Annual Report 2020

Barwon Heads Community Enterprise Limited

Community Bank Barwon Heads

ABN 68 149 465 396

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Chairman’s report

For year ending 30 June 2020

It is with pleasure that I submit my Chairman’s report for the financial year ending 30 June 2020.

2020 has been a challenging year for everyone. Many of our sporting clubs and community groups have had their activities curtailed due to COVID-19 and we all hope that for everyone’s sake that life can get back to normal in the foreseeable future. Community Bank Barwon Heads approached the initial period with a great deal of trepidation given the limits on customers visiting our branch. Pleasingly it appears that extra time at home has given customers an opportunity to re-evaluate their banking requirements and support their locally owned Community Bank. Loan applications and approvals have increased significantly, and we are very pleased with this support from our customers.

Shareholders will again receive a dividend after another strong financial performance in 2019/20.

Revenue from operating activities improved by $86,000 or 10% more than last year. Strong growth and support from our community was the main contributor but we also had the benefit of a profit boost from the Government stimulus due to COVID-19. Operating expenses increased by $58,000 with the major contribution being employee expenses of an additional $40,000 primarily due to the crossover of Branch Managers at the start of the financial year.

As a result, we have been able to deliver a net profit before tax of $158,776 which is $27,317 more than 2018/19.

In our eighth year of trading the Community Bank Barwon Heads has now contributed $530,000 to the local community.

This year (2019/20) sponsorship and community grants totalled nearly $126,000 (an increase of 3% over 2018/19). Of these grants $73,000 was provided directly to a variety of community groups and sporting clubs. The branch is pleased to be one of the major contributors towards the refurbishment of the Barwon Heads Fire Station.

In addition to these community grants Community Bank Barwon Heads contributed a further $52,631 to the Bendigo Bank Community Enterprise Foundation™. These funds can be put towards future worthy community projects (like a Legacy Project) in a relatively tax effective manner.

During the year the Board chose the project for the application of Solar panels to the Primary School as the first Legacy Project winner. Community Bank Barwon Heads will spend $70,000 on these panels with the support of 100% Clean Bellarine. The successful tenderer has been chosen and these panels are likely to be installed by the end of 2020. The Primary school will endeavour to invest the savings on their electricity bill on several student-led environmentally sustainable projects.

This year the Board created the Community Bank Barwon Heads Scholarship for Bachelor’s degree students. This scholarship aims to provide financial support for local students in their tertiary studies. Ruby Mangelsdorf was a worthy inaugural scholarship winner and she is studying a Bachelor of Science Advanced - Global Challenges at Monash University.

The Board continued the successful LEN Talks and featured this financial year were:

1. Through the looking glass, alternative views of design (Meaghan Rodriguez, Tony Cotter and Victoria Strachan)
2. Our connection – Land, Sea & Sky (John Tunn, Mark Rodrigue and Andrea Dennet)

Chairman’s report (continued)

One of the key benefits of the LEN talks has been the opportunity to enable members of the community to hear from experts in their field who happen to call Barwon Heads home!

Community Bank Barwon Heads has gained great exposure from hosting these talks and hopefully that will translate into increasing business.

Given the challenges during the second half of the financial year it has been of great benefit to have an experienced skipper at the helm in Kevin Hannam. Kevin has just completed his first year at the branch after four decades in the banking industry, several years as Branch Manager at Community Bank Wallan & District and a stint as Regional Manager for more than 12 Community Banks. He has presided over a stable team (apart from Kyla and Penny who are on maternity leave) and his coaching and engagement with staff have helped build a strong performing team.

In closing I would like to acknowledge and thank all our shareholders. Without your support we would not have a Community Bank in Barwon Heads and we hope our improved financial performance and provision of a fifth straight dividend is some reward for your patience.

We have an experienced Branch Manager in place and a stable, motivated team and we hope to continue to grow the bank to provide more funding to community groups and further reward shareholders.

Finally, I would like to thank my fellow Board members, the Community Bank staff, community groups and shareholders for their support over the past three years as Chairman. I will resign at the upcoming AGM after serving five years on the Board. We have some great new Board members with fresh ideas who have just commenced or commencing soon, and I feel very confident that the Board is in good hands.

Bruce Symons
Chairman

Manager's report

For year ending 30 June 2020

It is with pleasure I write my first Manager's report for Barwon Heads Community Enterprise Limited. 2019/20 has been, possibly, the most challenging year for us as a Bank, the local community, and the country. Bushfires, pandemic, slowing economy and interest rates lower than anytime I have experienced in 43 years of banking and finance. Despite this, your branch has performed exceptionally well. The business is at a similar level to this time last year, which would appear to be a disappointing result, but when we look behind the numbers is actually very strong. Late last year a commercial loan of $17 million was paid out and a month later we lost $6 million in one deposit, which was used to purchase a property. That's almost 18% of our business on the books gone in two transactions. Thanks to some hard work by the great team at Barwon Heads, active Business Bankers, and strong local support, we have rebuilt the business to $128.6 million. This has continued into the new financial year with $9.3 million in growth recorded in the first six weeks of the financial year.

During the year, two of our experienced staff have gone on maternity leave. Penny has a new baby girl and Kyla a healthy boy. We congratulate both ladies and look forward to them returning. This gave us an opportunity to recruit a new Trainee, Chloe, who has added some youth and vibrancy to the team. Cassie returned to the branch on a twelve-month contract and she has added her knowledge and enthusiasm to our team. Nick and Rachael have continued to provide our customers with the excellent service they are accustomed to.

Some of the highlights during the year-:

- $950,000 of income being generated enabling us to give out over $73,000 in grants and sponsorships, and another $52,631 put aside in the Community Enterprise Foundation™ to be used in later years. The measure of success of a Community Bank, is what they give back to the local community.
- Committing $70,000 in a Legacy Project to install solar panels at the Barwon Heads Primary School, which will reduce their expenses, and just as importantly, is good for our environment.
- Strong growth in our Home Loan and Deposit books, which will set us up to be able to continue to hand out funds to our local community, by way of grants and sponsorships, and to our shareholders via fully franked dividends.
- 375 new accounts opened.
- 3.19% increase in customer numbers.

I would like to thank Bruce Symons, Chair of Barwon Heads Community Enterprise Limited, and his Board of Directors, and Ewa, our Board Secretary, for their support during the year. Everyone of these Directors give their time voluntarily to help their local community. A big thank-you also to the branch team who always go above and beyond for our customers. 2020/21 has gotten off to a flyer with very strong growth recorded in the first couple of months which augurs well for the Barwon Heads community.

Kevin Hannam
Branch Manager

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:

Bruce Anthony Symons
Chairman
Occupation: Business Owner
Qualifications, experience and expertise: B Agr.Sc (Melb) 2003, Masters (Swinburne) 2013, AICD 2013. Established his own Organic Dairy business in early 2017. Previously spent five years as a CEO and prior to that performed with distinction in senior marketing and sales roles in the food industry in Australia and Asia. Roles have varied from running a very successful Dairy Co-operative to launching a new retail product into the Japanese market to managing the turn-around of a Pacific Island subsidiary. Bruce joined the Board at the end of 2015.
Special responsibilities: Executive Committee
Interest in shares: 10,000 ordinary shares

David John Halliday
Treasurer
Occupation: Financial Services
Qualifications, experience and expertise: David was previously a Chartered Accountant and partner in a Melbourne firm before moving to Echuca in 1986 to work in his own business. He semi-retired and moved to Barwon Heads 8 years ago. He now runs a number of small businesses from home focusing on the administration with operational managers based in Echuca. Until recently David was a Board Member of Echuca Community for the Aged. David has been a member of the Board since May 2016.
Special responsibilities: Treasurer and Member Executive Committee
Interest in shares: 15,000 ordinary shares

Peter Alexander MacMillan
Secretary
Occupation: Financial Planner and Tax / Accounting Consultant
Qualifications, experience and expertise: Fellow Chartered Accountants Australia & New Zealand. Post Grad Diploma- Financial Planning, Specialist Financial Planning. Established an Accounting Firm in Geelong 30 years ago and still is a consult to that firm as well as manages his own Financial Planning business. Previously worked for one of the now Big Four accounting practices for many years. Has resided in Barwon Heads for over 25 years. Peter's public roles include being on the board at Bethany and the former Brotherhood of St Laurence – Barwon Region as well as being Treasurer. Keen bike rider and part time golfer at BHGC. Peter joined the board in 2016.
Special responsibilities: Company Secretary and Executive Committee
Interest in shares: 5,000 ordinary shares

Ross Kenneth Walter
Non-executive director
Occupation: Food / Operations - General Manager
Qualifications, experience and expertise: Holding a Bachelor of Business in Supply Chain Management, Ross has over 25 years' experience in operations, logistics, retailing, supply chain management, procurement and systems. He has held a number of General Management positions with logistics, liquor, healthcare, food wholesaling and FMCG companies with a key focus on business processes, business efficiency, integration of systems and holistic leadership. He has also held a range of positions in sporting and community groups including senior coaching roles, committee and chair. This included a position as a Board Director of Victorian Waterpolo Inc. Ross is involved in many local sporting clubs and groups including social AFL football, basketball, and supporting men's' health causes and charities. Ross has been a member of the Board since 2016.
Special responsibilities: Community Development Committee and Grants Committee
Interest in shares: nil share interest held

Directors *(continued)*

Damien Patrick O'Malley
Non-executive director
Occupation: Consultant
Qualifications, experience and expertise: Founder and Senior Consultant of strategic HR consulting business and co-founder of strategic off-sites consulting business. Clients include commercial / non-for-profit organisations in health, hospitality, infrastructure, financial services, legal services & retail. Previous experience as senior HR practitioner in leading national business in financial services, directories, gambling & entertainment, aviation and retail. Masters of Human Resources Development (UTS), Bachelor of Arts (Adelaide University), accredited as Executive Coach and number of leadership, team and cultural diagnostics.
Special responsibilities: Business Development Committee
Interest in shares: nil share interest held

Jason Anthony Hutton
Non-executive director
Occupation: Consultant
Qualifications, experience and expertise: Jason is currently a consultant IT Technical Architect and has over 25 years in the IT industry from system support and design to management. He moved to Barwon Heads ten years ago and has since been involved with various local community groups and is currently on the Barwon Heads Tennis Club committee. Jason has been a member of the board since July 2018.
Special responsibilities: Business Development Committee
Interest in shares: nil share interest held

Lindy Brooke Mills
Non-executive director (appointed 18 September 2019)
Occupation: Project Manager
Qualifications, experience and expertise: Lindy is an accomplished project manager with a passion for improving health, wellbeing and education. She has led high-profile, innovative health promotion programs, including Jamie's Ministry of Food and Stephanie Alexander's Kitchen Garden Program. Currently, Lindy works to improve educational and employment outcomes among vulnerable students and community members. She is very committed to building a strong and sustainable local community and is passionate about our environment. Lindy holds a Bachelor of Arts, Bachelor of Science and a Masters of Wine Business.
Special responsibilities: Community Development and Grants Committee
Interest in shares: nil share interest held

Edmund Jepson McCabe
Non-executive director (appointed 23 March 2020)
Occupation: VCAT Member (Sessional)
Qualifications, experience and expertise: Currently a sessional member of VCAT. Previously a partner in the legal firm of Brown & Proudfoot Horsham for 40 years, a Director of GWM Water and a Board member and president of Wimmera Health Care Group. Life Governor of Wimmera Health Care Group, Life member of Horsham Apex Club and Life Member of Wimmera Football League.
Special responsibilities: Community Development and Grants Committee, Business Development and Marketing Committee
Interest in shares: nil share interest held

Directors *(continued)*

Anita Joy Phillips
Non-executive director (resigned 23 December 2019)
Occupation: Dr. Deputy Director of Clinical Studies
Qualifications, experience and expertise: General Practitioner in Drysdale, Deputy Director Clinical Studies in the School of Medicine, Deakin University, Senior lecturer and researcher in Clinical Communication. Anita brings to the board experience in leadership, in the health and tertiary education sector. Member Barwon Health End of Life Expert Advisory Committee, iValidate Research and Education Faculty. Past community projects have involved Healthy Eating Hub Days for Barwon Heads Soccer Club. Aiming to bring guidance to community grants to improve community health and wellbeing.
Special responsibilities: Business Development Committee
Interest in shares: 4,700 ordinary shares

Harriet Isabel Burton
Non-executive director (resigned 18 September 2019)
Occupation: Lawyer - Harwood Andrews
Qualifications, experience and expertise: Currently employed as a lawyer at Harwood Andrews in the position of associate in the business law team. Previously employed as a lawyer at Coulter Roache in the corporate and commercial team and as a lawyer at Holding Redlich in the personal injury team. Harriet holds a Bachelor of Laws from Deakin University and a Bachelor of Arts (Global) from Monash university.
Special responsibilities: Chair of the Grants Committee and WorkCover Board Representative
Interest in shares: nil share interest held

Damien Jon Shaw
Non-executive director (resigned 29 October 2019)
Occupation: General Manager
Qualifications, experience and expertise: Holds a Bachelor of Economics (Banking and Finance) degree and an MBA from AGSM. Damien has held a variety of roles within the tourism and rental industries, from manufacturing, logistics, fleet, operations, franchise and general management roles over the past 20 years. Damien has a keen interest in sport especially now at local level with his children, AFL, Soccer, surfing and snow skiing to name a few. Damien joined the Barwon Heads Bendigo bank board in late 2017 and has lived in paradise (some people call it Barwon heads) for 9 years.
Special responsibilities: Business Development Committee
Interest in shares: 3,000 ordinary shares

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

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

Company Secretary

The company secretary is Peter MacMillan. Peter was appointed to the position of secretary on 1 July 2017.

Qualifications, experience and expertise: Peter was appointed to the position of secretary in July 2017. Peter is a fellow of the institute of Chartered Accountants and a specialist financial planner. He has previously held board positions with St. Lawrence-Barwon and Bethany.

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 $
120,495	95,308

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Bruce Anthony Symons	10,000	-	10,000
David John Halliday	15,000	-	15,000
Peter Alexander MacMillan	5,000	-	5,000
Ross Kenneth Walter	-	-	-
Damien Patrick O'Malley	-	-	-
Jason Anthony Hutton	-	-	-
Lindy Brooke Mills	-	-	-
Edmund Jepson McCabe	-	-	-
Anita Joy Phillips	4,700	-	4,700
Harriet Isabel Burton	-	-	-
Damien Jon Shaw	3,000	-	3,000

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	7.00	57,222
Total amount	7.00	57,222

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. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. 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

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 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					
			Community Development		Business Development		Executive	
	E	A	E	A	E	A	E	A
Bruce Anthony Symons	12	12	-	-	-	-	12	10
David John Halliday	12	11	-	-	-	-	12	9
Peter Alexander MacMillan	12	10	-	-	-	-	12	8
Ross Kenneth Walter	12	10	12	12	-	-	-	-
Damien Patrick O'Malley	12	8	-	-	12	10	-	-
Jason Anthony Hutton	12	9	-	-	12	10	-	-
Lindy Brooke Mills	10	10	9	9	-	-	-	-
Edmund Jepson McCabe	4	4	-	-	-	-	1	1
Anita Joy Phillips	6	5	-	-	6	6	-	-
Harriet Isabel Burton	3	2	3	3	-	-	-	-
Damien Jon Shaw	4	1	-	-	4	4	-	-

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 is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the directors at Barwon Heads, Victoria.

Bruce Anthony Symons, Chairman

Dated this 21st 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 Barwon Heads Community Enterprise Limited

As lead auditor for the audit of Barwon Heads Community Enterprise 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: 21 September 2020

Joshua Griffin
Lead Auditor

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	897,586	844,145
Other revenue	9	81,987	43,720
Finance income	10	12,204	18,158
Employee benefit expenses	11c)	(430,548)	(390,730)
Charitable donations, sponsorship, advertising and promotion		(137,022)	(137,790)
Occupancy and associated costs		(26,629)	(123,593)
Systems costs		(33,634)	(33,634)
Depreciation and amortisation expense	11a)	(134,230)	(24,161)
Finance costs	11b)	(11,163)	-
General administration expenses		(59,775)	(64,656)
Profit before income tax expense		158,776	131,459
Income tax expense	12a)	(38,281)	(36,151)
Profit after income tax expense		120,495	95,308
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		120,495	95,308
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	14.74	11.66

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	964,171	845,258
Trade and other receivables	15a)	58,039	68,097
Current tax assets	19a)	-	6,440
Total current assets		1,022,210	919,795
Non-current assets			
Investment property	14a)	109,285	-
Property, plant and equipment	16a)	80,310	93,357
Right-of-use assets	17a)	396,475	-
Intangible assets	18a)	74,368	100,479
Deferred tax asset	19b)	3,579	-
Total non-current assets		664,017	193,836
Total assets		1,686,227	1,113,631
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	35,161	39,866
Current tax liabilities	19a)	17,067	-
Lease liabilities	21b)	63,821	-
Employee benefits	23a)	11,776	10,471
Total current liabilities		127,825	50,337
Non-current liabilities			
Trade and other payables	20b)	-	14,975
Lease liabilites	21c)	447,644	-
Employee benefits	23b)	4,899	4,130
Provisions	22a)	1,471	-
Deferred tax liability	19b)	-	3,074
Total non-current liabilities		454,014	22,179
Total liabilities		581,839	72,516
Net assets		1,104,388	1,041,115
EQUITY			
Issued capital	24a)	789,491	789,491
Retained earnings	25	314,897	251,624
Total equity		1,104,388	1,041,115

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2018		789,491	213,538	1,003,029
Total comprehensive income for the year		-	95,308	95,308
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(57,222)	(57,222)
Balance at 30 June 2019		**789,491**	**251,624**	**1,041,115**
Balance at 1 July 2019		789,491	251,624	1,041,115
Total comprehensive income for the year		-	120,495	120,495
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(57,222)	(57,222)
Balance at 30 June 2020		**789,491**	**314,897**	**1,104,388**

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		1,077,508	974,397
Payments to suppliers and employees		(763,037)	(844,559)
Interest received		10,505	18,169
Interest paid		(68)	-
Lease payments (interest component)	11b)	(11,095)	-
Lease payments not included in the measurement of lease liabilities	11d)	(14,673)	-
Income taxes paid		(21,427)	(54,587)
Net cash provided by operating activities	26	**277,713**	**93,420**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,625)	-
Payments for intangible assets		(13,614)	(13,614)
Net cash used in investing activities		**(15,239)**	**(13,614)**
Cash flows from financing activities			
Lease payments (principal component)	21a)	(86,339)	-
Dividends paid	30a)	(57,222)	(57,222)
Net cash used in financing activities		**(143,561)**	**(57,222)**
Net cash increase in cash held		**118,913**	**22,584**
Cash and cash equivalents at the beginning of the financial year		845,258	822,674
Cash and cash equivalents at the end of the financial year	13a)	**964,171**	**845,258**

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 Barwon Heads Community Enterprise 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
70 Hitchcock Avenue Barwon Heads VIC 3227	70 Hitchcock Avenue Barwon Heads VIC 3227

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

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 21 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. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. 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 4.

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 assets including property 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 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 that the company:

- 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 sub-leases some of its property. Under AASB 117, the head lease and the sub-lease contracts were classified as operating leases. On transition to AASB 16, the right-of-use asset recognised from the head leases are presented in investment property, and measured at cost at that date. The company assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under AASB 16.

The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor, except for a sub-leasing arrangement.

The company has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

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, including investment property, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	17b)	233,870
Right-of-use assets - investment property	14b)	68,147
Liability		
Lease liabilities	21a)	(300,243)
Provision for make-good	22a)	(1,774)
Equity		
Retained earnings		-

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 3.80%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	309,864
Add: variable market review / index based increase	9,563
Less: present value discounting	(19,184)
Lease liability as at 1 July 2019	300,243

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).

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.

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

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

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.

b) Other revenue

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

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

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

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

b) Other revenue *(continued)*

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.

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.

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

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

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

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

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

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

e) Taxes *(continued)*

Current income tax

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

Deferred tax

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

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

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

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

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.

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, 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.

g) 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.

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

g) Property, plant and equipment *(continued)*

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 10 years
Plant and equipment	Straight-line	2 to 10 years

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

h) Intangible assets

Intangible assets of the company 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 establishment fee	Straight-line	Over the franchise term
Franchise fee	Straight-line	Over the franchise term
Franchise renewal process fee	Straight-line	Over the franchise term
Domiciled customer accounts	Straight-line	5 years

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

i) Financial instruments

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

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

i) Financial instruments *(continued)*

Sub-note i) and j) 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

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.

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 - subsequent measurement and gains and losses

- 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.

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

i) Financial instruments *(continued)*

Classification and subsequent measurement (continued)

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.

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on its trade receivables.

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.

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 customer base, appropriate groupings of its historical loss experience etc.).

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

j) Impairment *(continued)*

Non-derivative financial assets (continued)

Recognition of expected credit losses in financial statements

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 company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 14 days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

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.

k) 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.

l) Provisions

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

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

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 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.

m) 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.

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

m) Leases *(continued)*

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.

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.

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

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

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

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

At inception 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 their relative stand-alone prices.

When the company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the company is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the company applies AASB 16 to allocate the consideration in the contract.

The company applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease (see Note 4(I)). The company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the company as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

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

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

m) Leases *(continued)*

Policy applicable before 1 July 2019 (continued)

- 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.

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

When the company acted as a lessor, it determined at lease inception whether each lease was a finance or operating lease.

To classify each lease, the company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

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 5 Significant accounting judgements, estimates, and assumptions

a) Judgements *(continued)*

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: - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 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 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 11a) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

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

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

Note 6 Financial risk management *(continued)*

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 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	511,465	90,728	340,000	170,000
	511,465	90,728	340,000	170,000

30 June 2019

No non derivative financial liabilities.

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

Note 6 Financial risk management *(continued)*

b) Market risk *(continued)*

The company held cash and cash equivalents of $964,171 at 30 June 2020 (2019: $845,258). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 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 $	2019 $
Revenue:		
- Revenue from contracts with customers	897,586	844,145
	897,586	844,145

Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	753,581	666,260
- Fee income	49,807	51,051
- Commission income	94,198	126,834
	897,586	844,145

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

Note 9 Other revenue

The company generates other sources of revenue from rental income from leased investment properties, discretionary contributions received from the franchisor and cash flow boost income from the Australian Government.

Other revenue	2020 $	2019 $
Revenue:		
- Sub-leasing income	19,505	18,720
- Market development fund income	25,000	25,000
- Cash flow boost	33,755	-
- Other income	3,727	-
	81,987	43,720

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 $	2019 $
At amortised cost:		
- Term deposits	12,204	18,158
	12,204	18,158

Note 11 Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	12,665	8,274
- Plant and equipment	2,007	2,459
	14,672	10,733
Depreciation of right-of-use assets		
- Leased land and buildings	93,447	-
	93,447	-
Amortisation of intangible assets:		
- Franchise fee	2,232	2,232
- Franchise renewal process fee	11,196	11,196
- Domiciled customer accounts	12,683	-
	26,111	13,428
Total depreciation and amortisation expense	134,230	24,161

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).

Note 11 Expenses *(continued)*

b) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Lease interest expense	21a)	11,095	-
- Unwinding of make-good provision		68	-
		11,163	-

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

c) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	367,434	337,060
Contributions to defined contribution plans	32,160	31,848
Expenses related to long service leave	11,163	3,300
Other expenses	19,791	18,522
	430,548	390,730

d) 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	14,673	-
	14,673	-

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.

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	44,934	35,389
- Movement in deferred tax	(6,859)	762
- Reduction in company tax rate	206	-
	38,281	36,151

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 $206 related to the remeasurement of deferred tax assets and liabilities of the company.

Note 12 Income tax expense *(continued)*

b) *Prima facie* income tax reconciliation	2020 $	2019 $
Operating profit before taxation	158,776	131,459
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	43,663	36,151
Tax effect of:		
- Other deductible expenses	3,694	-
- Temporary differences	6,860	(762)
- Other assessable income	(9,283)	-
- Movement in deferred tax	(6,859)	762
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	206	-
	38,281	36,151

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	312,302	306,827
- Term deposits	651,869	538,431
	964,171	845,258

Note 14 Investment property

The company sub-leases some of its property. The company initially measures the head lease in accordance with AASB 16 before separately identifying the sub lease portion under AASB 140 Investment Property. The investment property is initially measured at cost under AASB 16 and subsequently measured at cost less accumulated depreciation under AASB 140 and assessed for impairment under AASB 136 Impairment of Assets.

a) Carrying amounts	2020 $	2019 $
Investment properties - sub-lease		
At cost	129,477	-
Less: accumulated depreciation	(20,192)	-
Total written down amount	109,285	-

Note 14 Investment property *(continued)*

b) Reconciliation of carrying amounts	Note	2020 $	2019 $
Investment properties - sub-lease			
Initial recognition on transition - at cost	3d)	68,147	-
Remeasurement adjustments		61,330	-
Depreciation		(20,192)	-
Total written down amount		109,285	-

Note 15 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	52,878	58,607
Prepayments	3,984	3,635
Other receivables and accruals	1,177	5,855
	58,039	68,097

Note 16 Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Leasehold improvements		
At cost	144,378	144,378
Less: accumulated depreciation	(73,796)	(61,131)
	70,582	83,247
Plant and equipment		
At cost	41,250	39,625
Less: accumulated depreciation	(31,522)	(29,515)
	9,728	10,110
Total written down amount	80,310	93,357

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.

b) Reconciliation of carrying amounts	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	83,247	91,521
Depreciation	(12,665)	(8,274)
Carrying amount at end	70,582	83,247

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

b) Reconciliation of carrying amounts *(continued)*

	2020 $	2019 $
Plant and equipment		
Carrying amount at beginning	10,110	12,569
Additions	1,625	-
Depreciation	(2,007)	(2,459)
Carrying amount at end	9,728	10,110
Total written down amount	80,310	93,357

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

The company's review of estimates resulted in changes in the useful life. The Leasehold improvements useful life is now expected to be 6 years.

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

	Note	2020 $	2019 $
Leased land and buildings			
At cost		469,730	-
Less: accumulated depreciation		(73,255)	-
Total written down amount		396,475	-

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
Initial recognition on transition	3d)	233,870	-
Remeasurement adjustments		235,860	-
Depreciation		(73,255)	-
Total written down amount		396,475	-

Note 18 Intangible assets

a) Carrying amounts

	2020 $	2019 $
Franchise fee		
At cost	21,192	21,192
Less: accumulated amortisation	(18,064)	(15,832)
	3,128	5,360
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise renewal process fee		
At cost	55,961	55,961
Less: accumulated amortisation	(35,453)	(24,257)
	20,508	31,704
Cash-generating unit - domiciled accounts		
At cost	63,415	63,415
Less: accumulated amortisation	(12,683)	-
	50,732	63,415
Total written down amount	74,368	100,479

b) Reconciliation of carrying amounts

	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	5,360	7,592
Amortisation	(2,232)	(2,232)
Carrying amount at end	3,128	5,360
Franchise renewal process fee		
Carrying amount at beginning	31,704	42,900
Amortisation	(11,196)	(11,196)
Carrying amount at end	20,508	31,704
Cash-generating unit - domiciled accounts		
Carrying amount at beginning	63,415	63,415
Amortisation	(12,683)	-
Carrying amount at end	50,732	63,415
Total written down amount	74,368	100,479

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.

The company has re-assessed the useful life of its cash-generating unit for business domiciled from Bendigo Bank to the company based on new information from Bendigo Bank relating to the customer product life cycle.

The company has determined the intangible asset has a finite useful life from 1 July 2019 of 5 years.

Note 19 Tax assets and liabilities

a) Current tax

	2020 $	2019 $
Income tax payable/(refundable)	17,067	(6,440)

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 equity	30 June 2020
Deferred tax assets	$	$	$	$
- expense accruals	798	(18)	-	780
- employee provisions	4,015	321	-	4,336
- make-good provision	-	383	-	383
- lease liability	-	132,981	-	132,981
Total deferred tax assets	4,813	133,667	-	138,480
Deferred tax liabilities				
- income accruals	1,610	(1,304)	-	306
- property, plant and equipment	6,277	(3,180)	-	3,097
- right-of-use assets	-	131,498	-	131,498
Total deferred tax liabilities	7,887	127,014	-	134,901
Net deferred tax assets (liabilities)	(3,074)	6,653	-	3,579

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 equity	30 June 2019
Deferred tax assets	$	$	$	$
- expense accruals	770	28	-	798
- employee provisions	3,172	843	-	4,015
Total deferred tax assets	3,942	871	-	4,813
Deferred tax liabilities				
- income accruals	1,614	(4)	-	1,610
- property, plant and equipment	4,641	1,636	-	6,277
Total deferred tax liabilities	6,255	1,632	-	7,887
Net deferred tax assets (liabilities)	(2,313)	(761)	-	(3,074)

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	2019
	$	$
Other creditors and accruals	35,161	39,866
	35,161	39,866
b) Non-current liabilities		
Other creditors and accruals	-	14,975
	-	14,975

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 3.80%.

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

The company's lease portfolio includes:

- Barwon Heads Branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in September 2017. The lease was surrendered in June 2020 and renewed under new lease terms, commencing July 2020 for a seven year term. The lease has three further five year extension options 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 $
Initial recognition on AASB 16 transition	3d)	300,243	-
Remeasurement adjustments		297,561	-
Lease payments - interest		11,095	-
Lease payments		(97,434)	-
		511,465	-

b) Current lease liabilities

		2020 $	2019 $
Property lease liabilities		90,728	-
Unexpired interest		(26,907)	-
		63,821	-

Note 21 Lease liabilities *(continued)*

c) Non-current lease liabilities

	2020 $	2019 $
Property lease liabilities	510,000	-
Unexpired interest	(62,356)	-
	447,644	-

d) Maturity analysis

	2020 $	2019 $
- Not later than 12 months	90,728	-
- Between 12 months and 5 years	340,000	-
- Greater than 5 years	170,000	-
Total undiscounted lease payments	600,728	-
Unexpired interest	(89,263)	-
Present value of lease liabilities	511,465	-

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 $5,202.

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	97,434	(97,434)	-
- Depreciation and amortisation expense	-	93,447	93,447
- Finance costs	-	11,163	11,163
Increase in expenses - before tax	97,434	7,176	104,610
- Income tax expense / (credit) - current	(26,794)	26,794	-
- Income tax expense / (credit) - deferred	-	(28,768)	(28,768)
Increase in expenses - after tax	70,640	5,202	75,842

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	1,471	-
	1,471	-

b) 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 31 June 2027 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23 Employee benefits

a) Current liabilities

	2020 $	2019 $
Provision for annual leave	11,776	10,471
	11,776	10,471

b) Non-current liabilities

Provision for long service leave	4,899	4,130
	4,899	4,130

c) Key judgement and assumptions

Employee attrition rates

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

Note 24 Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	817,464	817,464	817,464	817,464
Less: equity raising costs	-	(27,973)	-	(27,973)
	817,464	789,491	817,464	789,491

Note 24 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 241. As at the date of this report, the company had 267 shareholders (2019: 266 shareholders).

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

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

Note 24 Issued capital

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

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

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

Note 25 Retained earnings

	Note	2020 $	2019 $
Balance at beginning of reporting period		251,624	213,538
Net profit after tax from ordinary activities		120,495	95,308
Dividends provided for or paid	30a)	(57,222)	(57,222)
Balance at end of reporting period		314,897	251,624

Note 26 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	120,495	95,308
Adjustments for:		
- Depreciation	14,672	10,733
- Amortisation	26,111	13,428
- AASB16 depreciation	93,447	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	10,059	(1,623)
- (Increase)/decrease in other assets	(3,578)	-
- Increase/(decrease) in trade and other payables	(6,066)	(9,057)
- Increase/(decrease) in employee benefits	2,141	3,067
- Increase/(decrease) in tax liabilities	20,432	(18,436)
Net cash flows provided by operating activities	277,713	93,420

Note 27 Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	15	54,055	64,462
Cash and cash equivalents	13	312,302	306,827
Term deposits	13	651,869	538,431
		1,018,226	909,720
Financial liabilities			
Lease liabilities	21	511,465	-
		511,465	-

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		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,780	1,830
- Share registry services	3,548	3,929
	6,928	6,359
Total auditor's remuneration	11,728	10,959

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Bruce Anthony Symons
David John Halliday
Peter Alexander MacMillan
Ross Kenneth Walter
Anita Joy Phillips
Damien Patrick O'Malley
Jason Anthony Hutton
Lindy Brooke Mills
Harriet Isabel Burton
Damien Jon Shaw

Note 29 Related parties *(continued)*

b) Key management personnel compensation

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

c) Related party transactions

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

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	7.00	57,222	7.00	57,222
Total dividends paid during the financial year	7.00	57,222	7.00	57,222

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

b) Franking account balance

	2020	2019
	$	$
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	140,845	107,962
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	41,810	55,115
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(20,383)	(527)
- Franking debits from the payment of franked distributions	(21,705)	(21,705)
Franking account balance at the end of the financial year	140,567	140,845
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	17,067	(6,440)
Franking credits available for future reporting periods	157,634	134,405

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 $	2019 $
Profit attributable to ordinary shareholders	120,495	95,308
	Number	Number
Weighted-average number of ordinary shares	817,464	817,464
	Cents	Cents
Basic and diluted earnings per share	14.74	11.66

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).

	2020	2019
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	95,343
- between 12 months and 5 years	-	214,521
Minimum lease payments payable	-	309,864

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 Barwon Heads Community Enterprise 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.

Bruce Anthony Symons, Chairman

Dated this 21st day of September 2020

Independent audit report

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 Barwon Heads Community Enterprise Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Barwon Heads Community Enterprise 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
Barwon Heads Community Enterprise 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.

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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: 21 September 2020

Joshua Griffin
Lead Auditor

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