

Annual Report 2021

RWM Community Financial
Services Limited

Victoria Point & Wynnum Manly

ABN 52 116 190 875

Chair's report

Yura (welcome). On behalf of the Board of Directors, our Senior Manager Justine Kennedy, Manager Jane Nelson, Assistant Manager Karen Gold, and our branch team. It is my pleasure to provide our annual report for the 2020-21 financial year.

I am going to let the financial statements speak for themselves. Important as they are for governance, diligence and reporting to shareholders and other stakeholders; the time is again right to focus inwardly on our people, performance, and achievements.

Last year I advised my priorities, my focus was on three main areas, being:

1. Our people. They are our most important attribute, always.
2. Working to achieve a high "say – do" ratio through discipline and our values; and
3. Continue to do whatever it takes to build a team of problem solvers, each with a broad-base knowledge and the ability to adopt and adapt. In-turn our team, leading by example; will be able to assist our customers, other businesses, and the community in general to also adopt and adapt.

To point 2, working to achieve a high "say-do" ratio; I am pleased and proud to report each member of our team, having been assessed internally by Bendigo Bank®, achieved a status of "Top Performer". We are one of very few community banks to have the whole team recognised for their high say-do ethic, customer service and problem-solving capacity.

Additionally, a further internal survey conducted by Bendigo Bank® recognised our team are very highly engaged in what they do, engaged with our customers and with Bendigo Bank® internally too.

Looking from the outside in, I can easily imagine the readers of this report dismissing the survey results as just another internal, corporate survey that does not truly measure what is intended. I can assure you our team literally jump for joy when these results are released, such is their engagement, their pride in their work and the sense of achievement when they see the scores are 'streets ahead' of their peers regionally, in the State and Nationally too. The results are meaningful, provide a ground-truth base of feedback to all concerned and are regarded as a relevant and contemporary litmus test.

The pandemic complexities that at-times overwhelm us would, one would reasonably expect, result in an evidenced reduction in engagement, in performance and so on. This makes the results truly remarkable. Our team didn't just meet their personal challenges in, and outside of work, they excelled, well past previous results and their peers too.

I acknowledge with deep gratitude and respect our leaders and our team who have excelled in an increasingly volatile, uncertain, complex and ambiguous environment. Justine Kennedy continues to lean into the chaos brought about by the pandemic, and excels by being her natural, positive, and most grounded 'self'. We continue to invest our trust in Justine to lead our branches & team, and customers through the maze of anxiety and uncertainty.

Jane Nelson, aka Janeo is a tower of strength in-front and behind the scenes. Janeo perfectly complements Justine and together they make the perfect Senior Manager and Branch Manager combination. Our business development and attention to detail are role model because of how they evidence their personal values in life and their leadership; and do so whilst they naturally foster the culture required to put our people first.

There are new challenges immediately before the team and the Board. One example is the recent amendments to anti-hawking legislation which will negatively impact our business. Our staff do not 'hawk', do not deliberately promote products for the benefit of the business that do not directly benefit the customer. The legislation introduced for the industry broadly has tempered the environment for all, including those whose integrity and reputation are intact.

Another challenge on our doorstep during this time of very low profit and/or interest margins; is the increase in the serviceability test required by APRA which was announced in the first week of October 2021. The increase will protect consumers when interest rates eventually increase. Although this may be some time away, this will immediately reduce the number of successful or potential applications processed in-branch.

Justine's report is next and is written from her heart. It also has more detail with respect to our staff and our business base.

People Matter - more than assets and maximising opportunities

People Matter - as enablers in everything we do

A handwritten signature in cursive script, appearing to read 'Garry White', is displayed within a light gray rectangular box.

Garry White
Chairman

My sincere thanks to everyone for their support, courage, and loyalty throughout 2020/2021.

While this report will be filled with figures and results it's not a true reflection on just how proud I am of what we have achieved this year. What really matters is the impact we have had on our team, customers, and community this is sometimes hard to measure.

Now to the very impressive results for Victoria Point & Wynnum Manly some are combined

Deposits

Victoria Point
Budget \$500K
Actual Growth \$11M

Deposits

Wynnum Manly
Budget \$500k
Actual Growth \$11M

Insurance

Target 202
Achieved 137

Equipment Finance

Budget \$100K
Actual Growth \$532K

Lending activity

Lending approvals	\$32M (last year \$17M)
Lending applications	137 (last year 100)
Loans Settled	\$26M (last year \$16M)
Loans Discharged	\$16M (last year \$6M)

Total Lending Growth Budget \$5.8M Actual Growth \$8.1M

Personal Loans & Credit Cards Budget \$330K Actual Growth \$846K

Let's celebrate our amazing staff

A few words to describe the team I lead. A team I am very proud of.

Loyal, devoted, customer focussed, valuable, leaders from within our community, always willing to help, a constant, true to themselves and their values.

Bendigo Bank® recently conducted their internal survey of staff nationally I have included some of our results

Performance & Accountability	Our score 100%
Wellbeing	Our score 100%
Culture Index	Our Score 100%
Engagement Index	Our Score 100%

Our scores are outstanding! All staff answered yes to "Proud to work for this organisation" and "Work gives you a feeling of personal accomplishment". I am so grateful that we all feel like we belong and have a purpose.

Reflecting back on the year, personally it's been the most challenging yet the most rewarding and satisfying year. While we look forward to 2021/2022 we need to remember our achievements, our hiccups and our values in 2020/2021. Predicting what 2021/2022 would be a little would be crazy but we are ready for anything, with our team of problem solvers with a great customer, community connection.

Justine Kennedy
Senior Branch Manager



RWM

Community Financial Services Limited

ABN: 52 116 190 875

Financial Report

For the year ended

30 June 2021

RWM Community Financial Services Limited

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:

Garry Francis White

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Garry has been a volunteer of the company since November 2006. Director of the company since February 2007. Acting Treasurer for most of the financial year and Chairman. Garry is President of Victoria Point Redland Bay Meals on Wheels. Member and Coach with Red City Basketball Association. Long Serving volunteer including 31 years at Redlands Netball Association and foundation life member. Garry was formerly a Director of the Redlands Angels Ltd.

Special responsibilities: Audit and Marketing sub-committees.

Interest in shares: 10,003 ordinary shares

Christopher Francis Webster

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Christopher worked as a Technical Officer with Telstra until 1998 (30 years), a Retail Sales Assistant for 5 years (1998-2003) and Admin/Bookkeeper part time since 2003. He currently volunteers with the Community Visitors Scheme (Aged Care) since 2010 and Redland Community Centre since 2017. He is Chairperson of the Redland Community Centre. Member of Capalaba State College P and C. He is a Life Member of the Capalaba State College Amateur Swimming Club and a Life Member of Tennis Officials Australia.

Special responsibilities: Secretary

Interest in shares: 10,500 ordinary shares

Arnal Pravikash Chand

Non-executive director

Occupation: Legal Officer

Qualifications, experience and expertise: Former Law Graduate at a Family Law firm. Currently employed as a Legal Officer. Arnal has completed a Bachelor of Law and Bachelor of Commerce (Accounting) at the University of Queensland. Arnal is a community volunteer which includes student tutoring and electoral support officer.

Special responsibilities: Marketing committee.

Interest in shares: nil share interest held

Darren William McKenzie

Non-executive director

Occupation: Trainer and Assessor

Qualifications, experience and expertise: Darren holds a Bachelor of Business (Management), Diploma Finance. Darren previously worked for Bendigo and Adelaide Bank as a mobile Manager, owns his own business, volunteers time in the Wynnum Manly area and has a mix of skills relevant to and required as Director of the company. He was previous Vice President of Wynnum & District Chamber of Commerce.

Special responsibilities: Nil

Interest in shares: nil share interest held

RWM Community Financial Services Limited

Directors' Report

Directors (continued)

Jonathon James Cowley

Non-executive director

Occupation: Volunteer and Outreach Manager

Qualifications, experience and expertise: After 18 years as a youth member in the Scout movement Jonathon is into his 14th year as a volunteer leader and currently holds the positions of Assistant Group Leader and Treasurer with the Manly-Lota Scout Group. It is through scouting his passion for community and helping other people was born. Dedicating a decade to the registered charity and community volunteer organisation Crime Stoppers Queensland where he managed 600 volunteers on 32 areas committees around the state including our local Brisbane Bayside Volunteer Area Committee he witnessed how individuals coming together can make a difference to local communities. He spent time here training committees on how to operate as a collective for the benefit of the community, how to learn from the past, live in the present and focus on the future. As the General Manager Jonathon learned business acumen especially in financial management. Using his Certificate IVs in Frontline Management, Coordination of Volunteer Programs and Training & Assessment his current role has him as the Project Officer (jack of all trades) for an organisation that provides care for disabled and aged persons.

Special responsibilities: Nil

Interest in shares: Nil

Rachel Anne Wicks

Non-executive director (appointed 30 July 2020)

Occupation: Community Services

Qualifications, experience and expertise: Rachel has a past history in volunteering for the SES and Redland Community Centre. Rachel is currently Operations Manager at the Redland Community Centre and studying a Bachelor of Medical Science at CQU. She strives to make a positive difference within the community.

Special responsibilities: Nil

Interest in shares: nil share interest held

Amy Jackson

Non-executive director (resigned 27 January 2021)

Occupation: Professional Coach

Qualifications, experience and expertise: Amy is a local business owner of Nurturing Confidence, based in local business co-working space in Wynnum, providing leadership development services to mid-level leaders since 2006. Local Wynnum resident since 2010, she has served in local community playgroups, past treasurer of Gundala Kindergarten and past president of Bayside South Development Forum. Holding a Bachelor of Psychology (Hons 1), Associate Certified Coach accreditation and prior experience in performance, business and policy management in large public sector organisations.

Special responsibilities: 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 Christopher Francis Webster. Christopher was appointed to the position of secretary on 28 May 2015. Refer to above for Chris' qualifications, experience and expertise.

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.

RWM Community Financial Services Limited

Directors' Report

Operating results

The profit/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2021	Year ended 30 June 2020
\$ 31,255	\$ (14,568)

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Garry Francis White	10,003	-	10,003
Christopher Francis Webster	10,500	-	10,500
Arnal Pravikash Chand	-	-	-
Darren William McKenzie	-	-	-
Jonathon James Cowley	-	-	-
Rachel Anne Wicks	-	-	-
Amy Jackson	-	-	-

Dividends

No dividends were declared or paid for the financial year.

Significant changes in the state of affairs

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

The Cleveland branch has closed during the year and the branch lease was finalised on 31 October 2020.

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.

RWM Community Financial Services Limited

Directors' Report

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. 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:

	Board Meetings Attended	
	<u>Eligible</u>	<u>Attended</u>
Garry Francis White	10	8
Christopher Francis Webster	10	10
Arnal Pravikash Chand	10	7
Darren William McKenzie	10	7
Jonathon James Cowley	10	9
Rachel Anne Wicks	10	8
Amy Jackson	6	2

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 27 to the accounts.

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

- all non-audit services have been reviewed 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.

RWM Community Financial Services Limited

Directors' Report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



Garry Francis White, Chair

Dated this 17th day of September 2021

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

As lead auditor for the audit of RWM 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: 17 September 2021



Joshua Griffin
Lead Auditor

RWM Community Financial Services Limited
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	1,546,310	1,460,124
Other revenue	9	49,730	74,791
Finance income	10	20	5
Employee benefit expenses	11d)	(1,077,987)	(1,035,738)
Charitable donations, sponsorship, advertising and promotion		(47,635)	(53,037)
Occupancy and associated costs		(22,848)	(22,741)
Systems costs		(44,995)	(47,464)
Depreciation and amortisation expense	11a)	(112,002)	(116,922)
Impairment losses	11b)	-	(61,075)
Finance costs	11c)	(53,631)	(65,511)
General administration expenses		(186,153)	(119,493)
Profit before income tax expense		50,809	12,939
Income tax expense	12a)	(19,554)	(27,507)
Profit/(loss) after income tax expense		31,255	(14,568)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		31,255	(14,568)
Earnings per share		¢	¢
- Basic and diluted earnings/(loss) per share:	30a)	4.60	(2.14)

The accompanying notes form part of these financial statements

RWM Community Financial Services Limited
Statement of Financial Position
as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	162,805	112,079
Trade and other receivables	14a)	50,770	63,385
Total current assets		213,575	175,464
Non-current assets			
Property, plant and equipment	15a)	210,810	292,431
Right-of-use assets	16a)	591,035	652,667
Intangible assets	17a)	234,139	143,689
Deferred tax asset	18b)	44,520	45,252
Total non-current assets		1,080,504	1,134,039
Total assets		1,294,079	1,309,503
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	45,689	44,832
Current tax liabilities	18a)	31,844	13,022
Loans and borrowings	20a)	1	98,000
Lease liabilities	21a)	38,992	43,403
Total current liabilities		116,526	199,257
Non-current liabilities			
Trade and other payables	19b)	88,269	-
Lease liabilities	21b)	713,007	761,388
Provisions	22a)	13,058	16,894
Total non-current liabilities		814,334	778,282
Total liabilities		930,860	977,539
Net assets		363,219	331,964
EQUITY			
Issued capital	23a)	642,560	642,560
Accumulated losses	24	(279,341)	(310,596)
Total equity		363,219	331,964

The accompanying notes form part of these financial statements

RWM Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2021

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	642,560	(296,028)	346,532
Total comprehensive income for the year	-	(14,568)	(14,568)
Balance at 30 June 2020	642,560	(310,596)	331,964
Balance at 1 July 2020	642,560	(310,596)	331,964
Total comprehensive income for the year	-	31,255	31,255
Balance at 30 June 2021	642,560	(279,341)	363,219

The accompanying notes form part of these financial statements

RWM Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,736,505	1,634,383
Payments to suppliers and employees		(1,431,537)	(1,394,535)
Interest received		20	5
Interest paid		(1,029)	(9,532)
Lease payments (interest component)	11c)	(51,656)	(54,896)
Lease payments not included in the measurement of lease liabilities	11e)	(15,814)	(14,959)
Income taxes refunded/(paid)		-	23,163
Net cash provided by operating activities	25	236,489	183,629
Cash flows from investing activities			
Payments for property, plant and equipment		(8,619)	(6,674)
Payments for intangible assets		(40,397)	(12,133)
Net cash used in investing activities		(49,016)	(18,807)
Cash flows from financing activities			
Repayment of loans and borrowings		(97,999)	(67,000)
Lease payments (principal component)		(38,748)	(39,915)
Net cash used in financing activities		(136,747)	(106,915)
Net cash increase in cash held		50,726	57,907
Cash and cash equivalents at the beginning of the financial year		112,079	54,172
Cash and cash equivalents at the end of the financial year	13	162,805	112,079

The accompanying notes form part of these financial statements

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for RWM 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
Shop 5/127 Colburn Avenue Victoria Point QLD 4165	Shop 5/127 Colburn Avenue Victoria Point QLD 4165

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

Note 2 Basis of preparation and statement of compliance

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

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

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 17 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

Ability to change financial return

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

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

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

b) Other revenue

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

<u>Revenue</u>	<u>Revenue recognition policy</u>
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
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.

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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

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.

d) Employee benefits

Bendigo Bank second employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

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.

e) Taxes*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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

e) Taxes (*continued*)

Deferred tax (continued)

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. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

g) Property, plant and equipment

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	40 years
Plant and equipment	Straight-line and diminishing value	1 to 10 years
Furniture, fixtures and fittings	Straight-line and diminishing value	2 to 50 years
Motor vehicles	Diminishing value	4 years

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

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise. The company also acquired an income stream (cash-generating unit) through redomiciled accounts from Bendigo Bank.

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

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Cash-generating unit	Straight-line	7 years

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

i) Financial instruments

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

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

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

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

j) Impairment

Non-derivative financial assets

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

Most of the OR 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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

j) Impairment (*continued*)

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

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

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

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

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

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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

m) Leases (*continued*)

As a lessee (continued)

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 lease that, at commencement date, has a lease term of 12 months or less.

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 11b) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

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

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

a) Credit risk

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

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

b) Liquidity risk

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

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

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	1	1	-	-
Lease liabilities	751,999	87,752	351,009	710,475
Trade and other payables	133,958	45,689	88,269	-
	<u>885,958</u>	<u>133,442</u>	<u>439,278</u>	<u>710,475</u>

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (continued)

b) Liquidity risk (continued)

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	98,000	98,000	-	-
Lease liabilities	804,791	95,546	379,482	769,458
Trade payables	44,832	44,832	-	-
	<u>947,623</u>	<u>238,378</u>	<u>379,482</u>	<u>769,458</u>

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$162,805 at 30 June 2021 (2020: \$112,079). 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:

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

RWM Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	1,328,601	1,257,800
- Fee income	102,815	103,533
- Commission income	114,894	98,791
	<u>1,546,310</u>	<u>1,460,124</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	48,542	74,791
- Other income	1,188	-
	<u>49,730</u>	<u>74,791</u>

Note 10 Finance income

	2021 \$	2020 \$
- Cash at bank	20	5

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

Note 11 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	764	810
- Plant and equipment	21,513	26,744
- Furniture and fittings	1,136	953
- Motor vehicles	5,497	7,330
	<u>28,910</u>	<u>35,837</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	46,401	51,483
<i>Amortisation of intangible assets:</i>		
- Franchise fee	4,331	4,265
- Franchise establishment fee	6,407	14,040
- Franchise renewal process fee	16,668	11,297
- Cash-generating unit	9,285	-
	<u>36,691</u>	<u>29,602</u>
Total depreciation and amortisation expense	<u>112,002</u>	<u>116,922</u>

RWM Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 11 Expenses (continued)

b) Impairment expense	2021	2020
	\$	\$
<i>Impairment of intangible assets:</i>		
- Cash-generating unit	-	61,075

The company assesses impairment at each reporting period by evaluating the conditions and events specific to the company that may be indicative of impairment triggers. During the previous financial year this included an assessment of the income stream provided and the growth in footings from the Wynnum branch. As at 30 June 2020 the company recalculated the value of the cash-generating unit and determined it to be \$130,000, resulting in an impairment loss of \$61,075.

c) Finance costs	2021	2020
	\$	\$
- Bank loan interest paid or accrued	1,029	9,532
- Lease interest expense	51,661	54,896
- Unwinding of make-good provision	941	1,083
	<u>53,631</u>	<u>65,511</u>

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

d) Employee benefit expenses

Wages and salaries	840,832	853,004
Contributions to defined contribution plans	-	80,904
Expenses related to long service leave	10,620	(10,239)
Other expenses	226,535	112,069
	<u>1,077,987</u>	<u>1,035,738</u>

e) 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	<u>15,814</u>	<u>14,959</u>

Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021	2020
	\$	\$
<i>Current tax expense/(credit)</i>		
- Current tax	18,822	13,022
- Recoupment of prior year tax losses	-	13,464
- Movement in deferred tax	(1,049)	(44,591)
- Adjustment to deferred tax on AASB 16 retrospective application	-	43,001
- Reduction in company tax rate	1,781	2,611
	<u>19,554</u>	<u>27,507</u>

RWM Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 12 Income tax expense (continued)

b) Prima facie income tax reconciliation	2021	2020
	\$	\$
Operating profit before taxation	50,809	12,939
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	13,210	3,558
Tax effect of:		
- Non-deductible expenses	4,563	21,337
- Temporary differences	1,049	1,591
- Movement in deferred tax	(1,049)	(44,591)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	1,781	2,611
- Leases initial recognition	-	43,001
	<u>19,554</u>	<u>27,507</u>

Note 13 Cash and cash equivalents

	2021	2020
	\$	\$
Cash at bank and on hand	<u>162,805</u>	<u>112,079</u>

Note 14 Trade and other receivables

a) Current assets	2021	2020
	\$	\$
Trade receivables	30,784	40,468
Prepayments	9,486	12,417
Other receivables and accruals	10,500	10,500
	<u>50,770</u>	<u>63,385</u>

Note 15 Property, plant and equipment

a) Carrying amounts	2021	2020
	\$	\$
<i>Leasehold improvements</i>		
At cost	29,217	32,427
Less: accumulated depreciation	(11,314)	(10,684)
	<u>17,903</u>	<u>21,743</u>
<i>Plant and equipment</i>		
At cost	293,573	419,922
Less: accumulated depreciation	(131,979)	(184,680)
	<u>161,594</u>	<u>235,242</u>

RWM Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 15 Property, plant and equipment (continued)

a) Carrying amounts (continued)

	2021 \$	2020 \$
<i>Furniture and fittings</i>		
At cost	24,403	45,021
Less: accumulated depreciation	(9,584)	(31,566)
	14,819	13,455
<i>Motor vehicles</i>		
At cost	44,362	44,362
Less: accumulated depreciation	(27,868)	(22,371)
	16,494	21,991
Total written down amount	210,810	292,431

b) Reconciliation of carrying amounts

Leasehold improvements

Carrying amount at beginning	21,743	22,553
Disposals	(3,076)	-
Depreciation	(764)	(810)
	17,903	21,743

Plant and equipment

Carrying amount at beginning	235,242	256,216
Additions	5,264	5,770
Disposals	(57,399)	-
Depreciation	(21,513)	(26,744)
	161,594	235,242

Furniture and fittings

Carrying amount at beginning	13,455	13,504
Additions	3,724	904
Disposals	(1,224)	-
Depreciation	(1,136)	(953)
	14,819	13,455

Motor vehicles

Carrying amount at beginning	21,991	29,321
Depreciation	(5,497)	(7,330)
	16,494	21,991
Total written down amount	210,810	292,431

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.

RWM Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 16 Right-of-use assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Leased land and buildings</i>		
At cost	949,149	979,587
Less: accumulated depreciation	(358,114)	(326,920)
Total written down amount	<u>591,035</u>	<u>652,667</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Initial recognition on transition	652,667	979,588
Accumulated depreciation on adoption	-	(275,438)
Remeasurement adjustments	(15,231)	-
Depreciation	(46,401)	(51,483)
Total written down amount	<u>591,035</u>	<u>652,667</u>

Note 17 Intangible assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Franchise fee</i>		
At cost	60,123	38,933
Less: accumulated amortisation	(41,219)	(36,888)
	<u>18,904</u>	<u>2,045</u>
<i>Franchise establishment fee</i>		
At cost	42,465	42,465
Less: accumulated amortisation	(42,465)	(36,058)
	<u>-</u>	<u>6,407</u>
<i>Franchise renewal process fee</i>		
At cost	220,288	114,337
Less: accumulated amortisation	(125,768)	(109,100)
	<u>94,520</u>	<u>5,237</u>
<i>Purchase of Wynnum Manly branch cash-generating unit</i>		
At cost	191,075	191,075
Less: accumulated amortisation and impairment	(70,360)	(61,075)
	<u>120,715</u>	<u>130,000</u>
Total written down amount	<u>234,139</u>	<u>143,689</u>

RWM Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 17 Intangible assets (continued)

b) Reconciliation of carrying amounts	Note	2021 \$	2020 \$
<i>Franchise fee</i>			
Carrying amount at beginning		2,045	6,310
Additions		21,190	-
Amortisation		(4,331)	(4,265)
Carrying amount at end		<u>18,904</u>	<u>2,045</u>
<i>Franchise establishment fee</i>			
Carrying amount at beginning		6,407	20,447
Amortisation		(6,407)	(14,040)
Carrying amount at end		<u>-</u>	<u>6,407</u>
<i>Franchise renewal process fee</i>			
Carrying amount at beginning		5,237	16,534
Additions		105,951	-
Amortisation		(16,668)	(11,297)
Carrying amount at end		<u>94,520</u>	<u>5,237</u>
<i>Purchase of Wynnum Manly branch cash-generating unit</i>			
Carrying amount at beginning		130,000	191,075
Amortisation		(9,285)	-
Impairment	11b)	-	(61,075)
Carrying amount at end		<u>120,715</u>	<u>130,000</u>
Total written down amount		<u>234,139</u>	<u>143,689</u>
c) Changes in estimates			

During the prior financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

The company recognises an intangible asset being the income stream from the customer accounts domiciled from Bendigo & Adelaide Bank Limited to the Wynnum Manly branch when the branch was opened. The asset was originally recognised at cost for \$191,075. During the financial year the useful life of the cash-generating unit was reassessed as 7 years resulting in amortisation expenses for the period of \$9,285.

Note 18 Tax assets and liabilities

a) Current tax	2021 \$	2020 \$
Income tax payable	<u>31,844</u>	<u>13,022</u>

RWM Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 18 Tax assets and liabilities (continued)

b) Deferred tax	2021	2020
	\$	\$
<i>Deferred tax assets</i>		
- expense accruals	1,014	1,032
- employee provisions	-	275
- make-good provision	3,265	4,392
- lease liability	188,000	209,246
Total deferred tax assets	<u>192,279</u>	<u>214,945</u>
<i>Deferred tax liabilities</i>		
- right-of-use assets	147,759	169,693
Total deferred tax liabilities	<u>147,759</u>	<u>169,693</u>
Net deferred tax assets (liabilities)	<u>44,520</u>	<u>45,252</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>732</u>	<u>(14,485)</u>
Movement in deferred tax charged to Statement of Changes in Equity	<u>-</u>	<u>43,001</u>

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	6,217	8,271
Other creditors and accruals	39,472	36,561
	<u>45,689</u>	<u>44,832</u>
b) Non-current liabilities		
Other creditors and accruals	<u>88,269</u>	<u>-</u>

Note 20 Loans and borrowings

a) Current liabilities	2021	2020
	\$	\$
Secured bank loans	<u>1</u>	<u>98,000</u>

b) Terms and repayment schedule

	Weighted average	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	7.79%	Floating	1	1	98,000	98,000

The company maintains a \$200,000 commercial loan with available redraw facility of \$199,999 at the end of the financial year.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 6.64%.

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:

- Cleveland branch The lease agreement is a non-cancellable lease with an initial term of three years which commenced in April 2019. The lease had a three year extension option available, however the branch closed on 31 October 2020.
- Victoria Point branch The lease agreement commenced in December 2005. A 5 year renewal option was exercised in December 2020. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is November 2030.
- Wynnum branch The lease agreement commenced in October 2017 for 10 years. The lease has 2 x 5 year renewal options available with 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 September 2037.

	2021	2020
	\$	\$
a) Current lease liabilities		
Property lease liabilities	87,752	95,546
Unexpired interest	(48,760)	(52,143)
	<u>38,992</u>	<u>43,403</u>
b) Non-current lease liabilities		
Property lease liabilities	1,061,484	1,148,940
Unexpired interest	(348,477)	(387,552)
	<u>713,007</u>	<u>761,388</u>
c) Reconciliation of lease liabilities		
Balance at the beginning	804,791	-
Initial recognition on AASB 16 transition	-	844,706
Remeasurement adjustments	(14,044)	-
Lease interest expense	51,656	54,896
Lease payments - total cash outflow	(90,404)	(94,811)
	<u>751,999</u>	<u>804,791</u>

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21 Lease liabilities (continued)

	2021	2020
	\$	\$
d) Maturity analysis		
- Not later than 12 months	87,752	95,546
- Between 12 months and 5 years	351,009	379,482
- Greater than 5 years	710,475	769,458
Total undiscounted lease payments	1,149,236	1,244,486
Unexpired interest	(397,237)	(439,695)
Present value of lease liabilities	751,999	804,791

Note 22 Provisions

a) Non-current liabilities	2021	2020
	\$	\$
Make-good on leased premises	13,058	16,894

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term. The company has estimated the provision for each lease based on experience and consideration of the expected future costs to remove all fittings as well as cost to remedy any damages caused during the removal process. The leases are due to expire per below at which time it is expected the face-value costs to restore the premises will fall due.

<u>Lease</u>	<u>Lease term expiry date per AASB 16</u>	<u>Estimated provision</u>
Victoria Point	30 November 2030	\$18,000
Wynnum Manly	30 September 2037	\$10,000

Note 23 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	679,310	679,310	679,310	679,310
Less: equity raising costs	-	(36,750)	-	(36,750)
	679,310	642,560	679,310	642,560

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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 23 Issued capital (*continued*)

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

Ordinary shares (continued)

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 266. As at the date of this report, the company had 294 shareholders (2020: 296 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.

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.

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 24 Accumulated losses

	2021 \$	2020 \$
Balance at beginning of reporting period	(310,596)	(182,662)
Adjustment for transition to AASB 16	-	(113,366)
Net profit (loss) after tax from ordinary activities	31,255	(14,568)
Balance at end of reporting period	<u>(279,341)</u>	<u>(310,596)</u>

Note 25 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit (loss) after tax from ordinary activities	31,255	(14,568)
Adjustments for:		
- Depreciation	75,311	87,320
- Amortisation	36,691	34,312
- Impairment losses on intangible assets	-	61,075
- (Profit)/loss on disposal of non-current assets	60,775	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	12,615	(36,287)
- (Increase)/decrease in other assets	3,124	31,422
- Increase/(decrease) in trade and other payables	2,946	13,059
- Increase/(decrease) in employee benefits	-	(6,809)
- Increase/(decrease) in provisions	(5,050)	1,083
- Increase/(decrease) in tax liabilities	18,822	13,022
Net cash flows provided by operating activities	<u>236,489</u>	<u>183,629</u>

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	162,805	112,079
Trade and other receivables	14	41,284	50,968
		<u>162,805</u>	<u>112,079</u>
Financial liabilities			
Trade and other payables	19	133,958	44,832
Secured bank loans	20	1	98,000
Lease liabilities	21	751,999	804,791
		<u>133,959</u>	<u>142,832</u>

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 27 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- General advisory services	1,900	2,160
- Share registry services	1,900	1,900
Total auditor's remuneration	<u>8,800</u>	<u>8,860</u>

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Garry Francis White
 Christopher Francis Webster
 Arnal Pravikash Chand
 Darren William McKenzie
 Jonathon James Cowley
 Rachel Anne Wicks
 Amy Jackson

b) Key management personnel compensation

Key management personnel compensation comprised the following.

	2021 \$	2020 \$
Employee benefits	<u>-</u>	<u>11,410</u>

Compensation of the company's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined contribution plan.

c) Related party transactions

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

RWM Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 29 Dividends provided for or paid

a) Franking account balance	2021 \$	2020 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	6,020	29,136
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	-	(23,116)
Franking account balance at the end of the financial year	<u>6,020</u>	<u>6,020</u>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	31,844	13,022
Franking credits available for future reporting periods	<u>37,864</u>	<u>19,042</u>

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

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/(loss) attributable to ordinary shareholders	<u>31,255</u>	<u>(14,568)</u>
	Number	Number
Weighted-average number of ordinary shares	<u>679,310</u>	<u>679,310</u>
	Cents	Cents
Basic and diluted earnings/(loss) per share	<u>4.60</u>	<u>(2.14)</u>

Note 31 Commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

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

RWM Community Financial Services Limited

Directors' Declaration

In accordance with a resolution of the directors of RWM 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.



Garry Francis White, Chair

Dated this 17th day of September 2021

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of RWM 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 RWM 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.

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 17 September 2021



Joshua Griffin
Lead Auditor

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