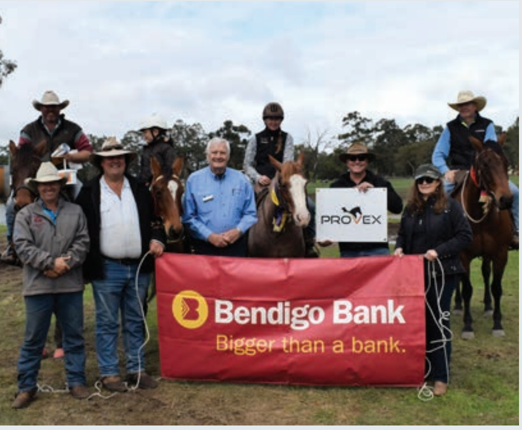
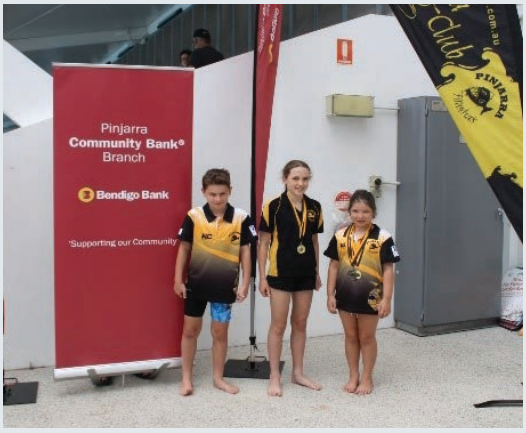
2021 Annual Report





Pinjarra Community Financial Services Limited

ABN 31 097 389 547

Community Bank · Pinjarra

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Chairman's report

For year ending 30 June 2021

On behalf of the Pinjarra Community Financial Services Limited Board, it is my pleasure to present the Chairman's report of the Community Bank Pinjarra performance and activities for the 2020/21 financial year.

This Annual Report provides opportunities to communicate the benefits that can be achieved by our Community Bank.

2020/21 has been a year of continuous challenge and change as the industry continues to encounter difficult market conditions, low interest rates, and COVID-19 disruptions. We thank all our staff who continued to work through COVID-19 lockdowns.

Our Community Bank continues, to prioritise our culture of high-quality customer service and accountability, under the very capable leadership of our Branch Manager Natalie Myers supported by her dedicated staff.

It gives me great pleasure to announce that our financial position as at 30 June 2021 shows an after-tax profit of $56,104. The result can be attributed to the continuing priority of our staff to place the customer focussed values of our Community Bank Pinjarra front and centre in their dealings with our customers and the community.

Our Marketing Committee very ably led by Shane Rowley, has worked diligently to use funds effectively and to the greatest advantage to those groups that have applied for and been awarded donations, grants and sponsorships. In return for our financial support, we require, that we, as your Community Bank, benefit by way of brand exposure through advertising, naming rights, partnership banking and attendance at important functions, etc.

Some of the projects which have benefitted from your Community Bank marketing budget this year are:

- Carcoola Primary School P&C
- Coolup Campcraft
- Pinjarra Swimming Club
- Lions Club of Pinjarra
- Pinjarra Community Garden
- West Coast Reiners
- Shire of Murray.

These are only a few of the community groups which we have supported during the financial year, showing the diversity of projects that have been supported.

In total, the amount contributed to our community this year is $40,184.

Once again, despite this highly competitive environment we were able to pay a fully franked dividend of five cents per share. Since 2013 Pinjarra Community Financial Services Limited has been able to pay a dividend to shareholders.

The 2020/21 financial year has also brought about changes to the Board of Directors of Pinjarra Community Financial Services Limited.

I am pleased to announce that the Board has welcomed two new Directors, Merv Williams, appointed 15 December 2020, and Lindsay Stacpoole, appointed 9 January 2021.

I would like to express my sincere appreciation to all of our Board members who volunteer their time and expertise to the company and to myself, in my role of Chairman. I would like to acknowledge their commitment to the Board, and also thank their families, for, as we know, such a commitment affects both their personal and business lives.

All members contribute to the smooth running of the Board, assisted by the staff. I would especially like to thank our Company Secretary (Michael Kidd), Branch Manager (Natalie Myers), Marketing Chair (Shane Rowley) and our Administration Officer (Tessa Davies) for their support during the year.

Without the support of our shareholders Pinjarra Community Financial Services Limited would not exist, so a great big thank you for your continuing support.

Whilst there will be ongoing economic challenges which will inevitably affect our Community Bank, you can be assured that your Board of Directors and our branch staff, will continue our efforts to uphold the success of our brand and our business as we have done in the past.

This year (2021) we will be celebrating our 20th Anniversary of being in business as your Community Bank. We will be celebrating with a free Community Fair on 7 November at the Edenvale Homestead, and hope to see many members of our community there.

We look forward to celebrating this milestone.

Stephen (Steve) Lee
Chairman

Manager's report

For year ending 30 June 2021

I am pleased to announce that despite the challenges we have all seen this year i.e COVID-19 lockdowns, we have had once again a strong growth year.

As at 30 June 2021 the branch saw $11 million in growth. This is a great achievement and really does show what hard work and determination can achieve. This year saw the Community Bank Pinjarra being able to contribute $40,184 back into the local community. This is a result of your support, 'support us to support your community'.

Community Bank Pinjarra has undergone some exciting transformations bringing the branch into the 21st century. You will have noticed the freshly painted frontage and bright newly branded signage. The team are also showcasing new uniforms. We have introduced new programmes such as DocuSign to ensure we are keeping up with the times and offering the digital services clients expect.

Although times are changing our approach and values are consistent. We are **Bigger than a bank** and pride ourselves on being the most customer focused bank in Australia. We listen to our customers and adapt to feedback.

Our future is digital by design and human when it matters.

I would like to thank my team for their continuous hard work, passion and commitment. You all bring a different skill set and knowledge and this is what makes the great team we are.

Thank you shareholders, for your continuing support. Without you we wouldn't be possible.

To the Board members, I appreciate your valuable skills and your precious time you volunteer to enable the business to grow. I greatly appreciate your support. Thank you.

I look forward to the 2021/22 financial year and the exciting changes the Bendigo Bank Network Productivity & Transformation Charter has in store for us.

We will be Australia's Bank of choice!

I wish the Pinjarra community, shareholder, Board members and my team all the best and look forward to another exciting year ahead of us.

Natalie Myers
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.

Directors

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

Stephen Donald Lee
Chair
Occupation: Shire Councillor
Qualifications, experience and expertise: Shire of Murray Councillor since 2013. Former Deputy Shire President. Retired Manager Administration and Finance, Education Department of Western Australia. Treasurer Friends of Edenvale Inc. Chairperson Ravenswood Community Group Inc. Councillor Rivers Regional Council. Member and former Treasurer Lions Club of Pinjarra.
Special responsibilities: Chair, Member Finance committee, HR Committee and Marketing Committee.
Interest in shares: 1,000 ordinary shares

Ernest Albert Hiddlestone
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: Previously a primary school teacher for 37 years including Deputy Principal for 15 years. Has also been a self employed lawn mowing contractor. Treasurer for the Rotary Club of Kenwick (five years).
Special responsibilities: Member Marketing Committee and Finance Committee.
Interest in shares: 300 ordinary shares

Michael Frank Kidd
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: 40 years experience in senior Financial Management roles in England, Papua New Guinea and Australia in the private sector and Local and State Government.
Special responsibilities: Treasurer, Company Secretary, Chairman Finance Committee, Member HR Committee.
Interest in shares: nil share interest held

Laurence Ian Galloway
Non-executive director
Occupation: Company Director
Qualifications, experience and expertise: Business owner for over 40 years and a Rotary member for 27 years. Director of Pinjarra Auto Group and Galloway Engine Reconditioning.
Special responsibilities: Member HR committee.
Interest in shares: 2,000 ordinary shares

Donald Francis Repacholi
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: National Sales and Marketing with Mercedes Benz (Aust) Pty Ltd. Holds a Certificate of Registration with the Real Estate Institute of Western Australia and Financial Planning Association Accreditation. Director Peel Zoo Foundation Pty Ltd, Chairman Ravenswood Community Group Inc. and 'Rodoreda Heights' Survey Strata Plan. Bendigo's Bushfire Advisory Committee.
Special responsibilities: Deputy Chair, Member Marketing committee and HR Committee.
Interest in shares: nil share interest held

Shane Robert Rowley
Non-executive director
Occupation: Self-employed, Agricultural Manager/Farmer
Qualifications, experience and expertise: Local business owner and lifetime resident in the area.
Special responsibilities: Member Marketing Committee.
Interest in shares: nil share interest held

Directors *(continued)*

Mervyn Williams
Non-executive director (appointed 15 December 2020)
Occupation: Retired Chartered Accountant
Qualifications, experience and expertise: Commenced training as a Chartered Accountant in 1969 and qualified in 1979. Since that time Mervyn worked in various roles in the accounting profession and commercial organisations. The last 27 years he spent as Chief Financial Officer for Rocky Bay, a Not for Profit Organisation in the disability services sector. Mervyn has been involved in various roles within a number of sporting organisations and is currently president of the Rotary Club of Pinjarra.
Special responsibilities: Member Finance Committee.
Interest in shares: nil share interest held

Lindsay Gay Stacpoole
Non-executive director (appointed 19 January 2021)
Occupation: Electorate Officer
Qualifications, experience and expertise: As the Electorate Officer for the Member for Murray-Wellington, Lindsay is the first point of contact for constituents, providing support and assistance for their enquiries. During her 6 years at the Peel Chamber of Commerce & Industry, she built strong community relationships and made mutually beneficial connections with local businesses. Lindsay has a Diploma of Tourism and experience in Event Management and Sponsorship.
Special responsibilities: Member Marketing Committee.
Interest in shares: nil share interest held

Warren Haugh
Non-executive director (resigned 3 November 2020)
Occupation: Production Schedules Newmont Goldcorp Boddington
Qualifications, experience and expertise: 10 years New Zealand Police Force, moved to Australia in 2006. 12 years living in Western Australia working within the mining industry. Dwellingup Primary School P&C President for last 5 years and co-ordinator of Dwellingup Pumpkin Festival for that time. On Austin Cove Baptist College P&F Executive.
Special responsibilities: Member Marketing committee.
Interest in shares: nil share interest held

Eric George Hamer
Non-executive director (resigned 18 August 2020)
Occupation: Retired
Qualifications, experience and expertise: Vast experience and knowledge of the local real estate industry, especially in the development field. Experience in the life insurance industry and also a qualified finance broker. Experience in finance specifically to lending in the Real Estate industry. Previous director of Ray White Real Estate, Mandurah December 2007 to 2009.
Special responsibilities: Member Marketing committee.
Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Michael Frank Kidd. Michael was appointed to the position of secretary on 1 April 2015.

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 $
56,104	86,122

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Stephen Donald Lee	-	1,000	1,000
Ernest Albert Hiddlestone	300	-	300
Michael Frank Kidd	-	-	-
Laurence Ian Galloway	2,000	-	2,000
Donald Francis Repacholi	-	-	-
Shane Robert Rowley	-	-	-
Mervyn Williams	-	-	-
Lindsay Gay Stacpoole	-	-	-
Warren Haugh	-	-	-
Eric George Hamer	-	-	-

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	5.00	19,708

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability 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:

E - eligible to attend
A - number attended

	Board Meetings		Committee Meetings					
			Marketing		HR Committee		Finance Committee	
	E	A	E	A	E	A	E	A
Stephen Donald Lee	11	9	3	3	2	1	4	3
Ernest Albert Hiddlestone	11	7	5	5	-	-	4	2
Michael Frank Kidd	11	11	-	-	2	2	4	4
Laurence Ian Galloway	11	8	-	-	2	2	-	-
Donald Francis Repacholi	11	11	5	5	-	-	4	1
Shane Robert Rowley	11	10	3	3	-	-	-	-
Mervyn Williams	7	6	-	-	-	-	4	3
Lindsay Gay Stacpoole	5	4	3	3	-	-	-	-
Warren Haugh	4	4	2	2	2	2	1	1
Eric George Hamer	1	-	2	1	-	-	-	-

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 31 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 Finance 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 Finance 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.

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 10.

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

Stephen Donald Lee , Chair

Dated this 6th day of October 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 Pinjarra Community Financial Services Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 6 October 2021

Adrian Downing
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation ABN: 51 061 795 337

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	827,827	887,083
Other revenue	9	60,473	91,120
Finance income	10	4,111	5,894
Employee benefit expenses	11c)	(465,791)	(466,430)
Charitable donations, sponsorship, advertising and promotion		(40,184)	(56,025)
Occupancy and associated costs		(35,104)	(29,138)
Systems costs		(32,233)	(32,244)
Depreciation and amortisation expense	11a)	(121,769)	(121,144)
Finance costs	11b)	(33,428)	(35,898)
General administration expenses		(112,113)	(124,159)
Fair value gains/(losses) on investments	12	17,838	(12,714)
Profit before income tax expense		69,627	106,345
Income tax expense	13a)	(13,523)	(20,223)
Profit after income tax expense		56,104	86,122
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		56,104	86,122
Earnings per share		¢	¢
- Basic and diluted earnings per share:	34	14.23	21.85

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	14	635,888	602,863
Trade and other receivables	17	70,792	88,321
Current tax assets	21a)	10,033	-
Total current assets		716,713	691,184
Non-current assets			
Other investments	16	85,084	27,255
Investment property	15a)	35,790	44,863
Property, plant and equipment	18a)	71,345	119,206
Right-of-use assets	19a)	397,470	419,530
Intangible assets	20a)	4,667	15,827
Deferred tax asset	21b)	89,017	77,230
Total non-current assets		683,373	703,911
Total assets		1,400,086	1,395,095
LIABILITIES			
Current liabilities			
Trade and other payables	22	50,656	51,040
Current tax liabilities	21a)	-	9,031
Loans and borrowings	23a)	23,136	23,136
Lease liabilities	24a)	14,858	12,236
Employee benefits	26a)	27,942	19,680
Total current liabilities		116,592	115,123
Non-current liabilities			
Loans and borrowings	23b)	68,277	85,657
Lease liabilities	24b)	554,710	569,568
Employee benefits	26b)	11,819	12,814
Provisions	25a)	7,744	7,385
Total non-current liabilities		642,550	675,424
Total liabilities		759,142	790,547
Net assets		640,944	604,548
EQUITY			
Issued capital	27a)	385,805	385,805
Retained earnings	28	255,139	218,743
Total equity		640,944	604,548

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2019		385,805	152,329	538,134
Total comprehensive income for the year		-	86,122	86,122
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	33a)	-	(19,708)	(19,708)
Balance at 30 June 2020		385,805	218,743	604,548
Balance at 1 July 2020		385,805	218,743	604,548
Total comprehensive income for the year		-	56,104	56,104
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	33a)	-	(19,708)	(19,708)
Balance at 30 June 2021		385,805	255,139	640,944

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		990,780	1,063,478
Payments to suppliers and employees		(759,844)	(810,643)
Interest received		3,605	7,820
Interest paid		(5,636)	(7,602)
Lease payments (interest component)	11b)	(27,433)	(27,953)
Lease payments not included in the measurement of lease liabilities	11d)	(14,248)	(13,090)
Dividends received		2,271	1,205
Income taxes paid		(35,538)	(28,520)
Net cash provided by operating activities	29	153,957	184,695
Cash flows from investing activities			
Payments for property, plant and equipment		(31,616)	(12,240)
Payments for intangible assets		-	(11,849)
Payments for investments		(39,992)	(27,255)
Net cash used in investing activities		(71,608)	(51,344)
Cash flows from financing activities			
Repayment of loans and borrowings		(17,380)	(16,001)
Lease payments (principal component)		(12,236)	(9,827)
Dividends paid	33a)	(19,708)	(19,708)
Net cash used in financing activities		(49,324)	(45,536)
Net cash increase in cash held		33,025	87,815
Cash and cash equivalents at the beginning of the financial year		602,863	515,048
Cash and cash equivalents at the end of the financial year	14	635,888	602,863

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

Registered Office	Principal Place of Business
35 George Street Pinjarra WA 6208	35 George Street Pinjarra WA 6208

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 32.

Note 2 Basis of preparation and statement of compliance

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

The financial statements have been prepared on an accrual and historical cost basis, except for equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 6 October 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.

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.

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.

Revenue	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

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

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.

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
Leasehold improvements	Straight-line	10 to 40 years
Furniture, fixtures and fittings	Straight-line	1 to 10 years
Motor vehicles	Straight-line	5 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)

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, lease liabilities, borrowings and equity securities (shares, managed funds, ETFs).

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

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

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

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.

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

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

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

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)*

As a lessee (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.

n) Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

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

a) Judgements

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

Note	Judgement
- Note 24 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to control the use of the identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors;
d) sublease classification	d) judgement is required to determine the classification of the sublease as either an operating or a finance sublease.

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 21 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 12 - fair value	determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs;
- Note 18 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 26 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 25 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

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

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

a) Credit risk

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

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

Note 6 Financial risk management *(continued)*

b) Liquidity risk

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

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

- $91,413 commercial loan with available redraw facility of $0 at the end of the financial year.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

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
Bank loans	91,413	23,136	68,277	-
Lease liabilities	569,568	41,652	188,502	579,325
Trade and other payables	50,656	50,656	-	-
	711,637	115,444	256,779	579,325

30 June 2020

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	108,793	23,136	85,657	-
Lease liabilities	581,804	39,669	179,526	629,953
Trade and other payables	51,040	51,040	-	-
	741,637	113,845	265,183	629,953

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.

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

Note 6 Financial risk management *(continued)*

c) Market risk *(continued)*

Sensitivity analysis - equity price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX).

	2021 $		2020 $	
	10% increase	10% decrease	10% increase	10% decrease
Equity securities	8,508	(8,508)	2,726	(2,726)

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $635,888 at 30 June 2021 (2020: $602,863). 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	687,500	754,210
- Fee income	65,544	59,021
- Commission income	74,783	73,852
	827,827	887,083

Note 9 Other revenue

	2021 $	2020 $
- Rental income	11,624	11,070
- Dividend and distribution income	2,271	1,205
- Market development fund income	16,875	25,000
- Cash flow boost	29,703	51,171
- Sale of property, plant and equipment	-	2,474
- Other income	-	200
	60,473	91,120

Note 10 Finance income

	2021 $	2020 $
- Term deposits	4,111	5,894

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:		
- Leasehold improvements	60,333	59,910
- Plant and equipment	14,464	14,516
- Motor vehicles	4,680	4,364
	79,477	78,790
Depreciation of right-of-use assets		
- Leased land and buildings	31,132	31,132
Amortisation of intangible assets:		
- Franchise fee	11,160	11,222
Total depreciation and amortisation expense	121,769	121,144

b) Finance costs

	2021 $	2020 $
- Bank loan interest paid or accrued	5,636	7,602
- Lease interest expense	27,433	27,953
- Unwinding of make-good provision	359	343
	33,428	35,898

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

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	404,814	406,483
Non-cash benefits	5,788	4,712
Contributions to defined contribution plans	36,889	37,261
Expenses related to long service leave	8,230	2,728
Other expenses	10,070	15,246
	465,791	466,430

Note 11 Expenses *(continued)*

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	14,248	13,090

Note 12 Fair value gains/(losses) on investments

	2021 $	2020 $
- At FVTPL - equity instruments	17,838	(12,714)

These amounts relate to the increase and decrease in the market value of investments or financial assets held by the company.

Note 13 Income tax expense

a) Amounts recognised in profit or loss	2021 $	2020 $
Current tax expense/(credit)		
- Current tax	26,283	37,901
- Net benefit of franking credits on dividends received	(973)	(517)
- Movement in deferred tax	(15,348)	(49,983)
- Adjustment to deferred tax on AASB 16 retrospective application	-	28,366
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	3,561	4,456
	13,523	20,223

b) *Prima facie* income tax reconciliation

Operating profit before taxation	69,627	106,345
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	18,103	29,245
Tax effect of:		
- Non-deductible expenses	173	281
- Temporary differences	15,347	21,617
- Other assessable income	(7,340)	(13,242)
- Movement in deferred tax	(15,348)	(49,983)
- Net benefit of franking credits on distributions received	(973)	(517)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	3,561	4,456
- Leases initial recognition	-	28,366
	13,523	20,223

Note 14 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	66,841	207,421
- Term deposits	569,047	395,442
	635,888	602,863

Note 15 Investment property

The company subleases some of its property. The company initially measures the head lease in accordance with AASB 16 before separately identifying the sublease portion under AASB 140 Investment Property. The investment property is initially measured at cost under AASB 16 and subsequently measured at cost less accumulated depreciation under AASB 140.

a) Carrying amounts

	2021 $	2020 $
Investment properties - sub-lease		
At cost	91,225	91,225
Less: accumulated depreciation	(55,435)	(46,362)
Total written down amount	35,790	44,863

b) Reconciliation of carrying amounts

	2021 $	2020 $
Investment properties - sub-lease		
Carrying amount at beginning	44,863	-
Initial recognition on transition - at cost	-	91,225
Initial recognition on transition - accumulated depreciation	-	(37,244)
Depreciation	(9,073)	(9,118)
Total written down amount	35,790	44,863

c) Maturity analysis

The operarting sublease commenced in June 2015. A 5 year renewal option was exercised in June 2020. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 $	2020 $
- Within 12 months	12,154	11,624
- Between one and five years	36,462	48,616
Total undiscounted lease receivable	48,616	60,240

Note 16 Other investments

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

Non-current investments	2021 $	2020 $
Equity securities - at FVTPL	85,084	27,255

Note 17 Trade and other receivables

Current assets	2021 $	2020 $
Trade receivables	58,462	75,871
Prepayments	10,917	11,542
Other receivables and accruals	1,413	908
	70,792	88,321

Note 18 Property, plant and equipment

a) Carrying amounts

	2021 $	2020 $
Leasehold improvements		
At cost	321,100	301,667
Less: accumulated depreciation	(286,831)	(226,498)
	34,269	75,169
Plant and equipment		
At cost	92,599	86,070
Less: accumulated depreciation	(73,001)	(64,191)
	19,598	21,879
Motor vehicles		
At cost	23,402	23,402
Less: accumulated depreciation	(5,924)	(1,244)
	17,478	22,158
Total written down amount	71,345	119,206

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leasehold improvements		
Carrying amount at beginning	75,169	134,309
Additions	19,433	770
Depreciation	(60,333)	(59,910)
	34,269	75,169
Plant and equipment		
Carrying amount at beginning	21,879	31,384
Additions	12,183	5,295
Disposals	-	(284)
Depreciation	(14,464)	(14,516)
	19,598	21,879
Motor vehicles		
Carrying amount at beginning	22,158	17,589
Additions	-	23,402
Disposals	-	(14,469)
Depreciation	(4,680)	(4,364)
	17,478	22,158
Total written down amount	71,345	119,206

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 19 Right-of-use assets

a) Carrying amounts

	2021 $	2020 $
Leased land and buildings		
At cost	531,424	531,425
Less: accumulated depreciation	(133,954)	(111,895)
Total written down amount	397,470	419,530

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leased land and buildings		
Carrying amount at beginning	419,530	-
Initial recognition on transition	-	531,425
Accumulated depreciation on adoption	-	(89,881)
Depreciation	(22,060)	(22,014)
Total written down amount	397,470	419,530

Note 20 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	205,961	205,961
Less: accumulated amortisation	(201,294)	(190,134)
	4,667	15,827

b) Reconciliation of carrying amounts

	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	15,827	27,049
Amortisation	(11,160)	(11,222)
Total written down amount	4,667	15,827

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 21 Tax assets and liabilities

a) Current tax

	2021 $	2020 $
Income tax payable/(refundable)	(10,033)	9,031

Note 21 Tax assets and liabilities *(continued)*

b) Deferred tax	2021 $	2020 $
Deferred tax assets		
- employee provisions	10,082	8,506
- make-good provision	1,936	1,920
- lease liability	142,392	151,269
- property, plant and equipment	47,285	36,208
- fair value of investments	-	3,306
Total deferred tax assets	201,695	201,209
Deferred tax liabilities		
- income accruals	353	236
- deductible prepayments	2,729	3,001
- fair value of investments	1,281	-
- right-of-use assets	108,315	120,742
Total deferred tax liabilities	112,678	123,979
Net deferred tax assets (liabilities)	89,017	77,230
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	11,787	17,162
Movement in deferred tax charged to Statement of Changes in Equity	-	28,366

Note 22 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.

Current liabilities	2021 $	2020 $
Trade creditors	6,096	16,822
Other creditors and accruals	44,560	34,218
	50,656	51,040

Note 23 Loans and borrowings

a) Current liabilities	2021 $	2020 $
Secured bank loans	23,136	23,136
b) Non-current liabilities		
Secured bank loans	68,277	85,657

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021 Face value	30 June 2021 Carrying value	30 June 2020 Face value	30 June 2020 Carrying value
Secured bank loans	5.67%	Floating	91,413	91,413	108,793	108,793

Note 24 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 4.76%.

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

Note 24 Lease liabilities *(continued)*

The company's lease portfolio includes:

- Pinjarra — The lease agreement commenced in June 2015. A 5 year renewal option was exercised in June 2020. The company has 1 x 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 June 2035.

a) Current lease liabilities

	2021 $	2020 $
Property lease liabilities	41,652	39,669
Unexpired interest	(26,794)	(27,433)
	14,858	12,236

b) Non-current lease liabilities

	2021 $	2020 $
Property lease liabilities	767,827	809,479
Unexpired interest	(213,117)	(239,911)
	554,710	569,568

c) Reconciliation of lease liabilities

	2021 $	2020 $
Balance at the beginning	581,804	-
Initial recognition on AASB 16 transition	-	591,631
Lease interest expense	27,433	27,953
Lease payments - total cash outflow	(39,669)	(37,780)
	569,568	581,804

d) Maturity analysis

	2021 $	2020 $
- Not later than 12 months	41,652	39,669
- Between 12 months and 5 years	188,502	179,526
- Greater than 5 years	579,325	629,953
Total undiscounted lease payments	809,479	849,148
Unexpired interest	(239,911)	(267,344)
Present value of lease liabilities	569,568	581,804

Note 25 Provisions

a) Non-current liabilities

	2021 $	2020 $
Make-good on leased premises	7,744	7,385

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 31 May 2035 at which time it is expected the face-value costs to restore the premises will fall due.

Note 26 Employee benefits

a) Current liabilities

	2021 $	2020 $
Provision for annual leave	18,717	19,680
Provision for long service leave	9,225	-
	27,942	19,680

b) Non-current liabilities

	2021 $	2020 $
Provision for long service leave	11,819	12,814

Note 26 Employee benefits *(continued)*

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 27 Issued capital

a) Issued capital	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	394,160	394,160	394,160	394,160
Less: equity raising costs	-	(8,355)	-	(8,355)
	394,160	385,805	394,160	385,805

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").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 243. As at the date of this report, the company had 259 shareholders (2020: 257 shareholders).

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

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

Note 27 Issued capital *(continued)*

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

Prohibited shareholding interest (continued)

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

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

Note 28 Retained earnings

	Note	2021 $	2020 $
Balance at beginning of reporting period		218,743	227,111
Adjustment for transition to AASB 16		-	(74,782)
Net profit after tax from ordinary activities		56,104	86,122
Dividends provided for or paid	33a)	(19,708)	(19,708)
Balance at end of reporting period		255,139	218,743

Note 29 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	56,104	86,122
Adjustments for:		
- Depreciation	110,609	109,922
- Amortisation	11,160	11,222
- (Increase)/decrease in fair value of equity instruments designated at FVTPL	(17,838)	-
- (Profit)/loss on disposal of non-current assets	-	(2,474)
Changes in assets and liabilities:		
- Decrease in trade and other receivables	17,528	354
- (Increase)/decrease in other assets	(21,647)	(17,161)
- (Decrease) in trade and other payables	(382)	(6,315)
- Increase/(decrease) in employee benefits	7,267	(6,183)
- Increase in provisions	187	344
- Increase/(decrease) in tax liabilities	(9,031)	8,864
Net cash flows provided by operating activities	153,957	184,695

Note 30 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 30 Financial instruments *(continued)*

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	14	66,841	207,421
Term deposits	14	569,047	395,442
Trade and other receivables	17	59,875	76,779
		695,763	679,642
Financial liabilities			
Trade and other payables	22	50,656	51,040
Secured bank loans	23	91,413	108,793
Lease liabilities	24	569,568	581,804
		711,637	159,833

Note 31 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	1,300	600
- General advisory services	2,495	2,945
- Share registry services	3,195	3,394
Total auditor's remuneration	11,990	11,739

Note 32 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Stephen Donald Lee
Ernest Albert Hiddlestone
Michael Frank Kidd
Laurence Ian Galloway
Donald Francis Repacholi
Shane Robert Rowley
Mervyn Williams
Lindsay Gay Stacpoole
Warren Haugh
Eric Hamer

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

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

Note 33 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

Note 33 Dividends provided for or paid *(continued)*

a) Dividends provided for and paid during the period *(continued)*

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	5.00	19,708	5.00	19,708

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	204,896	183,334
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	28,733	36,751
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	6,805	(8,231)
- Franking debits from the payment of franked distributions	(6,924)	(7,475)
- Franking credits from franked dividends received	973	517
Franking account balance at the end of the financial year	234,483	204,896
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(10,033)	9,031
Franking credits available for future reporting periods	224,450	213,927

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 34 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	56,104	86,122
	Number	Number
Weighted-average number of ordinary shares	394,160	394,160
	Cents	Cents
Basic and diluted earnings per share	14.23	21.85

Note 35 Commitments

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

Note 36 Contingencies

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

Note 37 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 Pinjarra Community Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

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

Stephen Donald Lee , Chair

Dated this 6th day of October 2021

Independent audit report

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03 5443 0344

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

Report on the Audit of the Financial Report

Opinion

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

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

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

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

Basis for Opinion

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

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

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

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: 6 October 2021

Adrian Downing
Lead Auditor

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(BNPAR21098) (10/21)

Bendigo Bank

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