allowed us to achieve a loans growth of $5.87 million for the financial year or 489% of our target.

Our deposit position also continued to strengthen as the year progressed, finishing with a deposit growth position of $9.78 million compared with a target of $2.75 million or a 355% of target. Despite the weaking interest rates, community members continue to choose us as their bank of choice for their savings and investments, a true reflection of the terrific customer service our staff continue to offer, as investment rates continue to decline.

Another large growth area for us in financial year 2020/21 was agribusiness. We had a strong year in lending growth and enjoyed welcoming several new clients to bank clients. This has allowed us to achieve growth of $5.2 million, exceeding our target by over $3.2 million or 262%.

Despite our financial markets falling considerably last financial year, they were back to support us this year, with an increase of nearly $18 million, which contributed to our overall footings growth of just shy of $39 million for the financial year, which resulted in a 39% increase in our branch footings. If we reflected just on what the branch staff have achieved, we saw an increase in footings of $21 million. These are levels of growth that haven’t been seen for our Community Bank. Although we were not alone with seeing strong results across the banking network, Community Bank Charlton & District achieved some of the highest footings growth for our region.

Despite our amazing results and strenuous efforts, COVID-19 has continued to dampen our movements and change the way we all interact. Reducing the operational hours to reflect our foot traffic, now opening for 26 hours per week.

Our Agencies have also reflected these operation changes and continue to provide the townships of Boort, Wycheproof and Birchip with face-to-face banking. I know firsthand that the locals in these townships continue to cherish our presence and everyday assistance with their banking requirements.

Despite the strong declining trend in product margins, especially over the past 12, we have finished the year with a net profit of $70,309, again another strong position for current climate. We have had the pleasure of receiving another strong round of application for the 2021 Community Grants, with 12 organisations applying and the Community Bank contributing over $50,000 back into the catchment of the Community Bank Charlton & District.

As we look forward into the next 12 months – in the eyes of the realist, the Board of Directors are continuing to look for opportunity and long term(s) sustainability for the business. With this I have been privileged in being offered/accepting the role of ‘Business Development Manager’ and Lizzy has stepped up into the Acting Branch Manager role. We will strive to provide a stronger focus of ‘in person’ presence, convenience, and availability to our clients.

On a finishing note, I want to again congratulate and thank the staff for their amazing effort of 2020/21 financial year. I have no doubt that it will go down in Community Bank Charlton & District history as one of the strongest years, in terms of footings growth, that we will experience. Tracy, Lizzy and Alena, it takes a team effort to achieve results like we have. Your product knowledge and customer service is second to none and this is evident through the customer growth being an achievement of 3.88%, well above the target of 2.5%.

To the future of banking, it wouldn't matter if it was the optimist, pessimist, or realist, the future is unpredictable and hard to visualise, whether that be due to COVID-19, the digital evolution, interest rates or just the unknown. Change is inevitable, we just have to make sure we can continue to ride the wave and make the most of the opportunities that come from it.

I speak on behalf of the team, when I say that we look forward to our next interaction with you, and we will continue to offer the very best customer service now and long into the future.

Glenden Watts
Manager

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:

Jon William Whykes
Non-executive director
Occupation: Primary production
Qualifications, experience and expertise: Life member of Charlton Apex Club, Current member and Catering director of OASIS Service Club and current Secretary and Treasurer of Wooroonook CFA.
Special responsibilities: Chairman, Human Resources, Audit Committee and Future directions
Interest in shares: 1,500 ordinary shares

Matthew Simon Peck
Non-executive director
Occupation: School Teacher
Special responsibilities: Audit Committee and Finance Committee
Interest in shares: 3,201 ordinary shares

Alan Ronald Getley
Non-executive director
Occupation: Estate Agent
Qualifications, experience and expertise: Chair at Charlton Forum. Tres Charlton Chamber of Commerce & industry. Past President Buloke Tourism Board (3 years). Past President Charlton College (7 years). Past V.P. Charlton College (1 year).
Special responsibilities: Strategic Planning Sub Committee
Interest in shares: 4,500 ordinary shares

Matthew William McGurk
Non-executive director
Occupation: Farmer
Qualifications, experience and expertise: Agronomist.
Special responsibilities: Nil
Interest in shares: nil share interest held

Neville William Cloak
Non-executive director
Occupation: Café Owner
Qualifications, experience and expertise: Project Implementation Manager - Aus. Post Transport Operations Support Manager.
Special responsibilities: Sponsorship, Policy and Governance Committee
Interest in shares: nil share interest held

Amy Carissa Nicolson
Non-executive director
Occupation: Administration
Qualifications, experience and expertise: Bachelor of Agribusiness - CSU Wagga Wagga 2003, 10 years full time employment and 6 years part time employment in agriculture administration, marketing and customer relations. Current committee member of Charlton Netball Club, Charlton Agriculture - Pastoral Society - Charlton Park 2020 Project.
Special responsibilities: Marketing and Publicity Committee
Interest in shares: nil share interest held

Directors *(continued)*

Elizabeth Anne Riley
Non-executive director
Occupation: Accountant
Qualifications, experience and expertise: Bachelor of Accounting with eight years part time employment at accounting firm. Finance officer for Charlton neighbourhood house. Elizabeth is also a driving instructor at Chartsec. Is currently involved as a Committee and Executive member of Sporting and community groups in Charlton.
Special responsibilities: Finance Committee, Budget, Marketing and Publicity Committee.
Interest in shares: nil share interest held

Angela Maree Poxon
Non-executive director
Occupation: Career Practitioner
Qualifications, experience and expertise: Bachelor of Science, Diploma in Education, Graduate Diploma in Adolescent Health and Welfare, Graduate Certification in Career Education. Angela is a Secondary Teacher, Welfare Coordinator Career Practitioner, and President of North Central Hockey Association. Angela is a current and previous Committee Member and executive of numerous Sporting and Community Groups in Boort.
Special responsibilities: Human Resources and Audit Committee.
Interest in shares: nil share interest held

Winifred Maude Scott
Non-executive director
Occupation: Board Director
Qualifications, experience and expertise: Board director, Chair Mallee Regional Partnership, current Member of the Adult Community Further Education Board, Charlton and District Community Bank Board, North Central Local Learning and Employment Network Board, Regional Development Advisory Community.
Special responsibilities: Strategic Planning Sub 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 John Harley. John was appointed to the position of secretary on 21 April 2008.

Qualifications, experience and expertise: Charlton College Principal 1996-2008. Previously secretary of numerous sporting clubs. Chairman of Charlton Park 2020 Inc.

Principal activity

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

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

Operating results

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

Year ended 30 June 2021 $	Year ended 30 June 2020 $
32,449	51,564

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Jon William Whykes	1,500	-	1,500
Matthew Simon Peck	3,201	-	3,201
Alan Ronald Getley	4,500	-	4,500
Matthew William McGurk	-	-	-
Neville William Cloak	-	-	-
Amy Carissa Nicolson	-	-	-
Elizabeth Anne Riley	-	-	-
Angela Maree Poxon	-	-	-
Winifred Maude Scott	-	-	-

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount $
Final fully franked dividend	2.00	8,148

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 their has been no significant changes on the companies financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

Indemnification and insurance of directors and officers *(continued)*

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

Directors' meetings

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

E - eligible to attend
A - number attended

	Board Meetings Attended	
	E	A
Jon William Whykes	12	12
Matthew Simon Peck	12	12
Alan Ronald Getley	12	11
Matthew William McGurk	12	11
Neville William Cloak	12	11
Amy Carissa Nicolson	12	12
Elizabeth Anne Riley	12	10
Angela Maree Poxon	12	8
Winifred Maude Scott	12	12

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 27.

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the directors at Charlton, Victoria.

Jon William Whykes, Chairman

Dated this 3rd day of September 2021

Auditor's independence declaration

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 3 September 2021

Adrian Downing
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	660,834	694,367
Other revenue	9	41,536	56,572
Finance income	10	1,997	4,206
Employee benefit expenses	11c)	(324,885)	(331,674)
Charitable donations, sponsorship, advertising and promotion		(92,342)	(118,643)
Occupancy and associated costs		(15,699)	(16,223)
Systems costs		(17,961)	(17,230)
Depreciation and amortisation expense	11a)	(27,356)	(27,937)
Finance costs	11b)	(12,024)	(12,444)
General administration expenses		(174,494)	(168,571)
Profit before income tax expense		39,606	62,423
Income tax expense	12a)	(7,157)	(10,859)
Profit after income tax expense		32,449	51,564
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		32,449	51,564
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	7.96	12.66

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	466,111	393,221
Trade and other receivables	14a)	58,328	79,995
Total current assets		524,439	473,216
Non-current assets			
Property, plant and equipment	15a)	13,671	15,709
Right-of-use assets	16a)	122,027	131,988
Intangible assets	17a)	30,383	43,605
Deferred tax asset	18b)	39,119	36,603
Total non-current assets		205,200	227,905
Total assets		729,639	701,121
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	36,982	26,325
Current tax liabilities	18a)	6,478	896
Lease liabilities	20a)	10,864	7,992
Employee benefits	22a)	38,133	31,335
Total current liabilities		92,457	66,548
Non-current liabilities			
Trade and other payables	19b)	15,512	31,025
Lease liabilities	20b)	224,899	237,505
Employee benefits	22b)	7,405	1,368
Provisions	21a)	8,351	7,961
Total non-current liabilities		256,167	277,859
Total liabilities		348,624	344,407
Net assets		381,015	356,714
EQUITY			
Issued capital	23a)	384,288	384,288
Accumulated losses	24	(3,273)	(27,574)
Total equity		381,015	356,714

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		384,288	(66,914)	317,374
Total comprehensive income for the year		-	51,564	51,564
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(12,224)	(12,224)
Balance at 30 June 2020		**384,288**	**(27,574)**	**356,714**
Balance at 1 July 2020		384,288	(27,574)	356,714
Total comprehensive income for the year		-	32,449	32,449
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(8,148)	(8,148)
Balance at 30 June 2021		**384,288**	**(3,273)**	**381,015**

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		764,913	825,048
Payments to suppliers and employees		(641,268)	(755,161)
Interest received		1,997	5,579
Lease payments (interest component)	11b)	(11,634)	(12,072)
Lease payments not included in the measurement of lease liabilities		(2,910)	(5,697)
Income taxes paid		(4,091)	(9,338)
Net cash provided by operating activities	25	107,007	48,359
Cash flows from investing activities			
Payments for property, plant and equipment		(2,135)	(811)
Payments for intangible assets		(14,102)	(14,100)
Net cash used in investing activities		(16,237)	(14,911)
Cash flows from financing activities			
Lease payments (principal component)		(9,732)	(8,672)
Dividends paid	29a)	(8,148)	(12,224)
Net cash used in financing activities		(17,880)	(20,896)
Net cash increase in cash held		72,890	12,552
Cash and cash equivalents at the beginning of the financial year		393,221	380,669
Cash and cash equivalents at the end of the financial year	13a)	466,111	393,221

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
39-41 High Street Charlton VIC 3525	39-41 High Street Charlton VIC 3525

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 28.

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 3 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

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

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

Ability to change financial return

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

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

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

b) Other revenue

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

Revenue	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

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

d) Employee benefits *(continued)*

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

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.

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

g) Property, plant and equipment

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

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

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

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

Asset class	Method	Useful life
Plant and equipment	Straight-line	1 to 40 years

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

h) Intangible assets

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

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

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

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

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

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

i) Financial instruments

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

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

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

j) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

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

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.

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

m) Leases *(continued)*

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

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:

Note	Assumptions
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

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

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

a) Credit risk

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

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

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	235,763	22,007	93,094	203,157
Trade payables	558	558	-	-
	236,321	22,565	93,094	203,157

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	245,497	19,626	92,070	92,070
Trade payables	2,362	2,362	-	-
	247,859	21,988	92,070	92,070

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $466,111 at 30 June 2021 (2020: $393,221). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	457,343	501,372
- Fee income	38,817	40,441
- Commission income	164,674	152,554
	660,834	694,367

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	22,500	25,000
- Cash flow boost	19,036	31,572
	41,536	56,572

Note 10 Finance income

	2021 $	2020 $
- Term deposits	1,997	4,206

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

Note 11 Expenses

a) Depreciation and amortisation expense

	2021 $	2020 $
Depreciation of non-current assets:		
- Plant and equipment	4,173	4,744
Depreciation of right-of-use assets		
- Leased land and buildings	9,961	9,961
Amortisation of intangible assets:		
- Franchise fee	2,204	2,215
- Franchise renewal process fee	11,018	11,017
	13,222	13,232
Total depreciation and amortisation expense	27,356	27,937

b) Finance costs

	2021 $	2020 $
- Lease interest expense	11,634	12,072
- Unwinding of make-good provision	390	372
	12,024	12,444

Note 11 Expenses *(continued)*

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	282,885	288,044
Contributions to defined contribution plans	26,114	27,100
Expenses related to long service leave	6,108	390
Other expenses	9,778	16,140
	324,885	331,674

d) Recognition exemption

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

	2021 $	2020 $
Expenses relating to low-value leases	5,820	5,697

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense/(credit)		
- Current tax	9,673	4,376
- Movement in deferred tax	(4,081)	(29,055)
- Adjustment to deferred tax on AASB 16 retrospective application	-	33,426
- Reduction in company tax rate	1,565	2,112
	7,157	10,859

b) *Prima facie* income tax reconciliation

	2021 $	2020 $
Operating profit before taxation	39,606	62,423
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	10,298	17,166
Tax effect of:		
- Non-deductible expenses	221	265
- Temporary differences	4,080	(4,373)
- Other assessable income	(4,926)	(8,682)
- Movement in deferred tax	(4,081)	(29,055)
- Reduction in company tax rate	1,565	2,112
- Leases initial recognition	-	33,426
	7,157	10,859

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	466,111	393,221

Note 14 Trade and other receivables

a) Current assets

	2021 $	2020 $
Trade receivables	52,853	47,027
Prepayments	4,996	4,891
Other receivables and accruals	479	28,077
	58,328	79,995

Note 15 Property, plant and equipment

a) Carrying amounts

	2021 $	2020 $
Plant and equipment		
At cost	96,486	94,351
Less: accumulated depreciation	(82,815)	(78,642)
Total written down amount	13,671	15,709

b) Reconciliation of carrying amounts

Plant and equipment		
Carrying amount at beginning	15,709	19,642
Additions	2,135	811
Depreciation	(4,173)	(4,744)
Total written down amount	13,671	15,709

c) Changes in estimates

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

Note 16 Right-of-use assets

a) Carrying amounts

	2021 $	2020 $
Leased land and buildings		
At cost	298,840	298,840
Less: accumulated depreciation	(176,813)	(166,852)
	122,027	131,988

b) Reconciliation of carrying amounts

Leased land and buildings		
Carrying amount at beginning	131,988	-
Initial recognition on transition	-	298,930
Accumulated depreciation on adoption	-	(156,981)
Depreciation	(9,961)	(9,961)
	122,027	131,988

Note 17 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	79,731	79,731
Less: accumulated amortisation	(74,678)	(72,474)
	5,053	7,257
Franchise renewal process fee		
At cost	55,093	55,093
Less: accumulated amortisation	(29,763)	(18,745)
	25,330	36,348
Total written down amount	30,383	43,605

b) Reconciliation of carrying amounts

	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	7,257	9,472
Amortisation	(2,204)	(2,215)
	5,053	7,257
Franchise renewal process fee		
Carrying amount at beginning	36,348	47,365
Amortisation	(11,018)	(11,017)
	25,330	36,348
Total written down amount	30,383	43,605

c) Changes in estimates

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

Note 18 Tax assets and liabilities

a) Current tax

	2021 $	2020 $
Income tax payable	6,478	896

b) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- expense accruals	750	780
- employee provisions	11,385	8,503
- make-good provision	2,088	2,070
- lease liability	58,941	63,829
Total deferred tax assets	73,164	75,182

Note 18 Tax assets and liabilities *(continued)*

b) Deferred tax *(continued)*

	2021 $	2020 $
Deferred tax liabilities		
- income accruals	120	178
- property, plant and equipment	3,418	4,084
- right-of-use assets	30,507	34,317
Total deferred tax liabilities	34,045	38,579
Net deferred tax assets (liabilities)	39,119	36,603
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(4,081)	-
Movement in deferred tax charged to Statement of Changes in Equity	-	33,426

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	558	2,362
Other creditors and accruals	36,424	23,963
	36,982	26,325

b) Non-current liabilities

	2021 $	2020 $
Other creditors and accruals	15,512	31,025

Note 20 Lease liabilities

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

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

The company's lease portfolio includes:

- Charlton Branch — 'The lease agreement commenced in October 2003. A 10 year renewal option was exercised in October 2013. The company has 1 additional 10 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 October 2033.

a) Current lease liabilities

	2021 $	2020 $
Property lease liabilities	22,007	19,626
Unexpired interest	(11,143)	(11,634)
	10,864	7,992

Note 20 Lease liabilities *(continued)*

b) Non-current lease liabilities

	2021 $	2020 $
Property lease liabilities	296,248	319,997
Unexpired interest	(71,349)	(82,492)
	224,899	237,505

c) Reconciliation of lease liabilities

	2021 $	2020 $
Balance at the beginning	245,497	-
Initial recognition on AASB 16 transition	-	255,910
Remeasurement adjustments	1,741	(1,741)
Lease interest expense	11,634	12,072
Lease payments - total cash outflow	(21,365)	(20,744)
	237,507	245,497

d) Maturity analysis

	2021 $	2020 $
- Not later than 12 months	22,007	19,626
- Between 12 months and 5 years	93,094	92,070
- Greater than 5 years	203,157	227,927
Total undiscounted lease payments	318,258	339,623
Unexpired interest	(82,492)	(94,126)
Present value of lease liabilities	235,766	245,497
	1,741	

Note 21 Provisions

a) Non-current liabilities

	2021 $	2020 $
Make-good on leased premises	8,351	7,961

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision as at $15,000, based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 30 September 2033 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Employee benefits

a) Current liabilities

	2021 $	2020 $
Provision for annual leave	21,529	17,070
Provision for long service leave	16,604	14,265
	38,133	31,335

b) Non-current liabilities

	2021 $	2020 $
Provision for long service leave	7,405	1,368

c) Key judgement and assumptions

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

Note 23 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	407,458	407,458	407,458	407,458
Less: equity raising costs	-	(23,170)		(23,170)
	407,458	384,288	407,458	384,288

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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.

Note 23 Issued capital *(continued)*

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

Prohibited shareholdings (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 24 Retained earnings (accumulated losses)

	2021 $	2020 $
Balance at beginning of reporting period	(27,574)	21,210
Adjustment for transition to AASB 16	-	(88,124)
Net profit after tax from ordinary activities	32,449	51,564
Dividends provided for or paid	(8,148)	(12,224)
Balance at end of reporting period	(3,273)	(27,574)

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	32,449	51,564
Adjustments for:		
- Depreciation	14,134	14,705
- Amortisation	13,222	13,232
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	21,665	(23,356)
- (Increase)/decrease in other assets	(2,516)	6,483
- Increase/(decrease) in trade and other payables	9,246	(2,204)
- Increase/(decrease) in employee benefits	12,835	(7,474)
- Increase/(decrease) in provisions	390	371
- Increase/(decrease) in tax liabilities	5,582	(4,962)
Net cash flows provided by operating activities	107,007	48,359

Note 26 Financial instruments

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

	Note	2021 $	2020 $
Financial assets			
Trade and other receivables	14a)	53,332	75,104
Cash and cash equivalents	13a)	466,111	393,221
		519,443	468,325
Financial liabilities			
Trade and other payables	19a)	558	2,362
Lease liabilities	20	235,763	245,497
		236,321	247,859

Note 27 Auditor's remuneration

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

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	1,000	1,000
- General advisory services	2,690	2,590
Total auditor's remuneration	8,690	8,390

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Jon William Whykes
Matthew Simon Peck
Alan Ronald Getley
Matthew William McGurk
Neville William Cloak
Amy Carissa Nicolson
Elizabeth Anne Riley
Angela Maree Poxon
Winifred Maude Scott

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.

Note 28 Related parties *(continued)*

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.

Transactions with related parties	2021 $	2020 $
- Neville Cloak provided Catering during the period for a total of:	-	88

Note 29 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of cash flows and statement of changes in equity.

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	2.00	8,148	3.00	12,224

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

b) Franking account balance

	2021 $	2020 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	102,009	97,308
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	(264)	9,338
- Franking credits from the payment of income tax instalments during the financial year	4,355	-
- Franking debits from the payment of franked distributions	(2,863)	(4,637)
Franking account balance at the end of the financial year	103,237	102,009
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	6,570	896
Franking credits available for future reporting periods	109,807	102,905

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

Note 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 $
Profit attributable to ordinary shareholders	32,449	51,564
	Number	Number
Weighted-average number of ordinary shares	407,458	407,458
	Cents	Cents
Basic and diluted earnings per share	7.96	12.66

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.

Directors' declaration

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

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001* , including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Jon William Whykes, Chairman

Dated this 3rd day of September 2021

Independent audit report

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03 5443 0344

Independent auditor's report to the Directors of North Central Financial Services Limited

Report on the Audit of the Financial Report

Opinion

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

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

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

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

Basis for Opinion

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

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

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

AFS
Partners in success
Chartered Accountants

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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 3 September 2021

Adrian Downing
Lead Auditor

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Bendigo Bank

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