

Annual Report 2021

Toodyay & Districts Community
Financial Services Limited

Community Bank
Toodyay & Districts and Northam

ABN 67 090 105 249

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Chairman's report

For year ending 30 June 2021



As we move into the third year of the COVID-19 pandemic, I wish all our community the very best and thank the shareholders for their support. I am delighted to announce again a dividend of 10 cents fully franked per share for the 2020/21 financial year.

I am delighted by the performance of Community Bank Toodyay and Northam for the year ended 30 June 2021.

The profit for the company after the provision for income tax was \$49,399 which is outlined on page 7 of the financial report. The Board elected to invest \$100,000 in the Community Enterprise Foundation™ to build our future sponsorship fund thus reducing the profit of the company to \$49,399. We are very pleased to announce the financial results for Toodyay & Districts Community Financial Services Limited (TDCFS). The profits for 2021 and 2020 are larger than the previous year 2019 at \$113,822 prior to the COVID-19 pandemic.

During the financial year the company sold two investment properties at 33 Hammersley Street and 66 Stirling Terrace, Toodyay for a combined amount of \$445,000.

Kirsten Barrack, our Branch Manager has done an amazing job again supported by our loyal staff, providing exceptional customer service, and achieving the sales targets to ensure the sustainability of our business. The new staff uniforms bring the image of the bank up to date.

During the 2020/21 financial year we saw the resignation of one Director, Dr Harminder Singh Randhawa. Harry was an excellent Director and Chair of the HR Committee who has returned with his family to their home state of South Australia. I thank Harry most sincerely for his contribution to TDCFS.

I welcome Mr Rodney James Black as a non-Executive Director (appointed 24 June 2021) to the Board. Rodney is the General Manager of the Farmer's Home Hotel (DOME) Northam. Rod has been appointed Chair of the HR Committee to replace Harry and is doing an amazing job.

We have also received the resignation of our Company Secretary/Director Mr Paul Tomlinson on 29 September 2021. As the CEO of the Avon Community Development Foundation and Secretary/Director of TDCFS he found the time required for both organisations was too much. I thank Paul for his contribution.

As we move into the third year of the COVID-19 pandemic, I wish all our community the very best and thank the shareholders for their support. I am delighted to announce again a dividend of 10 cents fully franked per share for the 2020/21 financial year.

We welcome to our AGM, Mr Joe Faraone State Manager Western Australia Bendigo Bank and Mr Lou Kidd OAM, President of the Toodyay RSL.

A handwritten signature in black ink, appearing to read 'F. McGuinness'.

Dr Michael F McGuinness AM
Chairman

Manager's report

For year ending 30 June 2021



There is always some concern about the sustainability of any business during a pandemic and we are pleased that we continue to prove that this business is not only sustainable, but still growing.

2020/21 saw us dealing with the ongoing impacts of COVID-19. Banking is classed as an essential service with our focus continuing to be on providing a safe environment for staff and customers. While we have been able to enjoy a lifestyle that is the envy of many across the country, we did see some regular events cancelled. We are looking forward to those making a come back bigger and better.

There is always some concern about the sustainability of any business during a pandemic and we are pleased that we continue to prove that this business is not only sustainable, but still growing. While our profit before tax is less than last year, we made the decision to build our future sponsorship fund by moving \$100,000 into our Community Enterprise Foundation™ account. Not only will this ensure we continue to contribute to many wonderful community projects, but we were also able to take advantage of the tax savings this offered.

The low interest rate environment continues to challenge us in term of reduced margin income. The new financial year will see us maintain a focus on our cost to income ratio, while looking to grow the business.

Thank you to the wonderful team of staff for your continued dedication, commitment, passion, and hard work you exhibited throughout these challenging times. You are the key to our ongoing success. We did have some staff changes this year and sadly saw our part-timers Janine and Debbie leave to explore some new opportunities. As a result of this, we welcome Bronwyn into our team. Many of you will know Bronwyn and I am sure you will agree that she makes an amazing addition to our business.

We are fortunate to be so well supported by our partners at Bendigo Bank, including our WA State Support Team. We have additional support via our specialists in Business Banking in Rural Bank and will continue to work with them to offer a broad range of products to our customers.

I would like to thank our Chairman Dr Michael McGuinness and Board of Directors for your unwavering support and guidance you provide to the branch. Your dedication and direction play an important part in ensuring we remain a vital part of our community.

A big thank you to our shareholders, local businesses, customers, and community groups that support us by banking with us. This support allows us to continue supporting our community.

On behalf of the branch team, we are committed to another year of outstanding customer service to our current and new customers.

A handwritten signature in black ink, appearing to read 'KB', written in a cursive style.

Kirsten Barrack
Branch Manager

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 of 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 another 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

Financial year 2020/21

Sponsorships/partnerships

Toodyay Agricultural Society – Toodyay Agricultural Show
Meckering Mens Shed – Shed Upgrade
Northam Hockey Club – Sponsorship Package
Toodyay Locals Care – Use of premises
Avon Youth Community & Family Services – Bus running costs to get children to school
Toodyay Playgroup – Sensory Sessions
Stryka Fight Team – Equipment required for training
Avon Valley Showjumping & Pony Club – Showjumping Day
Toodyay Cricket Club – Season sponsorship
Toodyay Music Festival – 2021 Toodyay Music Festival
Northam Senior High School – End of Year Graduation Awards
Toodyay Bowling Club – Various events throughout the year
Toodyay CRC – Upgrade to Courtyard
Toodyay District High School – Year 7 & Year 10 Achievement Awards
Shire of Northam – Rates Incentive
Bolgart Primary School – End of Year Awards
Toodyay CRC – Street Party
Bolgart Bowling Club – Various events throughout the year
Toodyay High School P&C – Share Farming project
Midlands Regional Football Development Council – Football Clinics in Northam & Toodyay
Toodyay Event Planning – 2021 Moondyne Festival
Pecan Hill BnB – Toodyay Dollars for Breastcare WA guests
Noongar Kaartdijin Aboriginal Corporation – Noongar Interpretive Signage Project
Avondale Primary School – End of Year Awards
Toodyay Football Club – Part of two year agreement / Hoodie naming rights
Central Regional TAFE – Sponsorship of Aboriginal Student of the year
Northam Senior High – Centenary Celebration Day
Mortlock Football League – 2021 Football Season
Northam Country Club – Men's Open Day
Federal Football Club – 2021 Football Season
2J2 Air Live Radio Inc – Radio Equipment Upgrade
Northam Pistol Club – 2021 Black Powder Shoot Day
Bolgart Progress Association – Stove for Community Kitchen
Toodyay Golf Club – Annual Bendigo Bank Golf Day
Shire of Toodyay – Toodyay International Food Festival

2020/21 financial year in brief

Branch footings breakdown

\$91 million deposits

\$51 million loans

\$19 million other business

\$161 million total footings

\$12 million growth from last year ↑ 8%



3,986 total customers

6,185 total accounts

31,177 teller transactions
(excl. Dept of Transport)

65 loans approved totaling \$9.6 million



\$113,746 net profit before tax

T&DCFS total net assets \$934,624



\$34,235 shareholder distributions to be paid in Nov 2021.

Fully franked dividend of 10 cents per share.

\$100,000 into our Community Enterprise Foundation™ account for future sponsorship opportunities.

\$55,872 donations and sponsorships



New Scholarship program for Year 12 school leavers established.

One scholarship of \$2,500 and three bursaries of \$500 were awarded.

Program to increase in 2022.



Directors' report

For the financial year ended 30 June 2021

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

Directors

The directors of the company who held office during or since the end of the financial year are:



Michael Francis McGuinness

Non-executive director

Occupation: Dental Surgeon

Qualifications, experience and expertise: Dentist/part-time Academic Head Dental School 1998-2000. Director Oral Health Building Project 2000-2002 OHCWA. Member & Past President Dental Board WA. Director and Vice President Australian Dental Council (ADC). Chairman Finance, Audit and Risk Committee ADC 2013. Deputy Shire President, Shire of Toodyay, Chair Finance Committee 2004-2007. Major Sponsor of the Sandakan Scholarship Toodyay RSL. B.D.Sc (U.W.A.) Cert Further Ed (C.G.L.I) F.I.C.D and F.P.F.A. AM.

Special responsibilities: Chair Finance, Audit and Risk Committee

Interest in shares: nil share interest held



Jeffrey Clive Roberts

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Formerly; Boy Scouts Association, (Cub, Scout, Troop Leader), West Australian Kindergarten Association, (Chairman). Apex Club of Esperance, (Member, Director). Institute of Mechanical and Electrical Engineers, (Assoc'). Karlgarin Volunteer Fire Brigade, (Member). Karlgarin Sporting and Country Club, (Member). Koondoola and Girrawheen Youth, (Member, Project Officer). Coondle - Nunile Vol' Fire Brigade. (Member, President). Butterfly Cottages, Toodyay. (Member President) Western Australian Men's Sheds Association. (Management Committee Member). Toodyay Community Bus Inc. (President). Toodyay Men's Shed Inc. (Chairman). Currently; Toodyay Men's Shed Inc. (Chairman). Royal Association of Justices of Western Australia (Member). Education: Primary, at Como and South Perth Primary Schools. Secondary, at Wesley College, South Perth. Technical, at Fremantle and Carlisle Technical Schools. Tertiary, at Edith Cowan University. "Train the Trainer", at North Metropolitan Colleges of TAFE. Trade Trained: Carpenter and Joiner, Plant Mechanic. Clerk of Works.

Special responsibilities: Business Development Committee

Interest in shares: 5,000 ordinary shares



Kirsten Barrack

Executive director (appointed 27 August 2020)

Occupation: CEO of Toodyay & Districts Community Financial Services Limited

Qualifications, experience and expertise: CEO / Branch Manager of Toodyay & Districts Financial Services Limited since 2016, previous to that was Customer Relationship Manager for 8 years. Steering committee member & Treasurer Home of Arts & Culture in Toodyay Inc 2020 - present. Treasurer Toodyay Chamber of Commerce 2016 - present. Committee Member Safer Toodyay 2016 to present. Treasurer Toodyay District High School P&C 2016 -2019. Toodyay DHS School Council member 2021 - present.

Special responsibilities: Finance, Audit & Risk Committee, Business Development Committee and Human Resources Committee

Interest in shares: nil share interest held

Directors' report (continued)

Directors (continued)



Rodney James Black

Non-executive director (appointed 24 June 2021)

Occupation: Hotel General Manager

Qualifications, experience and expertise: Advanced Diploma Applied Science Drafting. Advanced Diploma Hospitality. Full time hospitality career, 1988 - present. Hotel General Management roles, 1998 - present.

Special responsibilities: Chair Human Resources Committee

Interest in shares: nil share interest held



Harminder Singh Randhawa

Non-executive director (resigned 25 June 2021)

Occupation: CEO

Qualifications, experience and expertise: Qualified as a Doctor, Lawyer and in management. Extensive executive experience with a past in NFP directorships.

Special responsibilities: Chair Human Resources Committees

Interest in shares: nil share interest held



Gregson Paul Tomlinson

Non-executive director (resigned 29 September 2021)

Occupation: CEO Avon Community Development Foundation Inc.

Qualifications, experience and expertise: Following Commercial/Financial/Property careers, moved to Northam/Avon in early 1990's. Involved with local media. Building Community Economy and Social Infrastructure using facilitation skills through "Not for Profits", the Avon Community Development Foundation, Northam Chamber of Commerce, Directions Workforce Solutions etc. Immediate past Chair State Government Avon Industrial Park Advisory Board. Previous trading manager Stock Exchange Perth Limited.

Special responsibilities: Company Secretary, Finance, Audit and Risk Committee, Chair Business Development 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

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

- Gregson Tomlinson was appointed company secretary on 26 September 2019 and ceased on 29 September 2021.
- Kirsten Barrack was appointed company secretary on 29 September 2021.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of these activities during the financial year.

Operating results

The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
49,399	153,362

Directors' report (continued)

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Michael Francis McGuinness	-	-	-
Jeffrey Clive Roberts	5,000	-	5,000
Kirsten Barrack	-	-	-
Rodney James Black	-	-	-
Harminder Singh Randhawa	-	-	-
Gregson Paul Tomlinson	-	-	-

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount \$
Final fully franked dividend	10.00	34,236

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.

During the financial year the company sold their two investment properties at 33 Hammersley Street and 66 Stirling Terrace, Toodyay for a combined \$445,000.

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 30 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.

Directors' report (continued)

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

E - eligible to attend A - number attended

	Board Meetings	
	E	A
Michael Francis McGuinness	11	11
Jeffrey Clive Roberts	11	11
Kirsten Barrack	9	9
Rodney James Black	-	-
Harminder Singh Randhawa	11	9
Gregson Paul Tomlinson	11	9

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 29.

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

- all non-audit services have been reviewed by the Finance, Audit, and Risk Committee to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Directors' report (continued)

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 11.

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



Michael Francis McGuinness, Chair

Dated this 27th day of September 2021

Auditor's independence declaration



61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

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

As lead auditor for the audit of Toodyay & Districts 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.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 27th September 2021

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor



Financial statements

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

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	944,889	1,011,082
Other revenue	9	144,271	183,667
Finance income	10	258	569
Employee benefit expenses	11e)	(502,022)	(564,978)
Charitable donations, sponsorship, advertising and promotion	11d)	(155,872)	(86,160)
Occupancy and associated costs		(24,186)	(16,670)
Systems costs		(62,281)	(76,021)
Depreciation and amortisation expense	11a)	(67,482)	(76,753)
Impairment losses	11b)	-	(8,856)
Finance costs	11c)	(18,472)	(19,885)
General administration expenses		(145,357)	(151,228)
Profit before income tax expense		113,746	194,767
Income tax expense	12a)	(64,347)	(41,405)
Profit after income tax expense		49,399	153,362
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		49,399	153,362
Earnings per share		¢	¢
- Basic and diluted earnings per share:	32a)	14.43	44.80

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	13	1,029,744	403,346
Trade and other receivables	15a)	71,871	97,236
Current tax assets	19a)	24,562	15,282
Total current assets		1,126,177	515,864
Non-current assets			
Investment property	14a)	-	431,194
Property, plant and equipment	16a)	39,230	46,296
Right-of-use assets	17a)	319,212	352,074
Intangible assets	18a)	49,005	62,073
Deferred tax asset	19b)	33,388	76,048
Total non-current assets		440,835	967,685
Total assets		1,567,012	1,483,549
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	162,842	46,269
Loans and borrowings	21a)	-	891
Lease liabilities	22a)	29,699	28,313
Employee benefits	24a)	64,487	68,330
Total current liabilities		257,028	143,803
Non-current liabilities			
Trade and other payables	20b)	29,719	44,577
Lease liabilities	22b)	325,343	355,042
Employee benefits	24b)	5,427	6,489
Provisions	23a)	14,871	14,177
Total non-current liabilities		375,360	420,285
Total liabilities		632,388	564,088
Net assets		934,624	919,461
EQUITY			
Issued capital	25a)	342,359	342,359
Retained earnings	26	592,265	577,102
Total equity		934,624	919,461

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 \$	Retained earnings/ \$	Total equity \$
Balance at 1 July 2019		342,359	451,129	793,488
Total comprehensive income for the year		-	153,362	153,362
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31a)	-	(27,389)	(27,389)
Balance at 30 June 2020		342,359	577,102	919,461
Balance at 1 July 2020		342,359	577,102	919,461
Total comprehensive income for the year		-	49,399	49,399
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31a)	-	(34,236)	(34,236)
Balance at 30 June 2021		342,359	592,265	934,624

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		1,219,662	1,304,320
Payments to suppliers and employees		(867,330)	(989,453)
Interest received		258	569
Interest paid		(30)	(155)
Lease payments (interest component)	11c)	(17,748)	(19,068)
Lease payments not included in the measurement of lease liabilities	11f)	(28,769)	(30,622)
Income taxes paid		(19,405)	(93,141)
Net cash provided by operating activities	27	286,638	172,450
Cash flows from investing activities			
Payments for property, plant and equipment		(10,886)	(18,558)
Payments for intangible assets		(13,508)	(24,919)
Proceeds from sale of investments		427,594	-
Net cash provided by/(used in) investing activities		403,200	(43,477)
Cash flows from financing activities			
Repayment of loans and borrowings		(891)	-
Lease payments (principal component)		(28,313)	(26,991)
Dividends paid	31a)	(34,236)	(27,389)
Net cash used in financing activities		(63,440)	(54,380)
Net cash increase in cash held		626,398	74,593
Cash and cash equivalents at the beginning of the financial year		403,346	328,753
Cash and cash equivalents at the end of the financial year	13	1,029,744	403,346

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Toodyay & Districts 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

108 Stirling terrace
Toodyay WA 6566

Principal Place of Business

108 Stirling Terrace
Toodyay WA 6566

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 30.

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 27 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.

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

Revenue stream	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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

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.

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 stream	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

b) Other revenue (continued)

Revenue stream	Revenue recognition policy
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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.

Notes to the financial statements (continued)

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 Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 10 years
Plant and equipment	Straight-line	1 to 10 years
Computer hardware	Straight-line	2.5 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.

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. Domiciled customer accounts acquired are recognised at cost at the date of acquisition and are assessed as having indefinite useful life. They are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled customer accounts	Assessed for impairment	Indefinite

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

i) Financial instruments

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

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

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

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

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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

As a lessee (continued)

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

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

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

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 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 24 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 23 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Notes to the financial statements (continued)

Note 6 Financial risk management

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

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

a) Credit risk

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

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

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Non-derivative financial liability				
Lease liabilities	355,042	46,059	179,637	239,745
Trade and other payables	192,561	162,842	29,719	-
	547,603	208,901	209,356	239,745

30 June 2020	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Non-derivative financial liability				
Bank loans	891	891	-	-
Lease liabilities	383,355	46,059	184,235	281,206
Trade and other payables	90,846	46,269	44,577	-
	475,092	93,219	228,812	281,206

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. 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 \$1,029,744 at 30 June 2021 (2020: \$403,346). 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)

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	783,783	841,770
- Fee income	77,224	79,802
- Commission income	83,882	89,510
	944,889	1,011,082

Note 9 Other revenue

	2021 \$	2020 \$
- Rental income	6,545	28,359
- Market development fund income	42,500	38,333
- Cash flow boost	36,865	61,443
- Department of Transport	58,350	55,532
- Other	11	-
	144,271	183,667

Note 10 Finance income

	2021 \$	2020 \$
- Other	258	569

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

Notes to the financial statements (continued)

Note 11 Expenses

	2021 \$	2020 \$
a) Depreciation and amortisation expense		
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	9,595	18,115
- Plant and equipment	6,390	6,794
- Investment properties	3,600	5,319
- Computer hardware	1,967	1,323
	21,552	31,551
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	32,862	32,862
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,178	2,056
- Franchise renewal process fee	10,890	10,284
	13,068	12,340
Total depreciation and amortisation expense	67,482	76,753

b) Impairment expense

Impairment of intangible assets:

- Domiciled agency or branch business	-	8,856
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The directors assess the carrying amounts of its tangible and intangible non-financial assets for indicators of impairment. Where the carrying amount exceeds its recoverable amount, the asset is impaired and an impairment charge is recognised to reduce the asset to the higher of its fair value less costs to sell and value in use.

As a result of the assessment, the carrying amount was found to exceed the recoverable amount indicating the asset is now fully impaired. As such, an impairment loss of \$8,856 was recognised during the prior period ended 30 June 2020.

	2021 \$	2020 \$
c) Finance costs		
- Bank loan interest paid or accrued	30	155
- Lease interest expense	17,748	19,068
- Unwinding of make-good provision	694	662
	18,472	19,885

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

d) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

	2021 \$	2020 \$
- Direct sponsorship, advertising, and promotion payments	45,872	86,160
- Contribution to the Community Enterprise Foundation™ (CEF)	110,000	-
	155,872	86,160

The funds contributed are held by the CEF and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

Notes to the financial statements (continued)

Note 11 Expenses (continued)

	2021 \$	2020 \$
e) Employee benefit expenses		
Wages and salaries	432,662	494,346
Contributions to defined contribution plans	41,219	46,918
Expenses related to long service leave	(1,593)	(15,532)
Other expenses	29,734	39,246
	502,022	564,978

f) 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	28,769	30,622

g) Other expenses

- Sale of investment property	1,842	-
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During the financial year the company sold their two investment properties at 33 Hammersley Street and 66 Stirling Terrace, Toodyay for a combined \$445,000. As a result of the sales there was an overall loss incurred of \$1,842 for 30 June 2021.

Note 12 Income tax expense

	2021 \$	2020 \$
a) Amounts recognised in profit or loss		
<i>Current tax expense/(credit)</i>		
- Current tax	21,687	36,068
- Movement in deferred tax	(1,652)	(9,754)
- Deferred tax not recognised on capital loss	42,977	-
- Adjustment to deferred tax on AASB 16 retrospective application	-	10,704
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	1,335	4,387
	64,347	41,405
b) Prima facie income tax reconciliation		
Operating profit before taxation	113,746	194,767
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	29,574	53,561
Tax effect of:		
- Non-deductible expenses	46	354
- Temporary differences	1,652	(950)
- Other assessable income	(9,585)	(16,897)
- Movement in deferred tax	(1,652)	(9,754)
- Deferred tax not recognised on capital loss	42,977	-
- Leases initial recognition	-	10,704
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	1,335	4,387
	64,347	41,405

Notes to the financial statements (continued)

Note 12 Income tax expense (continued)

The loss on disposal of the company's investment properties during the year resulted in a capital loss for taxation purposes, and can only be offset against a future capital gain. Due to the nature of the operating activities undertaken by the company it is unlikely that a capital gain will be generated in the foreseeable future. As a result the deferred tax benefit arising from the capital loss is not recognised in the statement of financial position at reporting date as realisation of the benefit is not regarded as probable.

Note 13 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	1,029,744	403,346

Note 14 Investment property

Investment property comprised of 2 residential properties that were leased to third parties. During the current financial year the company sold both investment properties.

	2021 \$	2020 \$
a) Carrying amounts		
<i>Investment properties</i>		
At cost	-	444,353
Less: accumulated depreciation	-	(13,159)
Total written down amount	-	431,194
b) Reconciliation of carrying amounts		
<i>Investment properties</i>		
Carrying amount at beginning	431,194	436,513
Disposals	(427,594)	-
Depreciation	(3,600)	(5,319)
Carrying amount at end	-	431,194

Note 15 Trade and other receivables

	2021 \$	2020 \$
a) Current assets		
Trade receivables	56,268	82,198
Prepayments	15,603	15,038
	71,871	97,236

Note 16 Property, plant and equipment

	2021 \$	2020 \$
a) Carrying amounts		
<i>Leasehold improvements</i>		
At cost	280,251	269,365
Less: accumulated depreciation	(257,105)	(247,510)
	23,146	21,855

Notes to the financial statements (continued)

Note 16 Property, plant and equipment (continued)

	2021 \$	2020 \$
a) Carrying amounts (continued)		
<i>Plant and equipment</i>		
At cost	95,834	95,834
Less: accumulated depreciation	(85,995)	(79,605)
	9,839	16,229
<i>Computer hardware</i>		
At cost	14,148	14,148
Less: accumulated depreciation	(7,903)	(5,936)
	6,245	8,212
Total written down amount	39,230	46,296
b) Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning	21,855	36,250
Additions	10,886	3,720
Depreciation	(9,595)	(18,115)
	23,146	21,855
<i>Plant and equipment</i>		
Carrying amount at beginning	16,229	16,905
Additions	-	6,118
Depreciation	(6,390)	(6,794)
	9,839	16,229
<i>Computer hardware</i>		
Carrying amount at beginning	8,212	815
Additions	-	8,720
Depreciation	(1,967)	(1,323)
Carrying amount at end	6,245	8,212
Total written down amount	39,230	46,296

c) Changes in estimates

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

Note 17 Right-of-use assets

	2021 \$	2020 \$
a) Carrying amounts		
<i>Leased land and buildings</i>		
At cost	496,987	496,987
Less: accumulated depreciation	(177,775)	(144,913)
Total written down amount	319,212	352,074

Notes to the financial statements (continued)

Note 17 Right-of-use assets (continued)

	2021 \$	2020 \$
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	352,074	-
Initial recognition on transition	-	496,987
Accumulated depreciation on adoption	-	(112,051)
Depreciation	(32,862)	(32,862)
Total written down amount	319,212	352,074

Note 18 Intangible assets

	2021 \$	2020 \$
a) Carrying amounts		
<i>Franchise fee</i>		
At cost	72,233	72,233
Less: accumulated amortisation	(64,066)	(61,888)
	8,167	10,345
<i>Franchise renewal process fee</i>		
At cost	111,163	111,163
Less: accumulated amortisation	(70,325)	(59,435)
	40,838	51,728
<i>Cash-generating unit - purchase of agency</i>		
At cost	8,856	8,856
Less: impairment	(8,856)	(8,856)
	-	-
Total written down amount	49,005	62,073
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	10,345	1,511
Additions	-	10,890
Amortisation	(2,178)	(2,056)
	8,167	10,345
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	51,728	7,562
Additions	-	54,450
Amortisation	(10,890)	(10,284)
	40,838	51,728
<i>Cash-generating unit - purchase of agency</i>		
Carrying amount at beginning	-	8,856
Impairment	-	(8,856)
	-	-
Total written down amount	49,005	62,073

Notes to the financial statements (continued)

Note 18 Intangible assets (continued)

c) Changes in estimates

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

Note 19 Tax assets and liabilities

	2021 \$	2020 \$
a) Current tax		
Income tax refundable	(24,562)	(15,282)
b) Deferred tax		
<i>Deferred tax assets</i>		
- expense accruals	725	755
- employee provisions	17,479	19,518
- make-good provision	3,718	3,686
- lease liability	88,761	99,672
- property, plant and equipment	2,508	43,956
Total deferred tax assets	113,191	167,587
<i>Deferred tax liabilities</i>		
- right-of-use assets	79,803	91,539
Total deferred tax liabilities	79,803	91,539
Net deferred tax assets (liabilities)	33,388	76,048
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(42,660)	(5,336)
Movement in deferred tax charged to Statement of Changes in Equity	-	10,704

Note 20 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	119,069	3,230
Other creditors and accruals	43,773	43,039
	162,842	46,269
b) Non-current liabilities		
Other creditors and accruals	29,719	44,577

Note 21 Loans and borrowings

	2021 \$	2020 \$
a) Current liabilities		
Secured bank loans	-	891

Notes to the financial statements (continued)

Note 21 Loans and borrowings (continued)

b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	4.86%	Floating	-	-	891	891

Note 22 Lease liabilities

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

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

The company's lease portfolio includes:

- Toodyay Branch
The lease agreement commenced in March 2015. A 5 year renewal option was exercised in March 2020. The company has 2 x 5 year renewal options 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 March 2035.
- Northam CSC
The lease agreement commenced in April 2017. The company has 2 x 2 year renewal options 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 April 2026.

	2021 \$	2020 \$
a) Current lease liabilities		
Property lease liabilities	46,059	46,059
Unexpired interest	(16,360)	(17,746)
	29,699	28,313
b) Non-current lease liabilities		
Property lease liabilities	419,382	465,441
Unexpired interest	(94,039)	(110,399)
	325,343	355,042
c) Reconciliation of lease liabilities		
Balance at the beginning	383,355	-
Initial recognition on AASB 16 transition	-	410,346
Lease interest expense	(17,748)	19,068
Lease payments - total cash outflow	(10,565)	(46,059)
	355,042	383,355
d) Maturity analysis		
- Not later than 12 months	46,059	46,059
- Between 12 months and 5 years	179,637	184,235
- Greater than 5 years	239,745	281,206
Total undiscounted lease payments	465,441	511,500
Unexpired interest	(110,399)	(128,145)
Present value of lease liabilities	355,042	383,355

Notes to the financial statements (continued)

Note 23 Provisions

	2021 \$	2020 \$
a) Non-current liabilities		
Make-good on leased premises	14,871	14,177

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 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The leases are due to expire per below at which time it is expected the face-value costs to restore the premises will fall due.

Lease	Lease term expiry date per AASB 16	Estimated provision
Toodyay Branch	March 2035	\$28,580
Northam Customer Service Centre	April 2026	\$0

Note 24 Employee benefits

a) Current liabilities		
Provision for annual leave	47,933	51,245
Provision for long service leave	16,554	17,085
	64,487	68,330
b) Non-current liabilities		
Provision for long service leave	5,427	6,489

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 25 Issued capital

a) Issued capital

	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	342,359	342,359	342,359	342,359

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.

Notes to the financial statements (continued)

Note 25 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").

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

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

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

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

Note 26 Retained earnings

	Note	2021 \$	2020 \$
Balance at beginning of reporting period		577,102	479,350
Adjustment for transition to AASB 16		-	(28,221)
Net profit after tax from ordinary activities		49,399	153,362
Dividends provided for or paid	31a)	(34,236)	(27,389)
Balance at end of reporting period		592,265	577,102

Notes to the financial statements (continued)

Note 27 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	49,399	153,362
Adjustments for:		
- Depreciation	54,414	64,413
- Amortisation	13,068	12,340
- Impairment losses on intangible assets	-	8,856
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	25,365	(3,285)
- (Increase)/decrease in other assets	33,236	(9,947)
- Increase/(decrease) in trade and other payables	115,367	3,760
- Increase/(decrease) in employee benefits	(4,905)	(15,921)
- Increase/(decrease) in provisions	694	663
- Increase/(decrease) in tax liabilities	-	(41,791)
Net cash flows provided by operating activities	286,638	172,450

Note 28 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	1,029,744	403,346
Trade and other receivables	15	56,268	82,198
		1,086,012	485,544
Financial liabilities			
Trade and other payables	20	192,561	90,846
Secured bank loans	21	-	891
Lease liabilities	22	355,042	383,355
		547,603	475,092

Note 29 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	1,000	1,250
- General advisory services	4,090	4,420
- Share registry services	3,846	4,963
Total auditor's remuneration	13,936	15,433

Notes to the financial statements (continued)

Note 30 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Michael Francis McGuinness
 Jeffrey Clive Roberts
 Kirsten Barrack
 Rodney James Black
 Harminder Singh Randhawa
 Gregson Paul Tomlinson

b) Key management personnel compensation

	2021 \$	2020 \$
Key management personnel compensation comprised the following:		
Employee benefits	11,980	14,400

Compensation of the company's key management personnel includes salaries and superannuation.

c) Related party transactions

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

Note 31 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	10.00	34,236	8.00	27,389

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

b) Franking account balance

Franking credits available for subsequent reporting periods

	2021 \$	2020 \$
Franking account balance at the beginning of the financial year	323,559	279,242
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	73,122	23,184
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(15,282)	31,522
- Franking debits from the payment of franked distributions	(12,029)	(10,389)
Franking account balance at the end of the financial year	369,370	323,559
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(13,000)	23,153
Franking credits available for future reporting periods	356,370	346,712

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

Notes to the financial statements (continued)

Note 32 Earnings per share

a) Basic and diluted earnings per share

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

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	49,399	153,362
	Number	Number
Weighted-average number of ordinary shares	342,359	342,359
	Cents	Cents
Basic and diluted earnings per share	14.43	44.80

Note 33 Commitments

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

Note 34 Contingencies

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

Note 35 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 Toodyay & Districts 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.



Michael Francis McGuinness, Chair

Dated this 27th day of September 2021

Independent audit report



61 Bull Street
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Independent auditor's report to the Directors of Toodyay & Districts Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Toodyay & Districts 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 Toodyay & Districts 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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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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



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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 27th September 2021

Joshua Griffin
Lead Auditor

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 **Bendigo Bank**