# Annual Report 2020

## Acacia Ridge Financial Services Limited

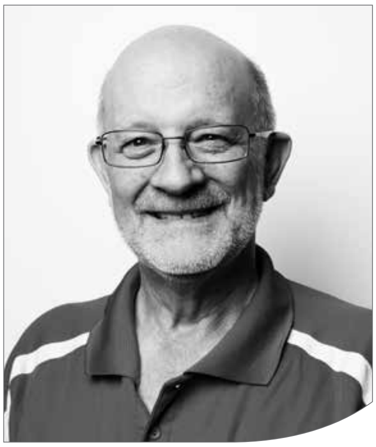

Community Bank
Acacia Ridge

ABN 73 116 060 916

# Contents

# Chairman's report

## For year ending 30 June 2020



Welcome to the fifteenth Annual Report for the company for the financial year ending 30 June 2020.

Community Bank Acacia Ridge was established on 23 November 2005 following withdrawal of banking services at the Elizabeth St Shopping Centre. The Bank continues to provide valuable banking and financial services to Acacia Ridge and surrounding areas.

Very successful events in which staff and Directors were involved included the Great South Run and the PCYC Inala multicultural youth day in 2019. Both events were deferred in 2020, as have a number of other community events.

**Financial**

The net profit after income tax for the year was $65,730, an increase of over $21,000 on the figure for the previous year. Net profit can fluctuate each year, depending partly on donations and sponsorships to the community. Revenue from customers decreased by 3.6%, which was a fine effort in light of subdued economic conditions. The result was achieved in spite of low interest rates with the consequent squeeze on margins. Directors in conjunction with the Manager and Bank support staff are continuing to work on ways to further increase the size of the revenue and profits.

The result for the year was driven by our Branch Manager Mark Coxhead, who joined in September 2013. Mark was ably supported by Yuvi, Sandy and James. Our branch staff has developed strong relationships with customers and community groups and give of their own time to contribute to community events.

**Board of Directors**

There has been no change to the Board of Directors during the year. Linda Beaumont continues as Company Secretary and Director and Amanda Harward remains as Treasurer and Director. Earle Johnston is the Chair of the Marketing and Sponsorship Committee and Vicki Maguire is the Chair of the Business Development Committee. All seven Directors, including Jane Carlisle and Kellie Griffiths serve on various committees and attend community functions throughout the year.

Les Conroy and Jasmin McCurdy are volunteer members of the Marketing and Sponsorship Committee and give valuable service and advice to the Committee.

**Dividends to shareholders**

The Directors will be considering the payment of a dividend following receipt of audited accounts for the year. The amount of any dividend will depend on a number of factors including profitability and cash flow. Dividends paid since establishment until November 2019 total 70.5 cents per share, or a total of $376,814. Dividends have been fully franked since the payment in November 2013, a useful additional source of income for many shareholders.

The company continues to have approximately 140 shareholders with a total shareholding of 534,487 shares.

### Community investment

Our Community Bank company has played a key role in supporting our community, returning more than $850,000 for use in our local community organisations (and some further afield) since our opening in 2005. We think this is an outstanding achievement for a single branch and is possible only because local people and businesses bank with us.

These community grants and sponsorships have made a significant difference to a number of organisations including St Thomas More College, Acacia Ridge YMCA, PCYC Inala, Great South Run and local schools.
We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

We had been holding our Board meetings each month free of charge in the boardroom of Ice World Beaudesert Rd Acacia Ridge and we thank that organisation for use of facilities.

This arrangement has ceased for the time being due to COVID-19 restrictions.

### Our partner

At present, the company is negotiating a new five year Franchise Agreement with two options of five years with Bendigo and Adelaide Bank Limited to continue our relationship with the Bank. The existing Agreement expires on 22 November 2020. Concurrently the company is negotiating an extension of our lease with the landlord JL Lander Pty Ltd.

Bendigo and Adelaide Bank Limited provides invaluable support to our company and we acknowledge the contribution of our Regional Manager Ms Michelle Johnston and other members of the team.

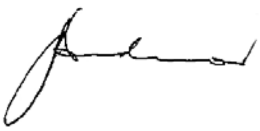
### The future

Our Manager Mark Coxhead continues to provide banking expertise to current and new customers and plays an important role in the community. Whilst the economic environment has been slow, Mark continues to meet the needs of customers with a comprehensive range of products. The benefit of employing an additional staff person to give Mark more time to meet with customers and community organisations is bearing fruit.

The success of our Community Bank relies on funds generated through your banking, so I urge you to increase your support which will help bring big benefits to our community. We encourage you to refer family and friends to our staff to discuss their banking needs.

The style of our Annual General Meeting which is planned to be held on Thursday 19 November 2020 will depend on meeting Queensland Government requirements in relation to COVID-19 . We hope to be able to hold the usual face-to-face meeting where you will be able to meet and chat with your Directors and branch staff.

I wish to thank my fellow Directors for their expertise and dedication over the year. Thanks are also extended to our administration assistant Maris Dirkx, our staff and customers for their continuing support.



**Peter Henderson**
**Chairman**

# Manager's report

## For year ending 30 June 2020

It is with great pleasure that I present to you the Manager's report for the 2019/20 year.

It has been a year that has presented many opportunities and challenges, particularly with COVID-19 becoming part of our lives in the latter part of the financial year. However we should all be proud of the achievements made throughout the year.

During the past year we achieved a number of great outcomes including:

- We returned and set aside more than $83,380 in profits for use in our local community
- Participated in numerous local community events and projects to help our community continue to grow and prosper. It is through our involvement with these events that lifts our profile within the community and highlights the fantastic achievements that we as a Community Bank have made in the Acacia Ridge area
- We continued to build stronger, deeper relationships with our customers by having relevant and meaningful conversations about how we can help our customers achieve their financial goals and aspirations.

A snapshot of our business as at 30 June 2020:

- 2,332 customers
- 1.878 products per customer
- $96.6 million in total business.

With the support and efforts of our shareholders, Directors and staff we continue to make a real difference to both our customers and the local Acacia Ridge community.

I would also like to take this opportunity to thank the efforts of all our staff, including Sandy Ernst, Yuvi Yuvika, Jacqui Graham-Weir and Michelle Johnston.

Without their ongoing hard work, dedication and support, the branch would not have been able to achieve the successes of the past year.

In April of this financial year Jacqui Graham-Weir was promoted to the position of Customer Relationship Officer at the Holland Park branch. I would like to take this opportunity to congratulate Jacqui on her promotion and wish Jacqui all the best in her new role.

I would also like to thank you, the shareholders, who have continued to show support and commitment to Community Bank Acacia Ridge.

In addition, I would like to make special mention and thanks to our volunteer Directors – Chairman Peter Henderson and his team, who spend countless hours being advocates of your Community Bank.

Without their continued hard work and unwavering support of your Community Bank, we would not have been able to achieve the great successes and results that we have since we commenced on 23 November 2005.

### The year ahead

The year ahead will certainly present many opportunities for us to continue to build and grow our business in the local Acacia Ridge community and surrounding suburbs, and promote the great work that we do in helping our community become an even better place to live, work and play.

My goal as always, is to continue to lead and develop my team to help us grow our business, create stronger and deeper relationships with our customers and our local community by having meaningful and relevant conversations as to how we can help our customers achieve their financial goals and aspirations.

I encourage you all, including your family and friends, to call in and have a talk with our team so that we may assist you with all your financial needs.

By helping our customers grow, we in turn also grow, which enables us to further help our local Acacia Ridge community to prosper and thrive.

I am committed to working closely with you all over the next year to help achieve these outcomes, and I look forward to the challenges and successes that are ahead of us.

Once again, my appreciation and thanks to you all for your continued dedication and support over the past 12 months.

**Mark Coxhead**
**Branch Manager**

# Bendigo and Adelaide Bank report

## For year ending 30 June 2020

In the 20-plus years since the opening of the very first Community Bank branch, it's fair to say we haven't seen a year quite like 2020.

After many years of drought, the 2019 calendar year ended with bushfires burning across several states. A number of our Community Bank companies were faced with an unprecedented natural disaster that impacted lives, homes, businesses and schools in local communities.

As fires took hold, Bendigo and Adelaide Bank's head office phones started to ring, emails came in from all over the world and our customers, and non-customers, headed into our branches to donate to an appeal that we were still in the process of setting up.

Our reputation as Australia's most trusted bank and the goodwill established by 321 Community Bank branches across the country meant that people instinctively knew that Bendigo, and our Community Bank partners, would be there to help. An appeal was established and donations were received in branch and online from 135,000 donors from all around the world. More than $45 million was donated.

Just as the fires had been extinguished and the Bank's foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

The impact of this pandemic was, and continues to be, more than about health. The impacts are far-reaching and banking is not immune. Your support as a shareholder, and a customer, of your local Community Bank company has never been so important.

You should be proud of your investment in your local Community Bank company. As the Australian workforce had to adjust its way of working, your Community Bank branch staff were classified as essential workers and turned up for work every day throughout the pandemic to serve your local customers.

Your Community Bank company, led by your local Directors, were committed to supporting local economies. Often it was the little things like purchasing coffees and meals from local cafes, not only for their branch staff but for other essential workers (teachers, nurses, hospital support staff, ambulance and police officers and aged care workers). This not only supported essential workers also supported many local businesses when they needed it the most.

What we've discovered in 2020 is that in times of crisis, Australia's Community Bank network has unofficially become Australia's 'second responder'. Local organisations and clubs look to their local Community Bank companies not only for financial assistance, but to take the lead in connecting groups and leading the community through a crisis.

So, what does this all mean? For Bendigo and Adelaide Bank, it reinforces the fact that you are a shareholder of a unique and caring company – run by locals to benefit not only your community but those in need.

As Australia's 5th largest bank with more than 1.9 million customers we are proud to partner with your community.

If 2020 has shown us anything, it's that we're stronger for the partnerships we have with the communities we operate in.

On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company Directors and shareholders and your branch staff and customers for your continued support throughout the year.

Mark Cunneen

**Mark Cunneen**
**Head of Community Support**
**Bendigo and Adelaide Bank**

# Directors' report

The directors present their financial statements of the company for the financial year ended 30 June 2020.

## Directors

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

Peter Geoffrey Henderson OAM
Chairman
Occupation: Company Director
Qualifications, experience and expertise: Involved in banking, finance and accounting since 1962. Involved in community organisations for over 50 years. Holds a Bachelor of Business degree, as well as Graduate Diplomas in Finance & Investment and Management. Fellow of CPA Australia and the Securities Institute.
Special responsibilities: Marketing & Sponsorship Committee, Audit & Finance Committee, Business Development Committee.
Interest in shares: 31,501 ordinary shares

Amanda Lee Harward
Treasurer
Occupation: Chartered Accountant
Qualifications, experience and expertise: Amanda is a Chartered Accountant and Director of a local accountancy firm. She holds a Bachelor of Commerce/ Bachelor of Business (Management) from the University of Queensland. She is a registered tax agent with over 20 years' experience in assisting small business clients with their accounting, business and taxation needs.
Special responsibilities: Chair of Audit & Finance Committee.
Interest in shares: 10,000 ordinary shares

Linda Anne Beaumont
Non-executive director
Occupation: Pharmacist
Qualifications, experience and expertise: Linda has worked as a community pharmacist since 1979. At present she is self-employed performing home medicine reviews and locum pharmacist jobs. She has a Bachelor of Pharmacy and a post-graduate certificate in Medication Management. Linda has been involved with softball for over 20 years as a player, coach and other club roles, she has returned to playing socially. Linda was the South Brisbane softball association treasurer in 1997-98 and has been involved with Acacia Ridge Community Bank since its inception and a director since 2005. Linda was the managing partner of the Elizabeth St Chemmart Pharmacy from 1999-2007.
Special responsibilities: Marketing and Sponsorship Committee.
Interest in shares: 7,501 ordinary shares

Earle Alexander Johnston
Non-executive director
Occupation: Relationship Manager Philanthropy, Queensland
Qualifications, experience and expertise: Earle is a fundraising professional and has worked for The Salvation Army since July 2012. Previously, he was Fundraising Manager at 96.5 Family Radio (2 years) and a Senior Business Analyst at Telstra (12 years). Earle is President, QUT Alumni Board (elected as a member in 2012) and was appointed to QUT Council in March 2018. He has been a member of CHC (Christian Heritage College) Council Fundraising sub-committee since 2017. He previously held directorships in media and education. He is a member of AICD, Fundraising Institute Australia (FIA), holds Certified Fundraising Executive (CFRE) international accreditation and his most recent qualification is Master of Business, Philanthropy & Non Profit Studies QUT.
Special responsibilities: Chairman, Marketing & Sponsorship Committee.
Interest in shares: 400 ordinary shares

## Directors *(continued)*

Victoria Louise Maguire
Non-executive director
Occupation: Property Management
Qualifications, experience and expertise: Psychologist (retired), small business, M.A. (Psychology).
Special responsibilities: Business Development Committee.
Interest in shares: 50,001 ordinary shares

Jane Baxter Carlisle
Non-executive director
Occupation: Consultant
Qualifications, experience and expertise: Jane has extensive previous experience as a Senior Queensland Government officer responsible for delivering health service improvements. The experience involved engaging and partnering with health service providers, community groups; non-government organisations; advocacy groups to define and develop the service improvements. Extensive past and current experience in developing frameworks to support organisational governance including quality systems, policies, risk management, project management, data analysis and reporting. Jane has a Graduate Diploma in Health Administration and Information Systems and an Associate Diploma in Clinical Laboratory Techniques.
Special responsibilities: Marketing and Sponsorship Committee, Audit & Finance Committee.
Interest in shares: 500 ordinary shares

Angela Kellie Griffiths
Non-executive director
Occupation: Manager
Qualifications, experience and expertise: Centre Manager of St David's Neighbourhood Centre. Passionate community member who believes in social justice and assisting people to reach their full potential. Coach for a masters swim squad.
Special responsibilities: Audit & Finance Committee.
Interest in shares: nil share interest held

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

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

## Company Secretary

The company secretary is Linda Beaumont. Linda was appointed to the position of secretary on 1 January 2014.

Qualifications, experience and expertise: Linda has worked as a community pharmacist for over 30 years, 14 of those in Acacia Ridge. Holds a Bachelor in Pharmacy from the University of Queensland. Served as treasurer of South Brisbane Softball Association Ltd for 2 years. Also involved with other community organisations.

## 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 2020 $ | Year ended 30 June 2019 $ |
|---|---|
| 65,730 | 44,204 |

## Directors' interests

| | Fully paid ordinary shares | | |
|---|---|---|---|
| | Balance at start of the year | Changes during the year | Balance at end of the year |
| Peter Geoffrey Henderson OAM | 30,001 | 1,500 | 31,501 |
| Amanda Lee Harward | 10,000 | - | 10,000 |
| Linda Anne Beaumont | 7,501 | - | 7,501 |
| Victoria Louise Maguire | 50,001 | - | 50,001 |
| Earle Alexander Johnston | 400 | - | 400 |
| Jane Baxter Carlisle | 500 | - | 500 |
| Angela Kellie Griffiths | - | - | - |

No debentures or rights have been granted or options over such instruments in previous financial years or during the current financial year.

## 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 | 6.50 | 34,742 |
| Total amount | 6.50 | 34,742 |

## New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*. See note 4 for further details.

## Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID 19 to the company's operations.

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

## Events since the end of the financial year

Since the end of the financial year the board extended its franchise arrangement with Bendigo Bank for a further 5 years commencing in November 2020. This has been recognised in the financial report as at 30 June 2020.

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

## Likely developments

The company 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 29 to the financial statements.This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## Indemnification and insurance of directors and officers

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

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

## Directors' meetings

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

| | Board Meetings Attended | | Committee Meetings Attended | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Audit & Finance | | Marketing & Sponsorship | | Business Development | |
| | E | A | E | A | E | A | E | A |
| Peter Geoffrey Henderson OAM | 12 | 10 | 10 | 9 | 5 | 4 | 2 | 2 |
| Amanda Lee Harward | 12 | 12 | 10 | 10 | - | - | - | - |
| Linda Anne Beaumont | 12 | 11 | - | - | 5 | 5 | - | - |
| Victoria Louise Maguire | 12 | 11 | - | - | - | - | 2 | 2 |
| Earle Alexander Johnston | 12 | 10 | - | - | 5 | 5 | - | - |
| Jane Baxter Carlisle | 12 | 11 | 10 | 9 | 5 | 5 | - | - |
| Angela Kellie Griffiths | 12 | 9 | 10 | 3 | - | - | - | - |

*E - eligible to attend*
*A - number attended*

## 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 28 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Finance, 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.

## 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 12.

Signed in accordance with a resolution of the directors at Acacia Ridge, Queensland.

Peter Geoffrey Henderson OAM, Chair

Dated this 7th day of September 2020

# Auditor's independence declaration

Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Acacia Ridge Financial Services Limited**

As lead auditor for the audit of Acacia Ridge Financial Services Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

**Andrew Frewin Stewart**
61 Bull Street, Bendigo Vic 3550
Dated: 7 September 2020

**Joshua Griffin**
**Lead Auditor**

Taxation | Audit | Business Services

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2020

| | Notes | 2020 $ | 2019 $ |
|---|---|---|---|
| Revenue from contracts with customers | 8 | 708,588 | 735,318 |
| Other revenue | 9 | 62,048 | 27,554 |
| Finance income | 10 | 3,392 | 4,765 |
| Employee benefit expenses | 11f) | (376,888) | (443,190) |
| Charitable donations, sponsorship, advertising and promotion | 11d) | (83,380) | (52,644) |
| Occupancy and associated costs | 11h) | (15,701) | (83,811) |
| Systems costs | | (19,067) | (18,367) |
| Depreciation and amortisation expense | 11a) | (68,396) | (19,895) |
| Finance costs | 11b) | (32,276) | - |
| General administration expenses | | (90,920) | (88,923) |
| Profit before income tax expense | | 87,400 | 60,807 |
| Income tax expense | 12b) | (21,670) | (16,603) |
| Profit after income tax expense | | 65,730 | 44,204 |
| Other comprehensive income, net of income tax | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Net gain on fair value increment of investments | 24b) | (3,227) | 3,511 |
| Other comprehensive income for the year, net of income tax | | (3,227) | 3,511 |
| Total comprehensive income for the year attributable to the ordinary shareholders of the company: | | 62,503 | 47,715 |
| Earnings per share | | ¢ | ¢ |
| - Basic and diluted earnings per share: | 31a) | 12.30 | 8.27 |

The accompanying notes form part of these financial statements

# Statement of Financial Position

as at 30 June 2020

| | Notes | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 13a) | 211,807 | 226,953 |
| Trade and other receivables | 15a) | 43,736 | 30,428 |
| Current tax assets | 19a) | - | 4,160 |
| Total current assets | | 255,543 | 261,541 |
| Non-current assets | | | |
| Other investments | 14a) | 135,091 | 72,059 |
| Property, plant and equipment | 16a) | 64,382 | 65,582 |
| Right-of-use assets | 17a) | 513,676 | - |
| Intangible assets | 18a) | 69,927 | 18,928 |
| Deferred tax asset | 19b) | 8,213 | - |
| Total non-current assets | | 791,289 | 156,569 |
| Total assets | | 1,046,832 | 418,110 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 20a) | 18,172 | 18,412 |
| Current tax liabilities | 19a) | 14,321 | - |
| Lease liabilities | 21b) | 42,724 | - |
| Total current liabilities | | 75,217 | 18,412 |
| Non-current liabilities | | | |
| Trade and other payables | 20b) | 59,068 | - |
| Lease liabilities | 21c) | 531,965 | - |
| Provisions | 22a) | 5,735 | - |
| Deferred tax liability | 19b) | - | 11,058 |
| Total non-current liabilities | | 596,768 | 11,058 |
| Total liabilities | | 671,985 | 29,470 |
| Net assets | | 374,847 | 388,640 |
| EQUITY | | | |
| Issued capital | 23a) | 405,476 | 405,476 |
| Reserves | 24b) | 441 | 3,668 |
| Accumulated losses | 25 | (31,070) | (20,504) |
| Total equity | | 374,847 | 388,640 |

The accompanying notes form part of these financial statements

## Statement of Changes in Equity

for the year ended 30 June 2020

| | Notes | Issued capital $ | Fair value reserve $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2018** | | 405,476 | - | (29,809) | 375,667 |
| Total comprehensive income for the year | | - | 3,511 | 44,204 | 47,715 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Transfer from retained earnings | 24b) | - | 157 | (157) | - |
| Dividends provided for or paid | 30a) | - | - | (34,742) | (34,742) |
| **Balance at 30 June 2019** | | **405,476** | **3,668** | **(20,504)** | **388,640** |
| **Balance at 1 July 2019** | | 405,476 | 3,668 | (20,504) | 388,640 |
| Effect of AASB 16: Leases | 3d) | - | - | (41,554) | (41,554) |
| **Restated balance at 1 July 2019** | | 405,476 | 3,668 | (62,058) | 347,086 |
| Total comprehensive income for the year | | - | (3,227) | 65,730 | 62,503 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends provided for or paid | 30a) | - | - | (34,742) | (34,742) |
| **Balance at 30 June 2020** | | **405,476** | **441** | **(31,070)** | **374,847** |

The accompanying notes form part of these financial statements

# Statement of Cash Flows

for the year ended 30 June 2020

| | Notes | 2020 $ | 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 811,136 | 841,237 |
| Payments to suppliers and employees | | (638,322) | (756,023) |
| Interest received | | 3,886 | 5,070 |
| Interest paid | | (8) | - |
| Lease payments (interest component) | 11b) | (31,968) | - |
| Lease payments not included in the measurement of lease liabilities | 11g) | (6,442) | - |
| Distributions received | | 4,933 | - |
| Income taxes paid | | (12,852) | (22,681) |
| **Net cash provided by operating activities** | 26 | **130,363** | **67,603** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (4,261) | (1,155) |
| Payments for investments | | (66,259) | (51,520) |
| **Net cash used in investing activities** | | **(70,520)** | **(52,675)** |
| **Cash flows from financing activities** | | | |
| Lease payments (principal component) | 21a) | (40,247) | - |
| Dividends paid | 30a) | (34,742) | (34,742) |
| **Net cash used in financing activities** | | **(74,989)** | **(34,742)** |
| **Net cash decrease in cash held** | | **(15,146)** | **(19,814)** |
| Cash and cash equivalents at the beginning of the financial year | | 226,953 | 246,767 |
| **Cash and cash equivalents at the end of the financial year** | 13a) | **211,807** | **226,953** |

The accompanying notes form part of these financial statements

# Notes to the financial statements

## For year ended 30 June 2020

**Note 1 Reporting entity**

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

| Registered Office | Principal Place of Business |
|---|---|
| Shop 5/28 Elizabeth Street<br>Acacia Ridge QLD 4110 | Shop 5/28 Elizabeth Street<br>Acacia Ridge QLD 4110 |

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 29.

**Note 2 Basis of preparation and statement of compliance**

*Basis of preparation and statement of compliance*

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 7 September 2020.

**Note 3 Changes in accounting policies, standards and interpretations**

The company initially applied AASB 16 *Leases* from 1 July 2019. AASB Interpretation 23 *Uncertainty over Income Tax Treatments* is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

### a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease.* The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 21.

On transition to AASB 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

Note 3 Changes in accounting policies, standards and interpretations *(continued)*

### b) As a lessee

As a lessee, the company leases many assets including property, motor vehicles, office equipment and IT equipment. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the company. Under AASB 16, the company recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on balance sheet).

*Leases classified as operating leases under AASB 117*

Previously, the company classified property, office equipment, and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

### c) As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

## Note 3 Changes in accounting policies, standards and interpretations *(continued)*

### d) Impact on financial statements

On transition to AASB 16, the company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

| *Impact on equity presented as increase (decrease)* | Note | 1 July 2019 $ |
|---|---|---|
| Asset | | |
| Right-of-use assets - land and buildings | 17b) | 552,111 |
| Deferred tax asset | 19b) | 15,762 |
| Liability | | |
| Lease liabilities | 21a) | (603,992) |
| Provision for make-good | 22b) | (5,435) |
| Equity | | |
| Accumulated losses | | (41,554) |

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.39%.

*Lease liabilities reconciliation on transition*

| | |
|---|---|
| Operating lease disclosure as at June 2019 | 101,057 |
| Add: additional options now expected to be exercised | 713,340 |
| Less: AASB 117 lease commitments reconciliation | (5,946) |
| Less: present value discounting | (204,459) |
| Lease liability as at 1 July 2019 | 603,992 |

## Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

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

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

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

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

*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 that 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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.

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

## b) Other revenue

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

| Revenue | Revenue recognition policy |
|---|---|
| Dividend and distribution income | Dividend and distribution income is recognised when the right to receive the payment is established. |
| Discretionary financial contributions (also "Market Development Fund" or "MDF" income) | MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end. |
| Cash flow boost | Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement). |
| Other income | All other revenues that did not contain contracts with customers are recognised as goods and services are provided. |

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

*Discretionary financial contributions*

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

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

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

*Cash flow boost*

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

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

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

## 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.

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

### c) Economic dependency - Bendigo Bank *(continued)*

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

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

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

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

### d) 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.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*

*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.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

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

### d) Taxes

*Deferred tax (continued)*

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on the company either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

*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.
- when receivables and payables are stated with the amount of GST included.

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.

### e) 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, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### f) Property, plant and equipment

*Recognition and measurement*

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

*Subsequent expenditure*

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

*Depreciation*

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

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

### f) Property, plant and equipment *(continued)*

*Depreciation (continued)*

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 | 1 to 40 years |
| Plant and equipment | Straight-line and diminishing value | 2 to 27 years |
| Computer Software | Straight-line | 2.5 years |

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

### g) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

*Recognition and measurement*

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

*Amortisation*

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives 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) |

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

### h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, leases, equity securities (shares, managed funds, ETFs).

Sub-note h) and i) refer to the following acronyms:

| Acronym | Meaning |
|---|---|
| FVTPL | Fair value through profit or loss |
| FVTOCI | Fair value through other comprehensive income |
| SPPI | Solely payments of principal and interest |
| ECL | Expected credit loss |
| CGU | Cash-generating unit |

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

h) Financial instruments *(continued)*

*Recognition and initial measurement*

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*Classification and subsequent measurement*

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

*Classification and subsequent measurement (continued)*

Financial assets *(continued)*

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

### h) Financial instruments *(continued)*

Financial assets - subsequent measurement and gains and losses

| | |
|---|---|
| - Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| - Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| - Equity investments at FVTOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. |

Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

*Derecognition*

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

*Offsetting*

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

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

### i) Impairment

*Non-derivative financial assets*

The company recognises a loss allowance for ECL on:

- financial assets that are measured at FVTOCI;
- lease receivables;
- loan commitments that are not measured at FVTPL; and
- financial guarantee contracts that are not measured at FVTPL.

Loss allowance is not recognised for:

- financial assets measured at FVTPL; or
- equity instruments measured at FVTOCI.

ECL's 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, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime ECL at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

<u>Recognition of expected credit losses in financial statements</u>

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The directors have assessed the ECL and noted it is not material.

*Non-financial assets*

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

### j) Issued capital

*Ordinary shares*

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.

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

### k) 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.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to its/their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

### l) Leases

The company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

*Policy applicable from 1 July 2019*

At inception of a contract, the company assesses whether a contract is, or contains, 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. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of 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, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 interest rate implicit in the lease or, if that rate cannot be readily determined, 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.

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

l) Leases *(continued)*

*Policy applicable from 1 July 2019 (continued)*

As a lessee *(continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the group is reasonably certain to exercise that option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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.

Short-term leases and leases of low-value assets

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

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

As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

*Policy applicable before 1 July 2019*

For contracts entered into before 1 July 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

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

### l) Leases *(continued)*

As a lessee

In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

The company has not been a party in an arrangement where it is a lessor.

### m) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the company uses valuation techniques that maximise the use of relevant observable inputs and maximise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

### n) Standards issued but not yet effective

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

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

### b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 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 8 - revenue recognition | estimate of expected returns; |
| - 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 22 - make-good provision | key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement; |

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

### c) Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The company recognises transfers between levels of the fair value hierarchy at the end of each reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 14 - other investments.
- Note 26 - Financial instruments - fair value.

## Note 6 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

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

### a) Credit risk

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

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

### b) Liquidity risk

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

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

## Note 6 Financial risk management *(continued)*

### b) Liquidity risk *(continued)*

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

30 June 2020

| | | Contractual cash flows | | |
|---|---|---|---|---|
| Non-derivative financial liability | Carrying amount | Not later than 12 months | Between 12 months and five years | Greater than five years |
| Lease liabilities | 574,689 | 72,655 | 290,620 | 387,493 |
| Trade payables | 1,438 | 1,438 | - | - |
| | 576,127 | 74,093 | 290,620 | 387,493 |

30 June 2019

| | | Contractual cash flows | | |
|---|---|---|---|---|
| Non-derivative financial liability | Carrying amount | Not later than 12 months | Between 12 months and five years | Greater than five years |
| Trade payables | 4,194 | 4,194 | - | - |
| | 4,194 | 4,194 | - | - |

### c) Market risk

*Market risk*

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

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

*Price risk*

The primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

*Cash flow and fair value interest rate risk*

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

The company held cash and cash equivalents of $211,807 at 30 June 2020 (2019: $226,953). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

## Note 7 Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

## Note 7 Capital management *(continued)*

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 2020 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

The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitled to a share of the margin earned by Bendigo Bank.

| *Revenue from contracts with customers* | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Revenue: | | |
| - Revenue from contracts with customers | 708,588 | 735,318 |
| | 708,588 | 735,318 |

| *Disaggregation of revenue from contracts with customers* | | |
|---|---|---|
| At a point in time: | | |
| - Margin income | 525,970 | 545,537 |
| - Fee income | 48,673 | 55,713 |
| - Commission income | 133,945 | 134,068 |
| | 708,588 | 735,318 |

There was no revenue from contracts with customers recognised over time during the financial year.

## Note 9 Other revenue

The company generated other sources of revenue from dividends and distributions of financial instruments, and discretionary contributions received from the franchisor and Cash flow boost income from the Australian Government.

| *Other revenue* | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Revenue: | | |
| - Dividend and distribution income | 4,933 | 2,282 |
| - Market development fund income | 34,167 | 25,000 |
| - Cash flow boost | 10,000 | - |
| - Other income | 12,948 | 272 |
| | 62,048 | 27,554 |

## Note 10 Finance income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

| *Finance income* | 2020<br>$ | 2019<br>$ |
|---|---|---|
| At amortised cost: | | |
| - Term deposits | 3,392 | 4,765 |
| | 3,392 | 4,765 |

## Note 11 Expenses

| a) Depreciation and amortisation expense | 2020<br>$ | 2019<br>$ |
|---|---|---|
| *Depreciation of non-current assets:* | | |
| - Plant and equipment | 1,738 | 2,460 |
| - Furniture and fittings | 3,723 | 3,879 |
| | 5,461 | 6,339 |
| *Depreciation of right-of-use assets* | | |
| - Leased land and buildings | 49,379 | - |
| | 49,379 | - |
| *Amortisation of intangible assets:* | | |
| - Franchise fee | 2,259 | 2,259 |
| - Franchise renewal process fee | 11,297 | 11,297 |
| | 13,556 | 13,556 |
| Total depreciation and amortisation expense | 68,396 | 19,895 |

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4g and 4h).

| b) Finance costs | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| *Finance costs:* | | | |
| - Lease interest expense | 21a) | 31,968 | - |
| - Unwinding of make-good provision | | 300 | - |
| - Other | | 8 | - |
| | | 32,276 | - |

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

Note 11 Expenses *(continued)*

### c) Impairment loss on trade receivables and contract assets

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo Bank receivable as at 30 June 2020.

### 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).

| | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| - Direct sponsorship, advertising, and promotion payments | | 30,749 | 31,591 |
| - Contribution to the Community Enterprise Foundation™ | 11e) | 52,631 | 21,053 |
| | | 83,380 | 52,644 |

The funds contributed are held by the Community Enterprise Foundation (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.

### e) Community Enterprise Foundation™ contributions

During the financial year the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo Bank. These contributions paid in form part of charitable donations and sponsorship expenditure included in profit or loss.

| *Disaggregation of CEF funds* | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| Opening balance | | 78,577 | 98,436 |
| Contributions paid in | 11d) | 52,631 | 21,053 |
| Grants paid out | | (23,000) | (41,500) |
| Interest received | | 939 | 1,641 |
| Management fees incurred | | (2,631) | (1,053) |
| Balance available for distribution | | 106,516 | 78,577 |

### f) Employee benefit expenses

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Wages and salaries | 300,512 | 350,871 |
| Non-cash benefits | 82 | - |
| Contributions to defined contribution plans | 27,188 | 32,214 |
| Expenses related to long service leave | 5,360 | 7,576 |
| Other expenses | 43,746 | 52,529 |
| | 376,888 | 443,190 |

## Note 11 Expenses *(continued)*

### g) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

| | 2020 $ | 2019 $ |
|---|---|---|
| Expenses relating to low-value leases | 6,442 | - |
| | 6,442 | - |

Expenses relating to leases exempt from recognition are included in systems costs.

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

| h) Occupancy and associated costs | 2020 $ | 2019 $ |
|---|---|---|
| Cleaning | 7,918 | 7,104 |
| Electricity/Gas | 1,375 | 1,366 |
| Repairs & Maintance | 1,488 | 1,864 |
| Rent | - | 70,915 |
| Security Monitoring | 4,919 | 2,562 |
| | 15,700 | 83,811 |

Following the adoption of AASB 16 as of 1 July 2019, property lease payments which were previously recognised as rent expense are now recognised through depreciation of right-of-use assets and lease interest expense. Please see note 21 Lease liabilities e) Impact on the current reporting period for a further a breakdown on the changes in expenses under AASB 16 for the current financial year.

## Note 12 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

| a) Amounts recognised in profit or loss | 2020 $ | 2019 $ |
|---|---|---|
| *Current tax expense* | | |
| - Current tax | 24,538 | 12,349 |
| - Net benefit of franking credits on dividends received | (584) | (257) |
| - Movement in deferred tax | (19,745) | 5,901 |
| - Foreign income tax offset | - | (58) |
| - Investments at FVTOCI | 1,225 | (1,332) |
| - Adjustment to deferred tax on AASB 16 retrospective application | 15,762 | - |
| - Reduction in company tax rate | 474 | - |
| | 21,670 | 16,603 |

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $474 related to the remeasurement of deferred tax assets and liabilities of the company.

## Note 12 Income tax expense *(continued)*

### b) Amounts recognised in other comprehensive income

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Gross | Tax credit / (expense) | Net of tax | Gross | Tax credit / (expense) | Net of tax |
| *Items that may be reclassified subsequently to profit or loss* | | | | | | |
| - Fair value gain/(loss) on investment | (4,452) | 1,225 | (3,227) | 4,843 | (1,332) | 3,511 |
| | (4,452) | 1,225 | (3,227) | 4,843 | (1,332) | 3,511 |

### c) *Prima facie* income tax reconciliation

| | 2020 $ | 2019 $ |
|---|---|---|
| Operating profit before taxation | 87,400 | 60,807 |
| Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%) | 24,035 | 16,722 |
| Tax effect of: | | |
| - Non-deductible expenses | 333 | 196 |
| - Temporary differences | 2,759 | (4,569) |
| - Other assessable income | (2,589) | - |
| - Movement in deferred tax | (19,745) | 5,901 |
| - Net benefit of franking credits on distributions received | (584) | (257) |
| - Reclassification of Investments through OCI | 1,225 | (1,332) |
| - Foreign income tax offset | - | (58) |
| - Leases initial recognition | 15,762 | - |
| - Reduction in company tax rate | 474 | - |
| | 21,670 | 16,603 |

## Note 13 Cash and cash equivalents

### a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

| | 2020 $ | 2019 $ |
|---|---|---|
| - Cash at bank and on hand | 16,486 | 11,729 |
| - Term deposits | 195,321 | 215,224 |
| | 211,807 | 226,953 |

## Note 14 Other investments

The primary goal of the company's other investments is to hold the investments for the long term for strategic purposes.

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

| a) Non-current investments | 2020 $ | 2019 $ |
|---|---|---|
| Equity securities - at FVTOCI | 135,091 | 72,059 |
| | 135,091 | 72,059 |

### b) Equity securities designated as at fair value through other comprehensive income

The company has made an irrevocable election to recognise fair value movements of its investment class through other comprehensive income. The fair value measurement was previously recognised through profit or loss. The company designated the equity securities shown below as at FVTOCI because these equity securities represent investments that the company intends to hold for the long term for strategic purposes.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Fair value | Dividend income recognised | Fair value | Dividend income recognised |
| *Investment* | $ | $ | $ | $ |
| Vanguard Diversified High Growth - exchange-traded fund | 135,091 | 4,933 | 72,059 | 2,282 |

## Note 15 Trade and other receivables

| a) Current assets | 2020 $ | 2019 $ |
|---|---|---|
| Trade receivables | 32,398 | 23,494 |
| Prepayments | 7,474 | 4,438 |
| Other receivables and accruals | 3,864 | 2,496 |
| | 43,736 | 30,428 |

## Note 16 Property, plant and equipment

| a) Carrying amounts | 2020 $ | 2019 $ |
|---|---|---|
| *Leasehold improvements* | | |
| At cost | 170,129 | 167,969 |
| Less: accumulated depreciation | (117,700) | (113,977) |
| | 52,429 | 53,992 |
| *Plant and equipment* | | |
| At cost | 61,332 | 59,231 |
| Less: accumulated depreciation | (49,379) | (47,641) |
| | 11,953 | 11,590 |
| Total written down amount | 64,382 | 65,582 |

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

## Note 16 Property, plant and equipment *(continued)*

### b) Reconciliation of carrying amounts

| | 2020 $ | 2019 $ |
|---|---|---|
| *Leasehold improvements* | | |
| Carrying amount at beginning | 53,992 | 57,871 |
| Additions | 2,160 | - |
| Depreciation | (3,723) | (3,879) |
| Carrying amount at end | 52,429 | 53,992 |
| *Plant and equipment* | | |
| Carrying amount at beginning | 11,590 | 12,895 |
| Additions | 2,101 | 1,155 |
| Depreciation | (1,738) | (2,460) |
| Carrying amount at end | 11,953 | 11,590 |
| Total written down amount | 64,382 | 65,582 |

### 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

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

### a) Carrying amounts

| | 2020 $ | 2019 $ |
|---|---|---|
| *Leased land and buildings* | | |
| At cost | 741,679 | - |
| Less: accumulated depreciation | (228,003) | - |
| Total written down amount | 513,676 | - |

## Note 17 Right-of-use assets *(continued)*

| b) Reconciliation of carrying amounts | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| *Leased land and buildings* | | | |
| Carrying amount at beginning | | - | - |
| Initial recognition on transition | 3d) | 730,735 | - |
| Accumulated depreciation on adoption | 3d) | (178,624) | - |
| Remeasurement adjustments | | 10,944 | - |
| Depreciation | | (49,379) | - |
| Carrying amount at end | | 513,676 | - |
| Total written down amount | | 513,676 | - |

## Note 18 Intangible assets

| a) Carrying amounts | 2020 $ | 2019 $ |
|---|---|---|
| *Franchise fee* | | |
| At cost | 43,626 | 32,867 |
| Less: accumulated amortisation | (31,970) | (29,711) |
| | 11,656 | 3,156 |
| *Franchise renewal process fee* | | |
| At cost | 168,133 | 114,337 |
| Less: accumulated amortisation | (109,862) | (98,565) |
| | 58,271 | 15,772 |
| Total written down amount | 69,927 | 18,928 |

| b) Reconciliation of carrying amounts | | |
|---|---|---|
| *Franchise fee* | | |
| Carrying amount at beginning | 3,156 | 5,415 |
| Additions | 10,759 | - |
| Amortisation | (2,259) | (2,259) |
| Carrying amount at end | 11,656 | 3,156 |
| *Franchise renewal process fee* | | |
| Carrying amount at beginning | 15,772 | 27,069 |
| Additions | 53,796 | - |
| Amortisation | (11,297) | (11,297) |
| Carrying amount at end | 58,271 | 15,772 |
| Total written down amount | 69,927 | 18,928 |

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

### a) Current tax

| | 2020 $ | 2019 $ |
|---|---|---|
| Income tax payable/(refundable) | 14,321 | (4,160) |

### b) Deferred tax

Movement in the company's deferred tax balances for the year ended 30 June 2020:

| | 30 June 2019 | Recognised in profit or loss | Recognised in other comprehensive income | Recognised in equity | 30 June 2020 |
|---|---|---|---|---|---|
| *Deferred tax assets* | $ | $ | $ | $ | $ |
| - make-good provision | - | (4) | - | 1,495 | 1,491 |
| - lease liability | - | (16,679) | - | 166,098 | 149,419 |
| Total deferred tax assets | - | (16,682) | - | 167,592 | 150,910 |
| *Deferred tax liabilities* | | | | | |
| - income accruals | 311 | (145) | - | - | 166 |
| - fair value of investments | 1,392 | - | (1,234) | - | 158 |
| - property, plant and equipment | 9,355 | (538) | - | - | 8,817 |
| - right-of-use assets | - | (18,275) | - | 151,831 | 133,556 |
| Total deferred tax liabilities | 11,058 | (18,958) | (1,234) | 151,831 | 142,697 |
| Net deferred tax assets (liabilities) | (11,058) | 2,275 | 1,234 | 15,762 | 8,213 |

## Note 19 Tax assets and liabilities *(continued)*

### b) Deferred tax *(continued)*

Movement in the company's deferred tax balances for the year ended 30 June 2019:

| | 30 June 2018 | Recognised in profit or loss | Recognised in other comprehensive income | Recognised in equity | 30 June 2019 |
|---|---|---|---|---|---|
| *Deferred tax assets* | $ | $ | $ | $ | $ |
| - expense accruals | 14 | (14) | - | - | - |
| Total deferred tax assets | 14 | (14) | - | - | - |
| *Deferred tax liabilities* | | | | | |
| - income accruals | 395 | (84) | - | - | 311 |
| - fair value of investments | 60 | - | 1,332 | - | 1,392 |
| - property, plant and equipment | 4,716 | 4,639 | - | - | 9,355 |
| Total deferred tax liabilities | 5,171 | 4,555 | 1,332 | - | 11,058 |
| Net deferred tax assets (liabilities) | (5,157) | (4,569) | (1,332) | - | (11,058) |

### c) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

## 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.

| a) Current liabilities | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Trade creditors | 1,438 | 4,194 |
| Other creditors and accruals | 16,734 | 14,218 |
| | 18,172 | 18,412 |

### b) Non-current liabilities

| | | |
|---|---|---|
| Other creditors and accruals | 59,068 | - |
| | 59,068 | - |

## Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%. Subsequent lease arrangements entered into were discounted at 5.39%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

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

*Lease portfolio*

Prior to 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. As a result, finance leases which were previously disclosed as property, plant and equipment have been reclassified to right-of-use assets upon adoption.

The company's lease portfolio includes:

- Branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in November 2015.The lease was renewed commencing in November 2020 and has on further five year extension option available.

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.

### a) Lease liability measurement

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.

| *Lease liabilities on transition* | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| Balance at the beginning (finance lease liabilities) | | - | - |
| Initial recognition on AASB 16 transition | 3d) | 603,992 | - |
| Remeasurement adjustments | | 10,944 | - |
| Lease payments - interest | | 31,968 | - |
| Lease payments | | (72,215) | - |
| | | 574,689 | - |

### b) Current lease liabilities

| | | | |
|---|---|---|---|
| Property lease liabilities | | 72,655 | - |
| Unexpired interest | | (29,931) | - |
| | | 42,724 | - |

Note 21 Lease liabilities *(continued)*

| c) Non-current lease liabilities | 2020 $ | 2019 $ |
|---|---|---|
| Property lease liabilities | 678,113 | - |
| Unexpired interest | (146,148) | - |
| | 531,965 | - |

d) Maturity analysis

| | | |
|---|---|---|
| - Not later than 12 months | 72,655 | - |
| - Between 12 months and 5 years | 290,620 | - |
| - Greater than 5 years | 387,493 | - |
| Total undiscounted lease payments | 750,768 | - |
| Unexpired interest | (176,079) | - |
| Present value of lease liabilities | 574,689 | - |

e) Impact on the current reporting period

During the financial year, the company has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

*Comparison under current AASB 16 and former AASB 117*

The net impact for the current reporting period is an decrease in profit after tax of $6,838.

| Profit or loss - increase (decrease) in expenses | AASB 117 expense not recognised | Impact on current reporting period | AASB 16 expense now recognised |
|---|---|---|---|
| - Occupancy and associated costs | 72,215 | (72,215) | - |
| - Depreciation and amortisation expense | - | 49,379 | 49,379 |
| - Finance costs | - | 32,268 | 32,268 |
| Increase in expenses - before tax | 72,215 | 9,432 | 81,647 |
| - Income tax expense / (credit) - current | (19,859) | 19,859 | - |
| - Income tax expense / (credit) - deferred | - | (22,453) | (22,453) |
| Increase in expenses - after tax | 52,356 | 6,838 | 59,194 |

Note 22 Provisions

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

| a) Non-current liabilities | 2020 $ | 2019 $ |
|---|---|---|
| Make-good on leased premises | 5,735 | - |
| | 5,735 | - |

## Note 22 Provisions *(continued)*

### b) Make-good provision

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.

| *Provision* | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| Balance at the beginning | | - | - |
| Face-value of make-good costs recognised | 3d) | 10,000 | - |
| Present value discounting | 3d) | (4,565) | - |
| Present value unwinding | | 300 | - |
| | | 5,735 | - |

### c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

The lease is due to expire on 22 November 2030 at which time it is expected the face-value costs to restore the premises will fall due.

The financial effect of the reassessment, assuming no changes in the above judgements and estimates, on actual and expected finance costs and provisions was as follows:

| *Profit or loss* | 2020 | 2021 | 2022 | 2023 | 2024+ |
|---|---|---|---|---|---|
| Expense: | | | | | |
| - Finance costs | 300 | 317 | 334 | 353 | 3,261 |
| Liability: | | | | | |
| - Make-good provision | 5,735 | 6,052 | 6,386 | 6,739 | 10,000 |

## Note 23 Issued capital

| a) Issued capital | 2020 Number | 2020 $ | 2019 Number | 2019 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 534,487 | 534,487 | 534,487 | 534,487 |
| Return of capital payment | - | (106,897) | - | (106,897) |
| Less: equity raising costs | - | (22,114) | - | (22,114) |
| | 534,487 | 405,476 | 534,487 | 405,476 |

Note 23 Issued capital *(continued)*

### b) Rights attached to issued capital

*Ordinary shares*

Voting rights

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

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

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

Dividends

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

Transfer

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

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

*Prohibited shareholding interest*

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 133. As at the date of this report, the company had 141 shareholders (2019: 142 shareholders).

## Note 23 Issued capital *(continued)*

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

*Prohibited shareholding interest (continued)*

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

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

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

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

## Note 24 Reserves

### a) Nature and purpose of reserves

*Fair value reserve*

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities designated at FVTOCI; and
- the cumulative change in fair value of debt securities at FVTOCI until the assets are derecognised or reclassified.

### b) Disaggregation of reserve balances, net of tax

| *Reserves for the period ended 30 June 2020* | Fair value reserve<br>$ | Total other comprehensive income<br>$ |
|---|---|---|
| Balance at beginning of reporting period | 3,668 | - |
| Net loss arising on fair value decrement of investments | (3,227) | (3,227) |
| Balance at end of reporting period | 441 | (3,227) |

## Note 24 Reserves *(continued)*

### b) Disaggregation of reserve balances, net of tax *(continued)*

| *Reserves for the period ended 30 June 2019* | Fair value reserve<br>$ | Total other comprehensive income<br>$ |
|---|---|---|
| Balance at beginning of reporting period | - | - |
| Net gain arising on fair value increment of investments | 3,511 | 3,511 |
| Adjustment to retained earnings for prior period movements recognised in profit or loss | 157 | 157 |
| Balance at end of reporting period | 3,668 | 3,668 |

## Note 25 Accumulated losses

| | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| Balance at beginning of reporting period | | (20,504) | (29,809) |
| Adjustment for transition to AASB 16 | 3d) | (41,554) | - |
| Net profit after tax from ordinary activities | | 65,730 | 44,204 |
| Transfers to other comprehensive income | | - | (157) |
| Dividends provided for or paid | 30a) | (34,742) | (34,742) |
| Balance at end of reporting period | | (31,070) | (20,504) |

## Note 26 Reconciliation of cash flows from operating activities

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Net profit after tax from ordinary activities | 65,730 | 44,204 |
| Adjustments for: | | |
| - Depreciation | 54,840 | 6,339 |
| - Amortisation | 13,556 | 13,556 |
| Changes in assets and liabilities: | | |
| - (Increase)/decrease in trade and other receivables | (13,308) | 3,110 |
| - (Increase)/decrease in other assets | 11,710 | (4,160) |
| - Increase/(decrease) in trade and other payables | (5,728) | 6,472 |
| - Increase/(decrease) in provisions | 300 | - |
| - Increase/(decrease) in tax liabilities | 3,263 | (1,918) |
| Net cash flows provided by operating activities | 130,363 | 67,603 |

## Note 27 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. 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.

*Accounting classifications and fair values for the year ended 30 June 2020:*

| | | Carrying amount | | | | Fair value | | |
|---|---|---|---|---|---|---|---|---|
| | Note | FVTPL | FVTOCI | At amortised cost | Total | Level 1 | Level 2 | Total |
| **Financial assets measured at fair value:** | | | | | | | | |
| Equity securities | 14 | - | 135,091 | - | 135,091 | 135,091 | - | 135,091 |
| | | - | 135,091 | - | 135,091 | 135,091 | - | 135,091 |
| **Financial assets not measured at fair value:** | | | | | | | | |
| Trade and other receivables | 15 | - | - | 36,262 | 36,262 | - | - | - |
| Cash and cash equivalents | 13 | - | - | 16,486 | 16,486 | - | - | - |
| Term deposits | 13 | - | - | 195,321 | 195,321 | - | - | - |
| | | - | - | 248,069 | 248,069 | - | - | - |
| **Financial liabilities not measured at fair value:** | | | | | | | | |
| Trade and other payables | 20 | - | - | 1,438 | 1,438 | - | - | - |
| Lease liabilities | 21 | - | - | 574,689 | 574,689 | - | - | - |
| | | - | - | 576,127 | 576,127 | - | - | - |

*Accounting classifications and fair values for the year ended 30 June 2019:*

| | | Carrying amount | | | | Fair value | | |
|---|---|---|---|---|---|---|---|---|
| | Note | FVTPL | FVTOCI | At amortised cost | Total | Level 1 | Level 2 | Total |
| **Financial assets measured at fair value:** | | | | | | | | |
| Equity securities | 14 | - | 72,059 | - | 72,059 | 72,059 | - | 72,059 |
| | | - | 72,059 | - | 72,059 | 72,059 | - | 72,059 |
| **Financial assets not measured at fair value:** | | | | | | | | |
| Trade and other receivables | 15 | - | - | 25,990 | 25,990 | - | - | - |
| Cash and cash equivalents | 13 | - | - | 11,729 | 11,729 | - | - | - |
| Term deposits | 13 | - | - | 215,224 | 215,224 | - | - | - |
| | | - | - | 252,943 | 252,943 | - | - | - |
| **Financial liabilities not measured at fair value:** | | | | | | | | |
| Trade and other payables | 20 | - | - | 4,194 | 4,194 | - | - | - |
| Lease liabilities | 21 | - | - | - | - | - | - | - |
| | | - | - | 4,194 | 4,194 | - | - | - |

## Note 27 Financial instruments - fair value *(continued)*

*Valuation techniques and significant unobservable inputs*

There were no Level 2 or Level 3 classifications held during the relevant financial years.

There were no Level 3 classifications held during the relevant financial years.

*Transfers between Levels 1 and 2*

There were no transfers between Level 1 and Level 2 during the financial year. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the financial year.

## Note 28 Auditor's remuneration

| Amount received or due and receivable by the auditor of the company for the financial year. | 2020 $ | 2019 $ |
|---|---|---|
| *Audit and review services* | | |
| - Audit and review of financial statements | 4,800 | 4,600 |
| | 4,800 | 4,600 |
| *Non audit services* | | |
| - General advisory services | 3,540 | 1,400 |
| - Share registry services | 2,610 | 2,595 |
| | 6,150 | 3,995 |
| Total auditor's remuneration | 10,950 | 8,595 |

## Note 29 Related parties

### a) Details of key management personnel

The directors of the company during the financial year were:

Peter Geoffrey Henderson OAM
Amanda Lee Harward
Linda Anne Beaumont
Victoria Louise Maguire
Earle Alexander Johnston
Jane Baxter Carlisle
Angela Kellie Griffiths

### b) Key management personnel compensation

| | 2020 $ | 2019 $ |
|---|---|---|
| Key management personnel compensation comprised the following. | | |
| Short-term employee benefits | 15,600 | 15,600 |
| | 15,600 | 15,600 |

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

## Note 29 Related parties *(continued)*

### c) Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| *Transactions with related parties* | 2020<br>$ | 2019<br>$ |
|---|---|---|
| - Victoria Maguire is a Director of J L Lander Pty Ltd, J L Lander Pty Ltd own the premises occupied by the bank. | 72,215 | 70,915 |
| - Amanda Harward is a Director at Accounting Intelligence Pty Ltd, Acacia Ridge Financial Services Limited used the services of Accounting Intelligence Pty Ltd during the financial year. Peter Henderson was a former Director of Accounting Intelligence Pty Ltd and resigned in September 2016. | 7,384 | 6,268 |
| - Peter Henderson provided consulting services to the bank during the financial year. | 1,429 | 2,070 |
| - Earle Johnston provided consulting services to the bank during the financial year. | 2,070 | 2,936 |
| - Jane Carlisle provided consulting services to the bank during the financial year. | 371 | 439 |
| Total transactions with related parties | 83,469 | 82,628 |

## Note 30 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 2020 | | 30 June 2019 | |
|---|---|---|---|---|
| | Cents | $ | Cents | $ |
| Fully franked dividend | 6.50 | 34,742 | 6.50 | 34,742 |
| Total dividends provided for and paid during the financial year | 6.50 | 34,742 | 6.50 | 34,742 |

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

### b) Franking account balance

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| *Franking credits available for subsequent reporting periods* | | |
| Franking account balance at the beginning of the financial year | 24,805 | 20,939 |
| Franking transactions during the financial year: | | |
| - Franking credits (debits) arising from income taxes paid (refunded) | 17,013 | 10,557 |
| - franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return | (4,160) | 6,487 |
| - Franking debits from the payment of franked distributions | (13,178) | (13,178) |
| Franking account balance at the end of the financial year | 24,480 | 24,805 |
| Franking transactions that will arise subsequent to the financial year end: | | |
| - Franking credits (debits) that will arise from payment (refund) of income tax | 14,321 | (4,160) |
| Franking credits available for future reporting periods | 38,801 | 20,645 |

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

## Note 31 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.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Profit attributable to ordinary shareholders | 65,730 | 44,204 |
| | Number | Number |
| Weighted-average number of ordinary shares | 534,487 | 534,487 |
| | Cents | Cents |
| Basic and diluted earnings per share | 12.30 | 8.27 |

## Note 32 Commitments

### a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 21).

| Operating lease commitments - lessee<br>Non-cancellable operating leases contracted for but not capitalised in the financial statements | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Payable - minimum lease payments: | | |
| - not later than 12 months | - | 71,334 |
| - between 12 months and 5 years | - | 29,723 |
| - greater than 5 years | - | - |
| Minimum lease payments payable | - | 101,057 |

## Note 32 Commitments *(continued)*

### b) Other commitments

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

## Note 33 Contingencies

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

## Note 34 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 Acacia Ridge 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 2020 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.

Peter Geoffrey Henderson OAM, Chair

Dated this 7th day of September 2020

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

## Independent auditor's report to the members of Acacia Ridge Financial Services Limited

### Report on the audit of the financial report

**Our opinion**
In our opinion, the accompanying financial report of Acacia Ridge 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 2020 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

**What we have audited**
Acacia Ridge Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Statement of financial position
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

**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.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. 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 *APE*S 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Partners in success
Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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.

**Directors' responsibility 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 responsibility 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/home.aspx. This description forms part of our auditor's report.

**Andrew Frewin Stewart**
61 Bull Street, Bendigo, 3550
Dated: 7 September 2020

**Joshua Griffin**
**Lead Auditor**

Community Bank · Acacia Ridge
11-28 Elizabeth Street,
Acacia Ridge QLD 4110
Phone: 07 3255 6773  Fax: 07 3255 6997
Email: acaciaridgemailbox@bendigoadelaide.com.au
Web: bendigobank.com.au/acaciaridge

Franchisee: Acacia Ridge Financial Services Limited
ABN: 73 116 060 916
5/11-28 Elizabeth Street,
Acacia Ridge QLD 4110
Phone: 07 3255 6773 Fax: 07 3255 6997
Email: admin@arfsl.com.au

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
Phone: 03 5443 0344  Fax: 03 5443 5304
Email: shareregistry@afsbendigo.com.au

/acaciaridgecommunitybankbranch

Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_1370058  14/07/2020