



# Paynesville & District Financial Services Ltd

ABN 80 115 308 015



# 2021 Annual Report



Community Bank · Paynesville & District

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# Chairman's report

For year ending 30 June 2021

It gives me great pleasure to present our 2021 Annual Report.

On behalf of the Board of Directors, I am pleased to report that this year the business growth of the branch has continued to increase, due to the hard work of our Branch Manager and staff.

This is particularly pleasing due to the tough COVID-19 environment, as record low interest rates continue to constrain our profitability.

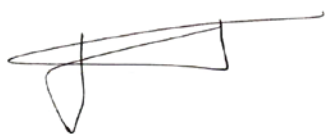
In 2020/21, several community groups were funded through the Community Funding Partnership Program, which assisted local organisations in conducting events, activities and projects within our local area, which is a vital part of the Bendigo Bank Community Bank model. This year we have supported activities such as the Paynesville Australia Day Awards, the Paynesville Primary School, Gippsland Lakes Yacht Club and the Koalas of Raymond Island group, plus many other local projects. Through the support of these community groups and their activities, our branch contributes towards Paynesville's development into a strong, inclusive community.

As the makeup of the Board is always changing, I would like to thank our retiring Board members Peter Blackie and Gary Maskiell, and also take this opportunity to welcome Gary Gaffney to our Board.

I would like to thank our Community Bank Paynesville & District staff, my fellow volunteer Board members and our Secretary for the support provided throughout the year. 2021 has proved to be another very challenging year due to COVID-19, however the staff have dealt with the extra demands regarding social distancing and hygiene requirements in an efficient and competent manner. We expect that some businesses in our region will take a long time to recover from the effects of the ongoing pandemic.

As a Board, our priority is to support the Community Bank to provide excellent financial services, to support our community organisations, to ensure sound governance of the business, and to deliver long-term growth and profitability for our shareholders.

We thank our shareholders and our customers for their support and we look forward to a successful year ahead in 2022.



**Janet McLeod**  
**Chairman**

# Manager's report

For year ending 30 June 2021

It is with great pleasure I present to you my first full year Manager's report having transitioned into the role in early April 2020. For some of you, I will be a familiar face having been with the Community Bank Paynesville & District for over six years. I would also like to thank the branch staff, Board members, shareholders, customers and the Paynesville and district community who have welcomed me into my new role.

What a year it has been with the ongoing COVID-19 pandemic. Like all businesses, our branch has had to adapt the way in which we do business complying with all the relevant social distancing measures and hygiene standards. We have seen enhancements in the digital space providing new ways to interact with our customers providing them choice to interact with us digitally through DocuSign or face-to-face in person. Either way the human touch to banking is still as important as ever.

This year we have seen the RBA cash rate reduce to a record low 0.10%. Despite the low interest rate environment and other COVID-19 challenges, the branch has had a consistent year as this Annual Report will show. For this financial year our business growth was \$8.191 million taking our total business to \$109.563 million.

I'd like to acknowledge our staff of Nat, Karen, Angela, and Brod (also known as team BANK using the first initial for each of their name) for their dedication, enthusiasm and commitment to provide the best customer service experience possible for our customers. Their efforts are truly valued. Special mention to Karen who achieved 15 years with the business this year having been with Community Bank Paynesville & District since opening.

This year we celebrated our 15th birthday in December and we have contributed over \$585,000 in community grants since opening. A figure in which we are extremely proud of and hoping to significantly build on in the years to come. To allow us to do this we need your help, the more you support our branch, the more we can give back to the community. I urge you to ask yourself whether you want your banking to contribute to your community if it doesn't do so already.

We would love the opportunity to discuss any banking, wealth and insurance needs you may have or any existing products held, we can review to see if we can find a suitable product to help you grow your financial wellbeing. Hope to see you soon.



**Jack van Reyk**  
**Branch Manager**

# Directors' report

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

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## Directors

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

Janet Louise McLeod

Chair and Treasurer

Occupation: Chartered Accountant

Qualifications, experience and expertise: Janet has over 30 years experience in Professional Accounting. Janet has a Master of Applied Taxation, a Master of Business Administration, is a Chartered Accountant (CA SMSF Specialist) and Chartered Tax Adviser. Special responsibilities: Human Resources Committee, Audit, Risk, Governance and Finance Committee, Marketing and Business Development Committee and Strategic Planning Committee.

Interest in shares: 5,000 ordinary shares

Andrew Charles Quirke

Non-executive director

Occupation: Small Business Owner

Qualifications, experience and expertise: Andrew is a motor mechanic, President of the Bairnsdale Tennis Club and member of Bairnsdale Field and Game.

Special responsibilities: Deputy Chair, Marketing and Business Development Committee and Human Resources Committee.

Interest in shares: 3,001 ordinary shares

Peter John Markwell

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Peter has worked as a stock exchange floor operator, a money market operator in cash and securities, CEO at the National Mortgage Market Corporation Ltd (a Victorian government-sponsored corporation), and a mortgage lending consultant at National Mortgage Services. He is the Inaugural President at Raymond Island Community Association Inc., and has previously volunteered as a helper at Paynesville Sea Scouts for over 10 years and Meals on Wheels for five years.

Special responsibilities: Marketing and Business Development Committee and Strategic Planning Committee.

Interest in shares: nil share interest held

Lynette Joy Wallace

Non-executive director

Occupation: nil

Qualifications, experience and expertise: Lynette is a current Board Member of East Gippsland Marketing Inc. and previously worked at the following; TAFE Gippsland as Booking and Campus Administrator, Business Manager and Executive Assistant at Gunaikurnai Land and Waters Aboriginal Corporation, Personal Assistant to the Managing Director of a family offset printing company, Production Manager at a manufacturing printing company, Client Service Manager for a national retail company and Studio/Production Manager for various design studios. Lynette has volunteered for many groups and sporting organisations over many years. She has been a committee member of a number of sailing clubs and sailing associations in roles from general committee, Commodore and sailing school Principal.

Special responsibilities: Chair of Marketing and Business Development Committee, and Human Resources Committee.

Interest in shares: 5,000 ordinary shares

## Directors' report (continued)

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### Directors (continued)

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Matthew John Butler

Non-executive director

Occupation: Information Technology Officer

Qualifications, experience and expertise: Matthew has worked in the ICT industry for over 30 years and is currently working at the Bairnsdale Secondary College. He is Treasurer of the AJ Freeman Reserve Committee of Management. Matthew is a volunteer and committee member of the Paynesville Maritime Museum and Member of the Paynesville RSL and Bowling Clubs.

Special responsibilities: Marketing and Business Development Committee, Risk, Audit, Finance and Governance Committee.

Interest in shares: nil share interest held

Nicholas Walter George Fordham

Non-executive director

Occupation: Business Analyst

Qualifications, experience and expertise: Nicholas is a Business Analyst with Bairnsdale Regional Health Service. Nick holds a Bachelor of Arts, GradCert Training in Change Management and a Graduate Diploma in Business Computing. He is the Chair of Paynesville Primary School Council and Treasurer of Gippsland Lakes Roller Derby Inc. He has been an Executive Director of Federation Training, an IT Manager at Advance TAFE and Project Manager at East Gippsland Institute of TAFE.

Special responsibilities: Chair of Audit, Risk, Governance, Finance Committee.

Interest in shares: nil share interest held

Gary Edwin James Gaffney

Non-executive director (appointed 16 April 2021)

Occupation: Director of Bluepen Solutions

Qualifications, experience and expertise: Gary has held various senior and local roles over the past 25 years including CEO of East Gippsland Shire and Executive Director of Regional Development Victoria Government. He is currently semi retired and runs a small consultancy business. He is also the Director and Treasurer of the Arthur Grassby Kokoda Scholarship. His education includes an MBA in Executive Business Operations, Graduate Diploma in Business, Graduate Certificate in Business, Diploma of Business Management as well as qualifications in quality assurance and public participation. Former directorships in the past three years include Regional Development Australia Gippsland, Gippsland Regional Partnership (State), Canberra Regional Joint Board and Rural Councils Victoria.

Special responsibilities: nil

Interest in shares: nil share interest held

Peter Blackie

Non-executive director (resigned 17 December 2020)

Occupation: Chartered Accountant

Qualifications, experience and expertise: Peter is a Chartered Accountant. He was a partner in two Sydney firms over a period of 16 years and a Consultant for another four years. He specialised in taxation and forensic accounting. Peter then entered Commerce and was the Chief Financial Officer (CFO) of two international high-tech companies (one a publicly listed company) for a period of 10 years. He then returned to practice as a forensic accountant for a further three years before moving to Paynesville. Most recently he was the CFO of the Gippsland & East Gippsland Aboriginal Cooperative (five years) and from 2014 was the CFO to the Whelans Group of Companies. In July 2018 he returned to the Gippsland & East Gippsland Aboriginal Cooperative as CFO. Throughout his career Peter has been the Auditor of a number of Not-For-Profit organisations and has been a board member of the Not-For-Profit organisations: Bondi Pavilion Theatre, the Sydney Philharmonic Choirs, and the Ski Club of East Gippsland.

Special responsibilities: Audit, Risk, Governance and Finance Committee and Strategic Planning Committee.

Interest in shares: nil share interest held



## Directors' report (continued)

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### Directors (continued)

Gary John Maskiell

Non-executive director (resigned 20 April 2021)

Occupation: Driving Instructor

Qualifications, experience and expertise: Gary has experience in sales, management and marketing. He has a Certificate IV in Road Transport Logistics and is a member of Gippsland Lakes Yacht Club.

Special responsibilities: Marketing and Business Development Committee.

Interest in shares: 500 ordinary shares

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

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

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### Company Secretary

The company secretary is Angela Dunkley. Angela was appointed to the position of secretary in June 2013.

Qualifications, experience and expertise: Angela has worked in the banking and finance industry for approximately 25 years, and as a Personal Assistant for a further six years. Angela has many years experience in a wide variety of occupations including running her own business, primary education aide, managing events and running a cafe/gallery. Angela is also the Secretary of the Paynesville Business and Tourism Association.

Interest in shares: 1,500 ordinary shares

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### 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.

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### 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
\$	\$
68,425	84,347

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### Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Janet Louise McLeod	5,000	-	5,000
Andrew Charles Quirke	3,001	-	3,001
Peter John Markwell	-	-	-
Lynette Joy Wallace	-	5,000	5,000
Matthew John Butler	-	-	-
Nicholas Walter George Fordham	-	-	-
Gary Edwin James Gaffney	-	-	-
Peter Blackie	-	-	-
Gary John Maskiell	500	-	500

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### 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.

## Directors' report (continued)

### Significant changes in the state of affairs

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

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

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 25 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.

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

	Board Meetings Attended		Committee Meetings Attended					
			Marketing		Human Resources		Audit, Risk, Finance & Governance	
	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
Janet Louise McLeod	12	12	5	5	2	2	1	1
Andrew Charles Quirke	12	11	5	4	2	2	-	-
Peter John Markwell	12	10	5	2	-	-	-	-
Lynette Joy Wallace	12	11	5	5	-	-	-	-
Matthew John Butler	12	12	5	5	-	-	1	1
Nicholas Walter George Fordham	12	11	5	-	-	-	1	1
Gary Edwin James Gaffney	3	2	1	-	-	-	-	-
Peter Blackie	5	4	2	-	-	-	-	-
Gary John Maskiell	9	4	4	2	-	-	-	-



## Directors' report (continued)

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### Proceedings on behalf of the company

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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*.

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### Non audit services

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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 24 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Audit, Risk, Finance and Governance committee, 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 Audit, Risk, Finance and Governance committee 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.

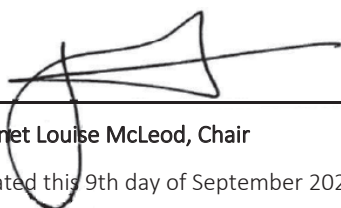
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### Auditor's independence declaration

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A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

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



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Janet Louise McLeod, Chair

Dated this 9th day of September 2021

# Auditor's independence declaration



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 Paynesville & District Financial Services Limited

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

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 9 September 2021

A handwritten signature in black ink, appearing to read 'Adrian Downing'.

**Adrian Downing**  
Lead Auditor



# Financial statements

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

	Note	2021 \$	2020 \$
Revenue from contracts with customers	8	536,164	613,736
Other revenue	9	48,123	74,053
Finance income	10	749	10,055
Employee benefit expenses	11b)	(343,086)	(404,418)
Charitable donations, sponsorship, advertising and promotion		(36,975)	(26,907)
Occupancy and associated costs		(19,451)	(66,243)
Systems costs		(19,255)	(18,947)
Depreciation and amortisation expense	11a)	(28,907)	(23,071)
General administration expenses		(52,166)	(55,321)
<b>Profit before income tax expense</b>		<b>85,196</b>	<b>102,937</b>
Income tax expense	12a)	(16,771)	(18,590)
<b>Profit after income tax expense</b>		<b>68,425</b>	<b>84,347</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>68,425</b>	<b>84,347</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	27	8.62	10.63

The accompanying notes form part of these financial statements

## Financial statements (continued)

### Statement of Financial Position

as at 30 June 2021

	Note	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	400,828	285,636
Trade and other receivables	14	51,358	59,477
Current tax assets	17a)	906	14,611
<b>Total current assets</b>		<b>453,092</b>	<b>359,724</b>
<b>Non-current assets</b>			
Property, plant and equipment	15a)	507,569	520,386
Intangible assets	16a)	57,603	72,384
Deferred tax asset	17b)	13,508	9,502
<b>Total non-current assets</b>		<b>578,680</b>	<b>602,272</b>
<b>Total assets</b>		<b>1,031,772</b>	<b>961,996</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	28,090	33,802
Employee benefits	19a)	49,791	41,612
<b>Total current liabilities</b>		<b>77,881</b>	<b>75,414</b>
<b>Non-current liabilities</b>			
Employee benefits	19b)	12,149	13,265
<b>Total non-current liabilities</b>		<b>12,149</b>	<b>13,265</b>
<b>Total liabilities</b>		<b>90,030</b>	<b>88,679</b>
<b>Net assets</b>		<b>941,742</b>	<b>873,317</b>
<b>EQUITY</b>			
Issued capital	20a)	769,708	769,708
Retained earnings	21	172,034	103,609
<b>Total equity</b>		<b>941,742</b>	<b>873,317</b>

The accompanying notes form part of these financial statements

## Financial statements (continued)

### Statement of Changes in Equity

for the year ended 30 June 2021

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019	769,708	19,262	788,970
Total comprehensive income for the year	-	84,347	84,347
<b>Balance at 30 June 2020</b>	<b>769,708</b>	<b>103,609</b>	<b>873,317</b>
Balance at 1 July 2020	769,708	103,609	873,317
Total comprehensive income for the year	-	68,425	68,425
<b>Balance at 30 June 2021</b>	<b>769,708</b>	<b>172,034</b>	<b>941,742</b>

The accompanying notes form part of these financial statements

## Financial statements (continued)

### Statement of Cash Flows

for the year ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		597,093	808,765
Payments to suppliers and employees		(402,612)	(683,183)
Interest received		788	10,919
Lease payments exempt from the measurement of lease liabilities	11c)	(6,918)	(53,217)
Income taxes paid		(7,073)	(42,536)
<b>Net cash provided by operating activities</b>	22	<b>181,278</b>	<b>40,748</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,308)	(488,755)
Payments for intangible assets		(64,778)	-
<b>Net cash used in investing activities</b>		<b>(66,086)</b>	<b>(488,755)</b>
<b>Net cash increase/(decrease) in cash held</b>		<b>115,192</b>	<b>(448,007)</b>
Cash and cash equivalents at the beginning of the financial year		285,636	733,643
<b>Cash and cash equivalents at the end of the financial year</b>	13	<b>400,828</b>	<b>285,636</b>

The accompanying notes form part of these financial statements

# Notes to the financial statements

For the year ended 30 June 2021

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**Note 1      Reporting entity**

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

Registered Office	Principal Place of Business
61 The Esplanade Paynesville, VIC 3880	61 The Esplanade Paynesville, VIC 3880

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 25.

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**Note 2      Basis of preparation and statement of compliance**

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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 9 September 2021.

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**Note 3      Changes in accounting policies, standards and interpretations**

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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.

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**Note 4      Summary of significant accounting policies**

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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:



## Notes to the financial statements (continued)

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

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

<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.

#### *Core banking products*

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

#### *Ability to change financial return*

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

# Notes to the financial statements (continued)

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

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

#### *Ability to change financial return (continued)*

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

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

### b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. All revenue is stated net of the amount of Goods and Services Tax (GST).

#### Revenue

#### Revenue recognition policy

Discretionary financial contributions (also "Market Development Fund" or "MDF")	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
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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).
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Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.
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#### *Discretionary financial contributions*

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

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

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

#### *Cash flow boost*

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

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

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

### c) Economic dependency - Bendigo Bank

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

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

## Notes to the financial statements (continued)

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

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

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

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

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

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

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

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

##### *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.

# Notes to the financial statements (continued)

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

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### d) Employee benefits (*continued*)

#### *Other long-term employee benefits (continued)*

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.

#### *Goods and Services Tax*

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

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

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

### f) Cash and cash equivalents

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

### g) Property, plant and equipment

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

## Notes to the financial statements (continued)

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

#### g) Property, plant and equipment (continued)

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 or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Building	Straight-line	40 years
Leasehold improvements	Straight-line	5 to 15 years
Furniture, fixtures and fittings	Straight-line and diminishing value	4 to 40 years
Computer equipment	Diminishing value	3 to 10 years

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

#### h) Intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise. The company has also acquired a customer list from Bendigo Bank.

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

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

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

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

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

#### i) Financial instruments

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

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.

# Notes to the financial statements (continued)

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

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### j) Impairment

#### *Non-derivative financial assets*

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

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

#### *Non-financial assets*

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

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

### k) Issued capital

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

### l) Provisions

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

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

### m) Leases

#### *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.

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## Note 5 Significant accounting judgements, estimates, and assumptions

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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.

## Notes to the financial statements (continued)

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

#### a) 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 17 - 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 19 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;

### 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

<u>Non-derivative financial liability</u>	<u>Contractual cash flows</u>			
	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Trade and other payables	765	765	-	-



## Notes to the financial statements (continued)

### Note 6 Financial risk management (continued)

#### b) Liquidity risk (continued)

30 June 2020

Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade and other payables	24,702	24,702	-	-

#### 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 at fair value. The company is not exposed to commodity price risk.

##### Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$400,828 at 30 June 2021 (2020: \$285,636). 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.

## Notes to the financial statements (continued)

### Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	429,320	510,182
- Fee income	54,833	61,051
- Commission income	52,011	42,503
	<u>536,164</u>	<u>613,736</u>

### Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	22,500	33,333
- Cash flow boost	24,432	40,720
- Other income	1,191	-
	<u>48,123</u>	<u>74,053</u>

### Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	749	10,055

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

### Note 11 Expenses

<b>a) Depreciation and amortisation expense</b>	<b>2021 \$</b>	<b>2020 \$</b>
<i>Depreciation of non-current assets:</i>		
- Buildings	8,513	23
- Leasehold improvements	2,530	2,530
- Furniture and fittings	2,862	3,317
- Computer Software	221	259
	<u>14,126</u>	<u>6,129</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,200	2,260
- Franchise renewal process fee	10,999	11,296
- Domiciled customer accounts	1,582	3,386
	<u>14,781</u>	<u>16,942</u>
Total depreciation and amortisation expense	<u>28,907</u>	<u>23,071</u>
<b>b) Employee benefit expenses</b>		
Wages and salaries	299,798	349,590
Contributions to defined contribution plans	28,815	34,858
Expenses related to long service leave	4,779	6,348
Other expenses	9,694	13,622
	<u>343,086</u>	<u>404,418</u>

## Notes to the financial statements (continued)

### Note 11 Expenses (*continued*)

#### c) 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's lease for the branch premises ended 30 June 2020. The company elected to exempt from recognition under AASB 16 leases as the lease term expired within 12 months of initial application date.

	2021 \$	2020 \$
Expenses relating to low-value leases	6,918	6,084
Expenses relating to short-term leases	-	47,133
	<u>6,918</u>	<u>53,217</u>

### Note 12 Income tax expense

#### a) Amounts recognised in profit or loss

	2021 \$	2020 \$
<i>Current tax expense</i>		
- Current tax	20,778	21,512
- Movement in deferred tax	(4,547)	(3,470)
- Reduction in company tax rate	540	548
	<u>16,771</u>	<u>18,590</u>

#### b) *Prima facie* income tax reconciliation

Operating profit before taxation	85,196	102,937
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	22,151	28,308
Tax effect of:		
- Non-deductible expenses	432	931
- Temporary differences	4,547	3,471
- Other assessable income	(6,352)	(11,198)
- Movement in deferred tax	(4,547)	(3,470)
- Reduction in company tax rate	540	548
	<u>16,771</u>	<u>18,590</u>

### Note 13 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	100,828	185,636
- Term deposits	300,000	100,000
	<u>400,828</u>	<u>285,636</u>

## Notes to the financial statements (continued)

### Note 14 Trade and other receivables

Current assets	2021 \$	2020 \$
Trade receivables	43,943	764
Prepayments	7,393	9,904
Other receivables and accruals	22	48,809
	<u>51,358</u>	<u>59,477</u>

### Note 15 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Land</i>		
At cost	<u>145,935</u>	<u>145,935</u>
<i>Buildings</i>		
At cost	340,515	340,515
Less: accumulated depreciation	(8,536)	(23)
	<u>331,979</u>	<u>340,492</u>
<i>Leasehold improvements</i>		
At cost	136,363	136,363
Less: accumulated depreciation	(126,221)	(123,691)
	<u>10,142</u>	<u>12,672</u>
<i>Furniture and fittings</i>		
At cost	136,906	135,597
Less: accumulated depreciation	(118,642)	(115,780)
	<u>18,264</u>	<u>19,817</u>
<i>Computer software</i>		
At cost	16,053	16,053
Less: accumulated depreciation	(14,804)	(14,583)
	<u>1,249</u>	<u>1,470</u>
Total written down amount	<u>507,569</u>	<u>520,386</u>

### b) Reconciliation of carrying amounts

<i>Land</i>		
Carrying amount at beginning	145,935	-
Additions	-	145,935
	<u>145,935</u>	<u>145,935</u>
<i>Buildings</i>		
Carrying amount at beginning	340,492	-
Additions	-	340,515
Depreciation	(8,513)	(23)
	<u>331,979</u>	<u>340,492</u>

## Notes to the financial statements (continued)

### Note 15 Property, plant and equipment

#### b) Reconciliation of carrying amounts (*continued*)

	2021 \$	2020 \$
<i>Leasehold improvements</i>		
Carrying amount at beginning	12,672	15,202
Depreciation	(2,530)	(2,530)
	<u>10,142</u>	<u>12,672</u>
<i>Furniture and fittings</i>		
Carrying amount at beginning	19,817	22,184
Additions	1,309	2,305
Disposals	-	(1,355)
Depreciation	(2,862)	(3,317)
	<u>18,264</u>	<u>19,817</u>
<i>Computer software</i>		
Carrying amount at beginning	1,470	1,729
Depreciation	(221)	(259)
	<u>1,249</u>	<u>1,470</u>
Total written down amount	<u>507,569</u>	<u>520,386</u>

#### c) Changes in estimates

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

### Note 16 Intangible assets

#### a) Carrying amounts

	2021 \$	2020 \$
<i>Franchise fee</i>		
At cost	43,663	43,663
Less: accumulated amortisation	(34,063)	(31,863)
	<u>9,600</u>	<u>11,800</u>
<i>Franchise renewal process fee</i>		
At cost	168,318	168,318
Less: accumulated amortisation	(120,315)	(109,316)
	<u>48,003</u>	<u>59,002</u>
<i>Cash-generating unit - domiciled accounts</i>		
At cost	45,000	45,000
Less: accumulated amortisation	(45,000)	(43,418)
	<u>-</u>	<u>1,582</u>
Total written down amount	<u>57,603</u>	<u>72,384</u>

## Notes to the financial statements (continued)

### Note 16 Intangible assets (continued)

<b>b) Reconciliation of carrying amounts</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise fee</i>		
Carrying amount at beginning	11,800	3,264
Additions	-	10,796
Amortisation	(2,200)	(2,260)
	<u>9,600</u>	<u>11,800</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	59,002	16,318
Additions	-	53,980
Amortisation	(10,999)	(11,296)
	<u>48,003</u>	<u>59,002</u>
<i>Cash-generating unit - domiciled accounts</i>		
Carrying amount at beginning	1,582	4,968
Amortisation	(1,582)	(3,386)
	<u>-</u>	<u>1,582</u>
Total written down amount	<u>57,603</u>	<u>72,384</u>

### c) Changes in estimates

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

### Note 17 Tax assets and liabilities

<b>a) Current tax</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Income tax refundable	<u>(906)</u>	<u>(14,611)</u>
<b>b) Deferred tax</b>		
<i>Deferred tax assets</i>		
- expense accruals	775	780
- employee provisions	15,485	14,269
Total deferred tax assets	<u>16,260</u>	<u>15,049</u>
<i>Deferred tax liabilities</i>		
- income accruals	6	16
- property, plant and equipment	2,746	5,531
Total deferred tax liabilities	<u>2,752</u>	<u>5,547</u>
Net deferred tax assets	<u>13,508</u>	<u>9,502</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>4,006</u>	<u>(3,470)</u>

## Notes to the financial statements (continued)

### Note 18 Trade creditors and other payables

Current liabilities	2021 \$	2020 \$
Trade creditors	765	24,702
Other creditors and accruals	27,325	9,100
	<u>28,090</u>	<u>33,802</u>

### Note 19 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	26,054	23,771
Provision for long service leave	23,737	17,841
	<u>49,791</u>	<u>41,612</u>

#### b) Non-current liabilities

Provision for long service leave	<u>12,149</u>	<u>13,265</u>
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#### 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 20 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	793,513	793,513	793,513	793,513
Less: equity raising costs	-	(23,805)	-	(23,805)
	<u>793,513</u>	<u>769,708</u>	<u>793,513</u>	<u>769,708</u>

#### 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.



## Notes to the financial statements (continued)

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### Note 20 Issued capital (*continued*)

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

##### *Ordinary shares (continued)*

##### Voting rights (continued)

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.

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.

## Notes to the financial statements (continued)

### Note 21 Retained earnings

	2021 \$	2020 \$
Balance at beginning of reporting period	103,609	19,262
Net profit after tax from ordinary activities	68,425	84,347
Balance at end of reporting period	<u>172,034</u>	<u>103,609</u>

### Note 22 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	68,425	84,347
Adjustments for:		
- Depreciation	14,126	6,129
- Amortisation	14,781	16,942
- loss on disposal of non-current assets	-	1,354
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	8,118	11,071
- (Increase)/decrease in other assets	9,699	(17,533)
- Increase/(decrease) in trade and other payables	59,067	(65,779)
- Increase/(decrease) in employee benefits	7,062	10,630
- Increase/(decrease) in tax liabilities	-	(6,413)
Net cash flows provided by operating activities	<u>181,278</u>	<u>40,748</u>

### Note 23 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 \$
<b>Financial assets</b>			
Trade and other receivables	14	43,965	49,573
Cash and cash equivalents	13	100,828	185,636
Term deposits	13	300,000	100,000
		<u>444,793</u>	<u>335,209</u>
<b>Financial liabilities</b>			
Trade and other payables	18	<u>28,090</u>	<u>33,802</u>

## Notes to the financial statements (continued)

### Note 24 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	3,020	2,400
- Share registry services	2,300	2,300
Total auditor's remuneration	<u>10,920</u>	<u>10,100</u>

### Note 25 Related parties

#### a) Details of key management personnel

The directors of the company during the financial year were:

Janet Louise McLeod  
 Andrew Charles Quirke  
 Peter John Markwell  
 Lynette Joy Wallace  
 Matthew John Butler  
 Nicholas Walter George Fordham  
 Gary Edwin James Gaffney  
 Peter Blackie  
 Gary John Maskiell

#### 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>		
- Andrew Quirke sold stationary and printing supplies to the company.	<u>1,303</u>	<u>545</u>

## Notes to the financial statements (continued)

### Note 26 Franking account

Franking account balance	2021 \$	2020 \$
Franking account balance at the beginning of the financial year	135,152	92,616
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	33,725	(6,740)
- Franking credits (debits) from franked distributions received	(26,652)	49,276
Franking account balance at the end of the financial year	<u>142,225</u>	<u>135,152</u>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(906)	(14,611)
Franking credits available for future reporting periods	<u>141,319</u>	<u>120,541</u>

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

### Note 27 Earnings per share

#### Basic and diluted earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	<u>68,425</u>	<u>84,347</u>
	Number	Number
Weighted-average number of ordinary shares	<u>793,513</u>	<u>793,513</u>
	Cents	Cents
Basic and diluted earnings per share	<u>8.62</u>	<u>10.63</u>

### Note 28 Commitments

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

### Note 29 Contingencies

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

### Note 30 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 Paynesville & District 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.



Janet Louise McLeod, Chair

Dated this 9th day of September 2021

# Independent audit report



61 Bull Street  
Bendigo VIC 3550  
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03 5443 0344

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Paynesville & District Financial Services Limited's (the company), which comprises:

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

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

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

#### Basis for Opinion

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

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

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





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## 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: 9 September 2021

**Adrian Downing**  
Lead Auditor

### **Community Bank · Paynesville & District**

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[/communitybankpaynesvilledistrict](https://www.facebook.com/communitybankpaynesvilledistrict)

#### Franchisee:

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