Annual Report 2021

South Burdekin Community Financial Services Limited

Community Bank
Home Hill and Ayr

ABN 86 113 530 902

Contents

Chairman’s Report

For year ending 30 June 2021

I am delighted to have the opportunity to present our Annual Report to the Shareholders of South Burdekin Community Financial Services Limited for the 2021 financial year.

We are pleased to advise that the purchase of the Ayr Branch of Bendigo and Adelaide Bank and the subsequent loans associated with that purchase have been finalised, this has only been made possible by the Company being very prudent in these very tough times, this is a great result and only been made possible by the additional volume and mix that comes with the Ayr branch, increased income and profit will only come from volume as we struggle in the current economic climate of very low interest rates that have affected our margins, we believe we are capable of producing a steady profit, providing we can increase our volume for which the team will work hard to achieve, the team are working hard at increasing our volume through the banking services that we provide to our community.

About 15 months ago we welcomed Chantel Michelin as our Senior Branch Manager, this has proved to be a wonderful decision, with her prior banking knowledge and her ability to guide our wonderful and dedicated staff to perform their duties in a most professional and efficient manner, this has been the backbone of our business for many years. I thank all of the staff for their continued support of the Directors and myself in our quest of achieving our common goal of profitable branches and company.

I would like to again thank my fellow directors, they are an amazing group of community minded people who have always given of their time and support to achieve our goals and objectives. Some of our Directors have been involved with this project for nearly 19 years and I thank them for their continued enthusiasm and support. we are still looking for a couple of very Community minded persons who will give us their time and add value to our Board. As new Directors join our board they come with fresh ideas and views which will enable us to grow both of our Community Bank branches. We are all able to see the steady profits that will benefit our shareholders and provide funding for projects for our community in the future.

Our partners Bendigo and Adelaide Bank Ltd and their regional staff have always been very supportive and continue to encourage us, Community Business Manager Qld Geoff, Regional Manager NQ Jackie, and Rural Bank Agribusiness Relationship Manager Angelo have been invaluable at times with their guidance in our branch operations and their occasional attendance at our Board meetings has been greatly appreciated. I would like on behalf of the Board to thank them for their support.

In closing, without the support, generosity and the confidence of our shareholders and the community we would not have achieved these results thus far. I thank all of those who have supported and encouraged us and I would ask again that all shareholders should become advocates and try to encourage more of our community members to explore the products and services that our community bank and staff have to offer. If you are a shareholder and you don’t bank with us-why not? Surely you want a return on your investment in our community bank.

Yours Sincerely

Darren West
Chairman

Scholarships, Grants and Dividends

Report of Scholarships and Grants

South Burdekin Community Financial Services Limited operates the Home Hill and Ayr **Community Bank®** branches and we are proud to invest in the Burdekin community through various scholarships and grants.

Since opening the Home Hill **Community Bank®** Branch in 2005, over $284,000 has been invested directly into the community. The table below summarises the major monetary values disbursed to the community in the 2020/21 financial year (rounded to the nearest dollar).

Group	Purpose	Value $
Ayr State High School	Awards night sponsorship	$100.00
Burdekin Catholic High School	Awards night sponsorship	$157.00
Burdekin Artisans	Sponsorship Rags to Runway Event	$400.00
Burdekin Netball	Sponsorship	$5,500.00
Burdekin Race Club	Sponsorship	$3,000.00
Burdekin Swimming Club	Gold Sponsorship	$250.00
Burdekin Zonta Club Inc	International Womens Day Event	$250.00
Home Hill Cricket Club	Gold Sponsorship - Annual Carnival	$500.00
Home Hill High School	Trophy + $100	$157.00
Radio Sweet FM		$1,220.00
		$11,534.00

Dividend payment history

Below is a summary of the dividends paid to shareholders to date:

Dividend to sharholders			
Financial Year	**Amount Per Share**	**Franking Level**	**Date Paid**
2010/2011	.05	0%	20/12/2010
2011/2012	.07	0%	19/12/2011
2012/2013	.09	0%	19/12/2012
2013/2014	.07	0%	13/12/2013
2014/2015	.05	100%	12/12/2014
2015/2016	.03	100%	15/12/2015
2016/2017	-	-	-
2017/2018	-	-	-
2018/2019	.07	100%	28/09/2018
2019/2020	-	-	-
2020/2021	-	-	-

Bendigo and Adelaide Bank Report

For year ending 30 June 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer? What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance or your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each other and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.

Collin Brady

Head of Community Development

Directors' Report

For the financial year ended 30 June 2021

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:

Robert Darren West

Chairman

Occupation: Motor Vehicle Dealer Principal/ Managing Director

Qualifications, experience and expertise: Past President of Ayr Burdekin Rotary Club (3 years), Past Chairman of Burdekin Crimestoppers Incorporated (11 years), Past QLD Dealer Representative for Toyota Financial Services National Dealer Council (2002 - 2009), Past Chairman of the Toyota Dealers Association of North Queensland Ltd (2010 - 2016), and Past Director of the National Toyota Dealers Association Limited (2010 - 2016).

Special responsibilities: Chairman, Audit Committee, Marketing Committee Interest in shares: 6,601 ordinary shares

Nancy Robyn Haller

Non-executive director

Occupation: Company Director

Qualifications, experience and expertise: Director of Scorpion Jacks International, servicing the mining industry . Charter Member and Past President of the Zonta Club of Burdekin Inc.

Special responsibilities: Marketing Committee Interest in shares: 5,501 ordinary shares

Loizos Andreas Loizou

Non-executive director

Occupation: Sugar Cane Grower

Qualifications, experience and expertise: Active member of St Stephens Greek Orthodox Church. Member of Queensland Cane Growers. Past Councillor 22 years. Past Director of South Burdekin Water Board. Past Director of Burdekin River Trust.

Special responsibilities: Audit Committee and Marketing Committee Interest in shares: 6,711 ordinary shares

Constantine Arthur Christofides

Non-executive director

Occupation: Sugar Cane Farmer - Self Employed

Qualifications, experience and expertise: Own and manage family cane farm. Treasurer of Greek community of Home Hill and Ayr.

Special responsibilities: Audit Committee, Marketing Committee Interest in shares: 4,400 ordinary shares

Paul Raymond Benvenuti

Non-executive director Occupation: Retailer/Tradesman

Qualifications, experience and expertise: Small business owner/operator of Ben's Leading Appliances and Burdekin Communications. Current member of various community groups and organisations. Past President of Home Hill Chamber of Commerce. Previous member and Chairman of Home Hill Rotary Club.

Special responsibilities: Marketing Committee Interest in shares: 2,200 ordinary shares

Directors' Report (continued)

Max Angelo Musumeci

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Farming since 1994. Real Estate Sales Consultant 2008 - 2014. Co-ordinator of Home Hill Canefield Ashes Cricket Carnival 2011, 2012, 2013. Junior Vice President of Home Hill Cricket Association 2011 - 2014. While farming for past 20 years, have held many part time positions including servicing mining equipment, mine maintenance, cane harvesting, and hauling. Max has previously a board Director of Pioneer Cane Growers Organisation. Max is currently a Burdekin Shire Councillor.

Special responsibilities: Marketing Committee Interest in shares: 550 ordinary shares

Colin Richard Casswell

Non-executive director (resigned 22 March 2021)

Occupation: Sales/Administration Officer

Qualifications, experience and expertise: Diploma of Business with 17 years of banking experience. Past employment includes Electorate Officer for past state MP Rosemary Menkens. Life member for Home Hill tennis association, and Tennis Queensland director since October 2018.

Special responsibilities: Insurance monitor Interest in shares: 551 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:

- Chloe Rossiter was appointed company secretary on 28 September 2020.
- Chantel Michielin was appointed company secretary on 29 April 2019 and ceased on 23 March 2021

Qualifications, experience and expertise: Chloe is and has been a staff member for Bendigo Bank in Ayr since 2014 and has worked in a number of different roles over this time. Prior to this, she worked as a conveyancing officer at a local legal firm for 2.5years. Chloe and her husband are also small business owners.

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

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year Ended 30 June 2019	Year Ended 30 June 2018
(22,731)	(24,750)

Directors' interests

	Fully Paid Ordinary Shares		
	Balance at start of year	Changes during the year	Balance at end of the year
Robert Darren West	6,601	-	6,601
Nancy Robyn Haller	5,501	-	5,501
Loizos Andreas Loizou	6,711	-	6,711
Constantine Arthur Christofides	4,400	-	4,400
Paul Raymond Benvenuti	2,200	-	2,200
Max Angelo Musumeci	550	-	550
Colin Richard Casswell	551	-	551

Directors' Report (continued)

Dividends

No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be paid in the current financial year.

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

	Board Meetings Attended			Board Meetings Attended	
	Eligible	Attended		Eligible	Attended
Robert Darren West	12	12	Paul Raymond Benvenuti	12	11
Nancy Robyn Haller	12	9	Max Angelo Musumeci	12	11
Loizos Andreas Loizou	12	12	Colin Richard Casswell	8	-
Constantine Arthur Christofides	12	11			

Directors' Report (continued)

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 by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110

Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

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

Signed in accordance with a resolution of the directors at Home Hill, Queensland.

Robert Darren West, Chair

Dated this 23rd day of August 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 South Burdekin Community Financial Services Limited

As lead auditor for the audit of South Burdekin 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: 23 August 2021

Adrian Downing
Lead Auditor

Managers' Report

For year ending 30 June 2021

It is my pleasure as Senior Branch Manager to present our Annual Report for the Home Hill and Ayr Community Bank branches.

Since joining the bank in April of last year, we certainly have had our share of challenges. In the beginning COVID 19 saw that foot traffic in branches decreased and much like most of Australia, business was slow. I'm glad to report since the 2020 AGM, business has increased and we have welcomed many new customers. There have been a number of different reasons for this; low interest rates, other financial institutions either closing their doors or decreasing their opening hours, and my favourite reason, other customers recommending us due to great service.

Our community involvement and volunteering efforts were put on hold again this year as ther are still some COVID 19 restrictions in place. This is a space that we look forward to spending more time in.

The great service is all thanks to our wonderful team – even with a number of changes that have happened over the year. Our team has welcomed a new staff member in August of this year, Lynda Potter. We said goodbye to three long term staff members who embarked on maternity leave earlier this year, Kelly McAllister, Chloe Rossiter and Jessica Bereicua. You will continue to see the familiar faces of Chris Grimbaldeston, Jade Bywaters, Sally Smith, Pauline Moore, Alana Bradley, Cassy Mears and myself across both branches. A heartfelt thank you goes out to all our amazing team members. The experience and dedication they have to helping our customers and to building our brand is something I am very proud of.

I would like to say a thank you to our Board of Directors, Darren West, Robyn Haller, Lou Loizou, Con Christofidies, Paul Benvenuti and Max Muscumeci for your ongoing support and your investment into our Community Bank branches. Your dedication is greatly appreciated.

I extend my appreciation to our business partners in our Rural Bank Sector. Agribusiness Manager, Angelo Rigano together with Michelle Gosper have continually provided support, knowledge and assistance to our branches throughout the year and their expertise is an asset to us all. Our farming community are in great hands.

And finally, I would like to say thank you to you all, our shareholders and customers. Without you all, we wouldn't be where we are today. Your patience and loyalty with the ever-changing industry during COVID 19 has been amazing and greatly appreciated. By banking with us we are able to support our community and achieve our goal to be Australia's most Customer Connected Bank. Out full complement of products and services available at our Community Bank branches can help you grow your business, which in turn supports us and our profits are returned to the community. I look further helping you all achieve your financial goals.

Yours sincerely,

Chantel Michielin

Branch Manager

Financial Statements

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

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	795,268	876,972
Other revenue	9	85,974	83,333
Finance income	10	1,022	2,195
Employee benefit expenses	11c)	(580,831)	(538,424)
Charitable donations, sponsorship, advertising and promotion		(6,395)	(36,441)
Occupancy and associated costs		(26,492)	(23,496)
Systems costs		(36,851)	(37,233)
Depreciation and amortisation expense	11a)	(131,816)	(175,048)
Finance costs	11b)	(19,564)	(43,886)
General administration expenses		(98,198)	(127,878)
Loss before income tax expense		**(17,883)**	**(19,906)**
Income tax expense	12a)	(4,848)	(4,844)
Loss after income tax expense		**(22,731)**	**(24,750)**
Earnings per share		**¢**	**¢**
- Basic and diluted loss per share:	**29a)**	**(3.22)**	**(3.51)**

The accompanying notes form part of these financial statements

Financial Statements (Continued)

Statement of Financial Position as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	229,991	301,321
Trade and other receivables	14a)	17,082	21,555
Current tax assets	18a)	4,184	17,689
Total current assets		**251,257**	**340,565**
Non-current assets			
Property, plant and equipment	15a)	72,972	86,036
Right-of-use assets	16a)	253,161	696,155
Intangible assets	17a)	232,852	302,050
Deferred tax asset	18b)	18,889	17,819
Total non-current assets		**577,874**	**1,102,060**
Total assets		**829,131**	**1,442,625**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	39,338	62,513
Loans and borrowings	20a)	-	100,000
Lease liabilities	21a)	52,042	71,930
Employee benefits	22a)	19,723	18,297
Total current liabilities		**111,103**	**252,740**
Non-current liabilities			
Trade and other payables	19b)	56,097	84,145
Lease liabilities	21b)	340,725	761,968
Employee benefits	22b)	1,297	1,132
Total non-current liabilities		**398,119**	**847,245**
Total liabilities		**509,222**	**1,099,985**
Net assets		**319,909**	**342,640**
EQUITY			
Issued capital	23a)	599,526	599,526
Accumulated losses	24	(279,617)	(256,886)
Total equity		**319,909**	**342,640**

The accompanying notes form part of these financial statements

Financial Statements (Continued)

Statement of Changes in Equity
for the year ended 30 June 2021

	Notes	Issued Capital $	Accumulated losses $	Total Equity $
Balance at 1 July 2019		**599,526**	**(232,136)**	**367,390**
Total comprehensive income for the year		-	(24,750)	(24,750)
Balance at 30 June 2020		**599,526**	**(256,886)**	**342,640**
Balance at 1 July 2020		599,526	(256,886)	342,640
Total comprehensive income for the year		-	(22,731)	(22,731)
		599,526	**(279,617)**	**319,909**

The accompanying notes form part of these financial statements

Financial Statements (Continued)

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		888,017	1,031,455
Payments to suppliers and employees		(762,194)	(832,895)
Interest received		1,349	2,335
Interest paid		(1,690)	(2,230)
Lease payments (interest component)	11b)	(17,874)	(41,656)
Lease payments not included in the measurement of lease liabilities	11d)	(13,334)	(11,819)
Income taxes paid refunded / (paid)		7,586	(21,137)
Net cash provided by operating activities	**25**	**101,860**	**124,053**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,345)	(3,376)
Payments for intangible assets		(25,498)	(25,911)
Net cash used in investing activities		**(26,843)**	**(29,287)**
Cash flows from financing activities			
Lease payments (principal component)	21c)	(46,347)	(65,507)
Net cash used in financing activities		**(46,347)**	**(65,507)**
Net cash increase in cash held		**28,670**	**29,259**
Cash and cash equivalents at the beginning of the financial year		201,321	172,062
Cash and cash equivalents at the end of the financial year	**13b)**	**229,991**	**201,321**

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For year ended 30 June 2021

Note 1. Reporting entity

This is the financial report for South Burdekin 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 C, 129-141 Eighth Avenue	Shop C, 129-141 Eighth Avenue
Home Hill QLD 4806	Home Hill QLD 4806
	111 Queen Street
	Ayr QLD 4807

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 23 August 2021.

Note 3. Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

Note 4. Summary of significant accounting policies (continued)

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.

a) Revenue from contracts with customers (continued)

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

Notes to the Financial Statements (Continued)

For 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.

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

During the financial year, 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 businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is 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 when the cash flow of the company improves.

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

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.

d) Employee benefits

Short-term employee benefits

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

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

Note 4. Summary of significant accounting policies (continued)

d) Employee benefits (continued)

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

Note 4. Summary of significant accounting policies (continued)

f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flow, 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 method over their estimated useful lives, and is recognised in profit or loss.

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

Asset class	Method	Useful life
Plant and equipment	Straight-line	2 to 40 years
Motor vehicles	Straight-line	3 to 5 years

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

h) Intangible assets

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

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

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

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

Asset class	Method	Useful life
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)
Domiciled customer accounts	Straight-line	5 years

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

i) Financial instruments

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

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.

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

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) 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.

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 4. Summary of significant accounting policies (continued)

l) Leases (continued)

As a lessee (continued)

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.

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.

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 5. Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 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.

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 11a) - 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 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 and investments in debt securities.

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.

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 6. Financial risk management (Continued)

b) Liquidity risk

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

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

- The company has an approved overdraft limit of $150,000 which was not drawn upon at 30 June 2021.

Exposure to liquidity risk

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

Non-derivative financial liability	Carrying amount $	Contractual cash flows		
		Not later than 12 months $	Between 12 months and five years $	Greater than five years $
30 June 2021				
Lease liabilities	454,124	65,927	210,989	177,208
Trade and other payables	95,435	39,338	56,097	-
	549,559	**105,265**	**267,086**	**177,208**
30 June 2020				
Bank overdraft	100,000	100,000	-	-
Lease liabilities	1,045,026	110,308	434,507	500,211
Trade and other payables	146,658	62,513	84,145	-
	1,291,684	**272,821**	**518,652**	**500,211**

c) Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $229,991 at 30 June 2021 (2020: $301,321). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

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	478,526	556,983
Fee income	62,651	61,280
Commission income	254,091	258,709
	795,268	**876,972**

Note 9. Other revenue

	2021 $	2020 $
Market development fund income	73,125	73,333
Cash flow boost	11,312	10,000
Other income	1,537	-
	85,974	**83,333**

Note 10. Finance income

	2021 $	2020 $
Term deposits	**1,022**	**2,195**

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 11. Expenses

	2021 $	2020 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
Plant and equipment	14,224	17,145
Motor vehicles	185	732
	14,409	**17,877**
Depreciation of right-of-use assets		
Leased land and buildings	**48,209**	**84,705**
Amortisation of intangible assets:		
Franchise fee	4,250	4,167
Franchise establishment fee	-	13,199
Franchise renewal process fee	21,248	11,400
Domiciled accounts	43,619	43,619
Borrowing costs	81	81
	69,198	**72,466**
Total depreciation and amortisation expense	**131,816**	**175,048**
b) Finance costs		
Bank overdraft interest paid or accrued	1,690	2,230
Lease interest expense	17,874	41,656
	19,564	**43,886**

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

c) Employee benefit expenses

	2021	2020
Wages and salaries	557,912	513,390
Contributions to defined contribution plans	9,044	7,180
Expenses related to long service leave	2,205	2,141
Other expenses	11,670	15,713
	580,831	**538,424**

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	**12,425**	**11,819**

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 12 Income tax expense

	2021 $	2020 $
a) Amounts recognised in profit or loss		
Current tax expense		
Current tax	5,919	7,183
Movement in deferred tax	(1,826)	(35,967)
Adjustment to deferred tax on AASB 16 retrospective application	-	32,600
Reduction in company tax rate	755	1,028
	4,848	**4,844**
b) Prima facie income tax reconciliation		
Operating loss before taxation	(17,883)	(19,906)
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	(4,650)	(5,474)
Tax effect of:		
Non-deductible expenses	11,877	12,410
Other deductible expenses	(193)	(370)
Temporary differences	1,825	3,367
Other assessable income	(2,941)	(2,750)
Movement in deferred tax	(1,826)	(35,967)
Leases initial recognition	-	32,600
Reduction in company tax rate	756	1,028
	4,848	**4,844**

Note 13. Cash and cash equivalents

a) Cash and cash equivalents

	2021 $	2020 $
Cash at bank and on hand	97,442	70,121
Term deposits	132,549	231,200
	229,991	**301,321**

b) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts. Bank overdrafts are presented with loans and borrowings.

The below figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the financial year as follows:

	Note	2021	2020
Cash at bank and on hand		97,442	70,121
Term deposits		132,549	231,200
Bank overdraft	20a)	-	(100,000)
		229,991	**201,321**

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 14. Trade and other receivables

	2021 $	2020 $
a) Current assets		
Trade receivables	4,983	-
Prepayments	12,021	10,465
Other receivables and accruals	78	11,090
	17,082	**21,555**

Note 15. Property, plant and equipment

	2021 $	2020 $
a) Carrying amounts		
Plant and equipment		
At cost	201,418	200,073
Less: accumulated depreciation	(130,458)	(116,234)
	70,960	**83,839**
Motor vehicles		
At cost	22,075	22,07
Less: accumulated depreciation	(20,063)	(19,878)
	2,012	2,197
Total written down amount	**72,972**	**86,036**
b) Reconciliation of carrying amounts		
Plant and equipment		
Carrying amount at beginning	83,839	97,608
Additions	1,345	3,376
Depreciation	(14,224)	(17,145)
	70,960	**83,839**
Motor vehicles		
Carrying amount at beginning	2,197	2,929
Depreciation	(185)	(732)
	2,012	**2,197**
Total written down amount	**72,972**	**86,036**

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.

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 16 Right-of-use assets

	2021 $	2020 $
a) Carrying amounts		
Leased land and buildings		
At cost	676,609	1,071,394
Less: accumulated depreciation	(423,448)	(375,239)
Total written down amount	**253,161**	**696,155**
b) Reconciliation of carrying amounts		
Leased land and buildings		
Carrying amount at beginning	696,155	-
Initial recognition on transition	-	1,071,394
Accumulated depreciation on adoption	-	(290,534)
Remeasurement adjustments	(394,785)	-
Depreciation	(48,209)	(84,705)
Total written down amount	**253,161**	**696,155**

See note 21 Lease liabilities for information on remasurement adjustments.

Note 17. Intangible assets

	2021 $	2020 $
a) Carrying amounts		
Franchise fee		
At cost	110,371	110,371
Less: accumulated amortisation	(93,383)	(89,133)
	16,988	**21,238**
Franchise establishment fee		
At cost	43,044	43,044
Less: accumulated amortisation	(43,044)	(43,044)
	-	-
Franchise renewal process fee		
At cost	221,082	221,082
Less: accumulated amortisation	(136,144)	(114,896)
	84,938	**106,186**
Cash-generating unit - domiciled accounts		
At cost	218,093	218,093
Less: accumulated amortisation	(87,238)	(43,619)
	130,855	**174,474**
Borrowing costs		
At cost	314	314
Less: accumulated amortisation	(243)	(162)
	71	**152**
Total written down amount	**232,852**	**302,050**

For year ended 30 June 2021

Note 17 Intangible assets (continued)

	2021 $	2020 $
a) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	21,238	4,156
Additions	-	21,249
Amortisation	(4,250)	(4,167)
	16,988	**21,238**
Franchise establishment fee		
Carrying amount at beginning	-	13,199
Amortisation	-	(13,199)
	-	-
Franchise renewal process fee		
Carrying amount at beginning	106,186	11,343
Additions	-	106,243
Amortisation	(21,248)	(11,400)
	84,938	**106,186**
Cash-generating unit - domiciled accounts		
Carrying amount at beginning	174,474	218,093
Amortisation	(43,619)	(43,619)
	130,855	**174,474**
Borrowing costs		
Carrying amount at beginning	152	233
Amortisation	(81)	(81)
	71	**152**
Total written down amount	**232,852**	**302,050**

b) 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

	2021 $	2020 $
a) Current tax		
Income tax refundable	**(4,184)**	**(17,689)**

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 18 Tax assets and liabilities (continued)

	2021 $	2020 $
b) Deferred tax		
Deferred tax assets		
expense accruals	-	2,149
employee provisions	5,255	5,052
lease liability	98,192	216,813
Total deferred tax assets	**103,447**	**224,014**
Deferred tax liabilities		
income accruals	20	105
deductible prepayments	3,005	2,721
property, plant and equipment	18,243	22,369
right-of-use assets	63,290	181,000
Total deferred tax liabilities	**84,558**	**206,195**
Net deferred tax assets (liabilities)	**18,889**	**17,819**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(1,826)**	**2,339**
Movement in deferred tax charged to Statement of Changes in Equity	**-**	**32,600**

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.

	2021 $	2020 $
a) Current liabilities		
Trade creditors	6,837	20,297
Other creditors and accruals	32,501	42,216
	39,338	**62,513**
b) Non-current liabilities		
Other creditors and accruals	**56,097**	**84,145**

Note 20. Loans and borrowings

	2021 $	2020 $
a) Current liabilities		
Bank overdraft	**-**	**100,000**

The company has an approved overdraft limit of $150,000 which was not drawn upon at 30 June 2021.

Interest is recognised using the effective interest method, currently 2.04% (2020: 2.65%).

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 20. Loans and borrowings (Continued)

	Nominal interest rate	Year of maturity	30 June 2020 Face value	30 June 2020 Carrying value	30 June 2019 Face value	30 June 2019 Carrying value
b) Terms and repayment schedule						
Bank overdraft	2.04%	Floating	-	-	100,000	100,000

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 4.79%. Subsequent lease modifications were discounted at 3.54%.

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:

- Home Hill branch — The lease agreement commenced in July 2015. A 5 year renewal option was exercised in July 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 June 2030.
- Ayr branch — The lease agreement commenced in July 2017. A 5 year renewal option was exercised in March 2019. As such, the lease term end date used in the calculation of the lease liability is March 2024.

	2021 $	2020 $
a) Current lease liabilities		
Property lease liabilities	65,927	110,308
Unexpired interest	(13,885)	(38,378)
	52,042	**71,930**
b) Non-current lease liabilities		
Property lease liabilities	388,197	934,718
Unexpired interest	(47,472)	(172,750)
	340,725	**761,968**
c) Reconciliation of lease liabilities		
Balance at the beginning	833,898	-
Initial recognition on AASB 16 transition	-	899,406
Remeasurement adjustments	(394,784)	-
Lease payments - total cash outflow	17,874	41,656
Lease interest expense	(64,221)	(107,164)
	392,767	**833,898**

The remeasurement adjustments were due to a large reduction in monthly lease payments in the period, now that the additional lease fit out contributions for the Home Hill branch have ceased. These reductions have an accumulating effect over the lease term.

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 21. Lease liabilities (Continued)

	2021 $	2020 $
d) Maturity analysis		
Not later than 12 months	65,927	110,308
Between 12 months and 5 years	210,989	434,507
Greater than 5 years	177,208	500,211
Total undiscounted lease payments	**454,124**	**1,045,026**
Unexpired interest	(61,357)	(211,128)
Present value of lease liabilities	**392,767**	**833,898**

Note 22. Employee benefits

	2021 $	2020 $
a) Current liabilities		
Provision for annual leave	6,168	6,782
Provision for long service leave	13,555	11,515
	19,723	**18,297**
b) Non-current liabilities		
Provision for long service leave	1,297	1,132

c) Key judgement and assumptions

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

Note 23. Issued capital

	2021		2020	
	Number	$	Number	$
a) Issued capital				
Ordinary shares - fully paid	641,060	641,060	641,060	641,060
Bonus shares - fully paid (10:1)	64,099	-	64,099	-
Less: equity raising costs	-	(41,534)	-	(41,534)
	705,159	**599,526**	**705,159**	**599,526**

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 23. Issued capital (Continued)

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 304. As at the date of this report, the company had 305 shareholders (2020: 305 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.

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

Note 23. Issued capital (Continued)

b) Rights attached to issued capital (Continued)

Transfer (Continued)

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

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

Note 24. Accumulated losses

	2021 $	2020 $
Balance at beginning of reporting period	(256,886)	(146,190)
Adjustment for transition to AASB 16	-	(85,946)
Net loss after tax from ordinary activities	(22,731)	(24,750)
Balance at end of reporting period	**(279,617)**	**(256,886)**

Note 25. Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net loss after tax from ordinary activities	(22,731)	(24,750)
Adjustments for:		
Depreciation	62,618	102,582
Amortisation	69,198	72,466
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	4,474	(8,089)
(Increase)/decrease in other assets	12,435	1,241
Increase/(decrease) in trade and other payables	(25,725)	(8,516)
Increase/(decrease) in employee benefits	1,591	6,239
Increase/(decrease) in tax liabilities	-	(17,120)
Net cash flows provided by operating activities	**101,860**	**124,053**

Notes to the Financial Statements (Continued)

For year ended 30 June 2021

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.

	Notes	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	97,442	70,121
Term deposits	13	132,549	231,200
Trade and other receivables	14	5,061	11,090
		229,991	**301,321**
Financial liabilities			
Trade and other payables	19	6,837	20,297
Bank overdrafts	20	-	100,000
Lease liabilities	21	392,767	833,898
		399,604	**954,195**

Note 27. Auditor's remuneration

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

	2021 $	2020 $
Audit and review services		
Audit and review of financial statements	5,000	4,800
Non audit services		
General advisory services	2,800	3,070
Share registry services	2,650	2,742
Total auditor's remuneration	**10,450**	**10,612**

Note 28. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Robert Darren West
Nancy Robyn Haller
Loizos Andreas Loizou
Constantine Arthur Christofides
Paul Raymond Benvenuti
Max Angelo Musumeci
Colin Richard Casswell

For year ended 30 June 2021

Note 28. Related parties

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 $
Darren West provided motor vehicle servicing and parts to the company to the value of:	**324**	**917**

Note 29. 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 $
Loss attributable to ordinary shareholders	**(22,731)**	**(24,750)**
	Number	**Number**
Weighted-average number of ordinary shares	**705,159**	**705,159**
	Cents	**Cents**
Basic and diluted loss per share	**(3.22)**	**(3.51)**

Note 30. Commitments

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

Note 31. Contingencies

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

Note 32. Subsequent events

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

Directors' Declaration

In accordance with a resolution of the directors of South Burdekin 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.

Robert Darren West, Chairman

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

Dated this 23rd day of August 2021

Independent Audit Report

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent auditor’s report to the Directors of South Burdekin Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of South Burdekin 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 South Burdekin 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.

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03 5443 0344

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.

Independent Audit Report (continued)

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 23 August 2021

Adrian Downing
Lead Auditor