Annual Report 2021

Queenstown & Districts Finance Limited

Community Bank
Queenstown & Districts

ABN 39 112 150 008

Contents

Chair's report

For year ending 30 June 2021

Welcome shareholders to this year's Queenstown & Districts Chairman's report. This financial year has been adversely affected by the COVID-19 pandemic with continuing effects on Tasmania's regional economies due to the continued scale down of tourist visitations.

As we reflect on the events affecting the 2020/21 financial year, who could have imagined we would experience many months of further lockdowns on the mainland.

While it has been an incredibly difficult time, the resilience shown by our community and customers has been remarkable.

During a year of change and adjustment, I would like to acknowledge the work our Branch Manager Sandy Chilcott performed over the past seven years. Sandy has recently changed careers after making an enormous contribution towards Community Bank Queenstown & Districts, community engagement, staff development, Board support and highly professional customer service levels. Thank you Sandy.

Board Secretary Derek Chilcott retired from our Board at our previous AGM. Derek helped build an organisation with strong focus on governance, accountability, and better customer outcomes, I feel privileged to have worked with Derek – the Board certainly acknowledge the void created by Derek's departure.

Two shining lights, Zena and Tannah, began their respective careers with our Community Bank and have now moved into mining admin roles. Martyn Neville our assisting Branch Manager has spoken highly towards both their achievements in his Manager's report. The Queenstown & Districts Finance Limited (QDFL) Board are proud of Zena and Tannah's contribution and wholeheartedly endorse Martyn's well deserved high praises.

We live in interesting times – rapid change and disruption are the new normal in the banking sector. In most cases the COVID-19 pandemic has changed the way consumers manage their finances with preferences now leaning toward digital transactions.

Supporting structures for Community Bank companies are facing consistent review and restructure, thereby creating an increasingly testing environment for the QDFL Board to navigate. Director fatigue has become a health and well-being issue that your community company Directors are flagging as the biggest threat we face as a business. This situation will require further consideration and due process will be undertaken in collaboration with Bendigo Bank, our franchise partners.

A rapidly changing West Coast demographic requires some adjustment to our normal way of life, the one thing we must protect and build on, is our 'sense of community'.

Giving our support to local services, staffed by local residents is the best move we can take to build and sustain much needed small businesses. Call in to your Community Bank Queenstown & Districts at 33 Orr Street, Queenstown, Nolleen, Cheryl and Nick will cheerfully assist with all your insurance and banking requirements. Give them a go!

Philip Evans
Chair

Manager's report

For year ending 30 June 2021

Bendigo and Adelaide Bank is one of the largest retail banks in Australia. We have over two million customers and 500 branches. Our strategy for over 160 years is to feed into the prosperity of our customers and communities and not off it.

This is the basis of a simple Business Model for communities where Bendigo Bank shares revenue 50/50 off all banking held with your Community Bank. Then after operating our business, we return profits to our community, with up to 80% paid in sponsorships and grants and up to 20% in dividends to local shareholders. Our greatest point of difference is…

Your banking business creates income for your Community Bank

…allowing us to return those profits back to Queenstown and the surrounding areas on the West Coast.

Over $272 million has been returned nationally since the model commenced in 1998.

2020/21 has been a challenging year with continued impacts of COVID-19 hitting our community, no international and limited mainland travel hitting demands for tourism, seafood and alike. This has seen the RBA continue to hold interest rates at record lows and outlook is for this to continue for the short term. Around 60-70% of new loans are being written as fixed rates. This has seen Bank margins squeezed and in turn low returns.

Adding to this many people turned to comfort of cash in bank and with low interest rates payments to loans was accelerated. Community Bank Queenstown and Districts saw a reduction in Funds Under Management to $36 million (-$2 million) or a reduction in our book of around 5%. This was in our loan funds. Customer numbers were flat at 1,377. Branch transactions reduced 10% in line with the trend of customers moving to digital/online banking. This was below the general trend with reductions of 30-40%.

I am proud that we continue to provide a full-service Bank in Queenstown for the people of the West Coast – the only Bank to provide this service between Burnie and New Norfolk. The range of financial services we provide, through Bendigo Bank, ensures we can meet our customer's needs, placing a high value on existing and potential customer relationships. We offer a full range of financial services for Consumer and Business customers including transaction accounts, EFTPOS, Insurance, credit cards, personal loans, home loans and business loans.

However, one of the biggest risks to our Business Model is complacency by the community. To provide a full-service Bank, ensure it is a viable business and that is sustainable for long term we need the full support of locals. We thank those who are banking with us but would really appreciate the chance to review all your financial needs and see what other products and services we can assist you with. One product/account is a good start, but a full banking relationship is the real key.

On a sad note, we farewelled Zena and Tannah who both have decided to pursue career changes but remain as West Coast locals and stay here as part of the West Coast community. We thank them both for their great service and commitment and wish them both all the best for their new careers. Zena had been with us for over four years while Tannah completed her traineeship with us and over the course of this was able to work and study to successfully complete a Certificate III in Business. She was also rewarded for her efforts as both a school-based trainee of the year and finalist in the State Trainee of the Year awards.

With their departure we welcomed Manda, Cheryl and Nicky to join long serving staff member Noelleen.

A big thanks to all of them who not only provide great service at your Community Bank but also give their time in supporting a wide range of community events and activities. This is the benefit of having a local business that employs and pays wages to staff who live and work in the town.

Thank you to long serving Board of Directors - led by Chair Phil Evans. Your incredible sense of community spirit and generosity in terms of the numerous hours of volunteering you do to build a sustainable community business for all the people in our community is amazing.

Finally, we wish to thank all our customers and shareholders for their support. Without your business we cannot ensure a sustainable Bank.

Martyn Neville
Acting 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:

Philip John Evans
Chairman
Occupation: Self-Employed Retailer
Qualifications, experience and expertise: Philip is a member of the Rotary Club the Chairman of West Coast Connect Inc. He is patron of Queenstown Senior Citizens Club and Queenstown Community Garden Committee. Phillip is the Managing Director of Charles Evans and Sons Pty Ltd.
Special responsibilities: Chairman
Interest in shares: 70,001 ordinary shares

Adam James Mansson
Non-executive director
Occupation: Retailer
Qualifications, experience and expertise: Adam works as Managing Director of Evans IGA Supermarket, he is the current Vice President of the Queenstown Basketball Association. He is also a committee member of Queenstown Golf Club and has been Treasurer of Queenstown & District Finance Limited for over 14 years.
Special responsibilities: Treasurer
Interest in shares: 53,700 ordinary shares

Anthony Paul Coulson
Non-executive director
Occupation: Self Employed Tourism/Hospitality
Qualifications, experience and expertise: Anthony has been a board member of Queenstown & District FL since 2008 and has been the secretary for seven years.
Special responsibilities: Promotions
Interest in shares: 19,001 ordinary shares

Christopher Michael Walpole
Non-executive director
Occupation: Pharmacist
Qualifications, experience and expertise: Christopher holds a Bachelor of Pharmacy Degree from the University of Tasmania (UTAS) and a Master of Business Administration (MBA) from the Australian Graduate School of Management (AGSM). Chris has been employed as the Pharmacist at the Queenstown Medical Union Pharmacy for the past 11 years He is a current member of the Rotary Club of Queenstown and a Past-President in 2012/2013. Chris has broad skills in general management and strategy. Chris is a past member of the Tasmanian Government's Economic Working Group in 2014, is Board Member of the Rural Clinical School, a member of the Pharmaceutical Society of Australia (PSA) and is a Member of the Friends Advisory Committee of the National Rural Health Alliance (NRHA).
Special responsibilities: Training, Education, Marketing and Communications
Interest in shares: 2,000 ordinary shares

Simon Francis Dilger
Non-executive director
Occupation: Self Employed Contractor
Qualifications, experience and expertise: Simon is a self employed businessman with 30 years of general small business experience varying in all aspects. Has lived all his life in Queenstown and has operated an automotive and transport business on the west coast serving both the public and the mining industry. Has served on the board at St. Josephs School for many years at Queenstown and 3 years as Chairman.
Special responsibilities: Community Activities
Interest in shares: 10,000 ordinary shares

Directors *(continued)*

Joanne Francis
Non-executive director
Occupation: Office Administration
Qualifications, experience and expertise: Currently employed in office administration with the Timber Industry - Special Species. Past roles have included customer service, community service, education, local Government, Government Agencies, ongoing role with Australian & Tasmanian Electoral Commissions. Joanne is currently President of the Queenstown Rotary, and a life member of numerous community groups.
Special responsibilities: Youth engagement, grants
Interest in shares: 1,101 ordinary shares

Raymond Charles Trappitt
Non-executive director (appointed 9 December 2020)
Occupation: Management Consultant
Qualifications, experience and expertise: Bachelor of Commerce & Administration. Manager, Business Strategy & Administration. General Manager, Brand Management Consultants. National Manager, Franchise Development.
Special responsibilities:
Interest in shares: 500 ordinary shares

Derek Graham Chilcott
Non-executive director (resigned 3 March 2021)
Occupation: Retired
Qualifications, experience and expertise: Extensive experience and broad range of competencies relating to Local Government operations management: Project Management, Emergency Management, O.H.W.S, Human Resource Management, Corporate Governance and Financial Management. He is a volunteer to various community entities and events.
Special responsibilities: Secretary
Interest in shares: 10,000 ordinary shares

Lea Heather Walpole
Non-executive director (resigned 3 March 2021)
Occupation: Freelance Graphic Designer
Qualifications, experience and expertise: Lea is a freelance graphic designer specialising in print design, with 26 years experience working in advertising, publishing, and science communication for clients across Australia and overseas. Design awards include five Printing Industry Craftsmanship Awards for magazines, books and promotional kits. Lea is passionate about Tasmania and the West Coast and continues to support local businesses and government in their promotional region. Local projects of note include graphic design for The Unconformity festival, the Abt railway museum, and site interpretation at Lake Margaret. Lea is a member of the Destination West Coast Tourism and Business group.
Special responsibilities: Visual communication and marketing
Interest in shares: 1,000 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.

Company Secretary

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

- Raymond Charles Trappitt was appointed company secretary on 9 December 2020.
- Derek Chilcott was appointed company secretary on 1 July 2018 and ceased on 9 December 2020.

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 $
17,530	7,729

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Philip John Evans	70,001	-	70,001
Adam James Mansson	52,400	1,300	53,700
Anthony Paul Coulson	19,001	-	19,001
Christopher Michael Walpole	2,000	-	2,000
Simon Francis Dilger	10,000	-	10,000
Joanne Francis	1,101	-	1,101
Raymond Charles Trappitt	500	-	500
Derek Graham Chilcott	10,000	-	10,000
Lea Heather Walpole	1,000	-	1,000

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 unfranked dividend	1.00	7,167

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

The company is currently negotiating an agreement with Bendigo Bank to terminate the Franchise Agreement and sell the revenue rights associated with Queenstown & Districts Finance Limited to Bendigo Bank. No formal agreement has been offered yet or has been agreed upon and signed.

Termination of the Franchise Agreement, distribution of the company's remaining cash to it's shareholders and the subsequent de-registration of the company is subject to approval by company shareholders.

There are no other 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 is currently inquiring on a potential sale of the revenue rights associated with Queenstown & Districts Finance Limited with Bendigo Bank. At the the time of signing this report no arrangements had been entered into and the company is continuing its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

E - eligible to attend *A - number attended*	Board Meetings	
	E	A
Philip John Evans	9	9
Adam James Mansson	9	8
Anthony Paul Coulson	9	5
Christopher Michael Walpole	9	9
Simon Francis Dilger	9	5
Joanne Francis	9	5
Raymond Charles Trappitt	4	4
Derek Graham Chilcott	6	5
Lea Heather Walpole	6	6

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 Note 27

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

- all non-audit services have been reviewed 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 Queenstown, Tasmania.

Philip John Evans, Chair

Dated this 8th 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 Queenstown & Districts Finance Limited

As lead auditor for the audit of Queenstown & Districts Finance 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: 8th October 2021

Joshua Griffin
Lead Auditor

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	259,336	288,662
Other revenue	9	50,000	55,549
Finance income	10	123	893
Employee benefit expenses	11c)	(132,462)	(201,532)
Charitable donations, sponsorship, advertising and promotion		(2,764)	(11,049)
Occupancy and associated costs		(6,876)	(9,041)
Systems costs		(15,669)	(17,421)
Depreciation and amortisation expense	11a)	(77,015)	(30,652)
Finance costs	11b)	(2,686)	(3,233)
General administration expenses		(46,815)	(59,659)
Profit before income tax expense		25,172	12,517
Income tax expense	12a)	(7,642)	(4,788)
Profit after income tax expense		17,530	7,729
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		17,530	7,729
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	2.45	1.08

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	13	220,823	141,454
Trade and other receivables	14a)	22,765	25,702
Total current assets		243,588	167,156
Non-current assets			
Property, plant and equipment	15a)	48,640	101,004
Right-of-use assets	16a)	11,416	22,832
Intangible assets	17a)	11,472	37,930
Deferred tax asset	18a)	70,112	77,753
Total non-current assets		141,640	239,519
Total assets		385,228	406,675
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	12,823	17,895
Lease liabilities	20a)	14,033	13,378
Employee benefits	22a)	19,975	14,943
Provisions	18a)	35,654	-
Total current liabilities		82,485	46,216
Non-current liabilities			
Trade and other payables	19b)	-	14,625
Lease liabilities	20b)	-	14,033
Employee benefits	22b)	-	5,432
Provisions	21b)	-	33,989
Total non-current liabilities		-	68,079
Total liabilities		82,485	114,295
Net assets		302,743	292,380
EQUITY			
Issued capital	23a)	704,453	704,453
Accumulated losses	24	(401,710)	(412,073)
Total equity		302,743	292,380

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		704,453	(405,469)	298,984
Total comprehensive income for the year		-	7,729	7,729
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29	-	(14,333)	(14,333)
Balance at 30 June 2020		**704,453**	**(412,073)**	**292,380**
Balance at 1 July 2020		704,453	(412,073)	292,380
Total comprehensive income for the year		-	17,530	17,530
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29	-	(7,167)	(7,167)
Balance at 30 June 2021		**704,453**	**(401,710)**	**302,743**

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		339,994	368,795
Payments to suppliers and employees		(220,592)	(322,176)
Interest received		123	866
Lease payments (interest component)	11b)	(1,022)	(1,646)
Lease payments not included in the measurement of lease liabilities	11d)	(5,220)	(5,455)
Net cash provided by operating activities	25	113,283	40,384
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,984)
Payments for intangible assets		(13,369)	(13,296)
Net cash used in investing activities		(13,369)	(16,280)
Cash flows from financing activities			
Lease payments (principal component)		(13,378)	(12,754)
Dividends paid	29	(7,167)	(14,333)
Net cash used in financing activities		(20,545)	(27,087)
Net cash increase/(decrease) in cash held		79,369	(2,983)
Cash and cash equivalents at the beginning of the financial year		141,454	144,437
Cash and cash equivalents at the end of the financial year	13	220,823	141,454

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 Queenstown & Districts Finance 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
33 Orr Street QUEENSTOWN TAS 7467	33 Orr Street QUEENSTOWN TAS 7467

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 8 October 2021.

Going concern

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

However as disclosed at Note 33 to the financial statements the company is currently negotiating an agreement with Bendigo Bank to terminate the Franchise Agreement and sell the revenue rights associated with Queenstown & Districts Finance Limited to Bendigo Bank. No formal agreement has been offered yet or has been agreed upon and signed.

Completion of the sale is subject to approval by company shareholders, If the sale is not approved the company intends to continue to operate its business and therefore deems it reasonable to adopt the going concern basis of accounting in preparing the financial report.

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.

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

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

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

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

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.

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

e) Taxes *(continued)*

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

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	over the lease term
Plant and equipment	Straight-line	2 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.

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 (4 years)
Franchise renewal process fee	Straight-line	Over the franchise term (4 years)

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

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

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 and lease liabilities.

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

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

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

j) Impairment

Non-derivative financial assets

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

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

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.

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

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.

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

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 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.
- Note 2 - going concern	whether management's assessment of uncertainties about the company's ability to continue as a going concern are appropriate.

b) Assumptions and estimation uncertainties

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

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

Note 6 Financial risk management

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

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

a) Credit risk

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

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

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.

Exposure to liquidity risk

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

30 June 2021

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	14,033	14,400	-	-
Trade and other payables	12,823	12,823	-	-
	26,856	27,223	-	-

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
Lease liabilities	27,411	14,400	14,400	-
Trade and other payables	32,520	17,895	14,625	-
	59,931	32,295	29,025	-

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $220,823 at 30 June 2021 (2020: $141,454). 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	215,945	243,721
- Fee income	24,089	26,631
- Commission income	19,302	18,310
	259,336	288,662

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	40,000	40,000
- Cash flow boost	7,500	12,500
- Other	2,500	3,049
	50,000	55,549

Note 10 Finance income

	2021 $	2020 $
- Term deposits	123	893

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	50,116	4,925
- Plant and equipment	2,248	1,031
	52,364	5,956
Depreciation of right-of-use assets:		
- Leased land and buildings	11,416	11,416
Amortisation of intangible assets:		
- Franchise fee	2,216	2,261
- Franchise renewal process fee	11,019	11,019
	13,235	13,280
Total depreciation and amortisation expense	77,015	30,652

b) Finance costs

	2021 $	2020 $
- Lease interest expense	1,022	1,646
- Unwinding of make-good provision	1,664	1,587
	2,686	3,233

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

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	105,486	167,683
Contributions to defined contribution plans	11,616	16,355
Expenses related to long service leave	(1,011)	3,180
Other expenses	16,371	14,314
	132,462	201,532

d) Recognition exemption

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

	2021 $	2020 $
Expenses relating to low-value leases	5,220	5,455

Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 $	2020 $
Current tax expense/(credit)		
- Recoupment of prior year tax losses	17,738	1,957
- Movement in deferred tax	(12,900)	(12,193)
- Adjustment to deferred tax on AASB 16 retrospective application	-	10,538
- Reduction in company tax rate	2,804	4,486
	7,642	4,788

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of $2,804 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation	2021 $	2020 $
Operating profit before taxation	25,172	12,517
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	6,545	3,442
Tax effect of:		
- Non-deductible expenses	243	298
- Temporary differences	12,900	1,655
- Other assessable income	(1,950)	(3,438)
- Movement in deferred tax	(12,900)	(12,193)
- Leases initial recognition	-	10,538
- Reduction in company tax rate	2,804	4,486
	7,642	4,788

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	220,823	91,454
- Term deposits	-	50,000
	220,823	141,454

Note 14 Trade and other receivables

a) Current assets	2021 $	2020 $
Trade receivables	22,175	22,902
Prepayments	563	2,773
Other receivables and accruals	27	27
	22,765	25,702

Note 15 Property, plant and equipment

a) Carrying amounts

	2021 $	2020 $
Leasehold improvements		
At cost	200,150	200,150
Less: accumulated depreciation	(153,302)	(103,186)
	46,848	96,964
Plant and equipment		
At cost	12,285	12,285
Less: accumulated depreciation	(10,493)	(8,245)
	1,792	4,040
Software licences		
At cost	8,345	8,345
Less: accumulated depreciation	(8,345)	(8,345)
	-	-
Total written down amount	48,640	101,004

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leasehold improvements		
Carrying amount at beginning	96,964	101,889
Depreciation	(50,116)	(4,925)
	46,848	96,964
Plant and equipment		
Carrying amount at beginning	4,040	2,086
Additions	-	2,985
Depreciation	(2,248)	(1,031)
	1,792	4,040
Total written down amount	48,640	101,004

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.

The company's review of estimates resulted in changes in the useful life. The Leasehold improvement's useful life had previously been assessed as 40 years. This is now expected to be 14 years. The effect of these changes on actual and expected depreciation expense was as follows:

	2021	2022
Increase in depreciation expense	45,191	41,923

Note 16 Right-of-use assets

a) Carrying amounts	2021 $	2020 $
Leased land and buildings		
At cost	173,144	173,144
Less: accumulated depreciation	(161,728)	(150,312)
Total written down amount	11,416	22,832

b) Reconciliation of carrying amounts		
Leased land and buildings		
Carrying amount at beginning	22,832	-
Initial recognition on transition	-	173,144
Accumulated depreciation on adoption	-	(138,896)
Depreciation	(11,416)	(11,416)
	11,416	22,832

Note 17 Intangible assets

a) Carrying amounts	2021 $	2020 $
Franchise fee		
At cost	30,351	32,555
Less: accumulated amortisation	(28,509)	(26,292)
	1,842	6,263
Franchise renewal process fee		
At cost	151,758	162,777
Less: accumulated amortisation	(142,128)	(131,110)
	9,630	31,667
Total written down amount	11,472	37,930

b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	6,263	8,524
Disposals	(2,205)	-
Amortisation	(2,216)	(2,261)
	1,842	6,263
Franchise renewal process fee		
Carrying amount at beginning	31,667	42,686
Disposals	(11,018)	-
Amortisation	(11,019)	(11,019)
	9,630	31,667
Total written down amount	11,472	37,930

Given the negotiations currently underway to terminate the Franchise Agreement, the company has elected to write-off the final instalment of the Franchise Renewal liability against the applicable intanible assets.

Note 17 Intangible assets *(continued)*

c) Changes in estimates

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

Note 18 Tax assets and liabilities

a) Deferred tax	2021 $	2020 $
Deferred tax assets		
- expense accruals	775	494
- employee provisions	4,994	5,297
- make-good provision	8,914	8,837
- lease liability	3,508	7,127
- property, plant and equipment	9,675	-
- carried-forward tax losses	45,107	64,649
Total deferred tax assets	72,973	86,404
Deferred tax liabilities		
- income accruals	7	7
- property, plant and equipment	-	5,936
- right-of-use assets	2,854	2,708
Total deferred tax liabilities	2,861	8,651
Net deferred tax assets (liabilities)	70,112	77,753
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(7,641)	(4,821)
Movement in deferred tax charged to Statement of Changes in Equity	-	10,538

Note 19 Trade creditors and other payables

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

a) Current liabilities	2021 $	2020 $
Trade creditors	-	1,475
Other creditors and accruals	12,823	16,420
	12,823	17,895

b) Non-current liabilities		
Other creditors and accruals	-	14,625

Note 20 Lease liabilities

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

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

The company's lease portfolio includes:

- Branch premises — The lease agreement commenced in May 2007. 5 year renewal options were exercised in June 2012 and June 2017. The company has no renewal options available in the current lease agreement. As such, the lease term end date used in the calculation of the lease liability is June 2022.

a) Current lease liabilities	2021 $	2020 $
Property lease liabilities	14,400	14,400
Unexpired interest	(367)	(1,022)
	14,033	13,378

b) Non-current lease liabilities		
Property lease liabilities	-	14,400
Unexpired interest	-	(367)
	-	14,033

c) Reconciliation of lease liabilities		
Balance at the beginning	27,411	-
Initial recognition on AASB 16 transition	-	40,165
Lease interest expense	1,022	1,646
Lease payments - total cash outflow	(14,400)	(14,400)
	14,033	27,411

d) Maturity analysis		
- Not later than 12 months	14,400	14,400
- Between 12 months and 5 years	-	14,400
Total undiscounted lease payments	14,400	28,800
Unexpired interest	(367)	(1,389)
Present value of lease liabilities	14,033	27,411

Note 21 Provisions

a) Current liabilities	2021 $	2020 $
Make-good on leased premises	35,654	-
b) Non-current liabilities		
Make-good on leased premises	-	33,989

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $37,400 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 30 June 2022 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Employee benefits

a) Current liabilities	2021 $	2020 $
Provision for annual leave	12,678	14,943
Provision for long service leave	7,297	-
	19,975	14,943
b) Non-current liabilities		
Provision for long service leave	-	5,432

c) Key judgement and assumptions

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

Note 23 Issued capital

a) Issued capital	2021 Number	2021 $	2020 Number	2020 $
Ordinary shares - fully paid	716,660	716,660	716,660	716,660
Less: equity raising costs	-	(12,207)	-	(12,207)
	716,660	704,453	716,660	704,453

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.

Note 23 Issued capital *(continued)*

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.

Note 24 Accumulated losses

	Note	2021 $	2020 $
Balance at beginning of reporting period		(412,073)	(377,687)
Adjustment for transition to AASB 16		-	(27,782)
Net profit after tax from ordinary activities		17,530	7,729
Dividends provided for or paid	29	(7,167)	(14,333)
Balance at end of reporting period		(401,710)	(412,073)

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	17,530	7,729
Adjustments for:		
- Depreciation	63,780	17,372
- Amortisation	13,235	13,280
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	2,936	(7,552)
- (Increase)/decrease in other assets	7,642	4,789
- Increase/(decrease) in trade and other payables	6,896	(1,945)
- Increase/(decrease) in employee benefits	(400)	5,124
- Increase/(decrease) in provisions	1,664	1,587
Net cash flows provided by operating activities	113,283	40,384

Note 26 Financial instruments

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

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	220,823	91,454
Term deposits	13	-	50,000
Trade and other receivables	14	22,202	22,929
		243,025	164,383
Financial liabilities			
Trade and other payables	19	12,823	32,520
Lease liabilities	20	14,033	27,411
		26,856	59,931

Note 27 Auditor's remuneration

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

	2021	2020
Audit and review services	$	$
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	1,000	1,000
- General advisory services	2,710	2,266
- Share registry services	3,000	3,317
Total auditor's remuneration	11,710	11,383

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Philip John Evans
Adam James Mansson
Anthony Paul Coulson
Christopher Michael Walpole
Simon Francis Dilger
Joanne Francis
Raymond Charles Trappitt
Derek Graham Chilcott
Lea Heather Walpole

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
Transactions with related parties	$	$
- Philip Evans company Charles Evans & Sons Pty Ltd provided the company with cleaning products, small electrical items and staff amenities during the year.	500	500

Note 29 Dividends provided for or paid

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

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Unfranked dividend	1.00	7,167	2.00	14,333

Note 30 Earnings per share

a) Basic and diluted earnings per share

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

	2021 $	2020 $
Profit attributable to ordinary shareholders	17,530	7,729
	Number	Number
Weighted-average number of ordinary shares	716,660	716,660
	Cents	Cents
Basic and diluted earnings per share	2.45	1.08

Note 31 Commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

The company is currently negotiating an agreement with Bendigo Bank to terminate the Franchise Agreement and sell the revenue rights associated with Queenstown & Districts Finance Limited to Bendigo Bank. No formal agreement has been offered yet or has been agreed upon and signed.

Termination of the Franchise Agreement, distribution of the company’s remaining cash to it's shareholders and the subsequent de-registration of the company is subject to approval by company shareholders.

There have been no other 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 Queenstown & Districts Finance 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.

Philip John Evans, Chair

Dated this 8th day of October 2021

Independent audit report

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03 5443 0344

Independent auditor’s report to the Directors of Queenstown & Districts Finance Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Queenstown & Districts Finance 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 Queenstown & Districts Finance 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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AFS
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Chartered Accountants

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Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 2 in the financial report, which indicates the company is currently in the process of negotiating an agreement with Bendigo Bank to terminate the Franchise Agreement and sell the revenue rights associated with the company to Bendigo Bank. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 8th October 2021

Joshua Griffin
Lead Auditor

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Bendigo Bank

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