Annual Report 2020

Bayswater Community Financial Services Limited

Community Bank Bayswater

ABN 60 092 770 593

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Chairman's report

For year ending 30 June 2020

2020 has seen some of the most difficult, unpredicted challenges our community has had to face given the outbreak of COVID-19. Economically, many have had to face the realities of accessing JobKeeper or JobSeeker payments, and social distancing with increased hand hygiene is considered the new normal. Our Community Bank Bayswater has also had to adjust quickly to these changing times.

Whilst the decision by the Board to merge our Noranda branch with our Bayswater branch was difficult, and made before the impact of the pandemic, it was taken in the best interests of our community and our shareholders. Many would appreciate that demand for 'across the counter' banking services has declined greatly over recent times. At the same time, phone and internet banking has grown and will continue to grow. These were some of the factors our Board had to consider in making this decision.

Another key factor in our decision was being able to ensure the well-being of our loyal staff. Pleasingly, I can report that there were no staff redundancies as a result of this decision and all staff members were redeployed to our Community Bank Bayswater.

Over the past 12 months, our staff have been brilliant. Even while being on the front line in the pandemic, keeping banking services open at Bayswater, our staff under the leadership of our Senior Branch Manager, Sean Kay, have handled any challenge put before them. For this application to difficult circumstances, I thank them sincerely.

The leadership shown by all Board members has also been exceptional. Dealing with meetings using the Zoom platform was a learning experience for all of us. With all that was happening the Board has been able to reposition our company for the future and still show a healthy profit return, a 5.70 cents per share fully franked dividend to our shareholders and significant financial contributions in the last financial year to our community.

We have contributed $50,000 to our Community Enterprise Foundation™ account along with further grants to local community groups of over $18,000 and we have also been able to provide further funds to community groups from funds we had placed previously into our Community Enterprise Foundation™ account of over $94,000.

I sincerely thank each Board member for their incredible contribution in making Bayswater Community Financial Services a great success during the financial year.

I would also like to congratulate the new Bayswater Growers' Market initiative in Bayswater, proudly sponsored by Bayswater Community Financial Services Limited, for the great success they have achieved since opening. We all wish them continued success in the years to come.

With all factors taken into consideration, our Board is moving our company to a position of wanting to meet the new needs of our customers and community. Bendigo Bank, our banking partner, is constantly reviewing the needs of our customers and have embarked on a major review of both branch and IT capabilities. This will ensure we are able to best meet the needs of all our customers and stakeholders. This ongoing project was anticipated to be completed and implemented in full by 2022 but, with the rapidly changing environment, has been accelerated and should see changes occurring far more quickly than had originally been envisioned.

With all of this in mind, Bayswater Community Financial Services Limited looks forward to continuing to provide substantial community benefits and outstanding customer service to our community and customers for many more years to come.

September 2020 will be our 20th anniversary of the opening of Community Bank Bayswater and as we approach $350 million on our bank book, and having provided over $2 million dollars back to our community, the figures show that we have been a success by any measure. Our goal is to continue this success.

Barry McKenna
Chairman

Senior Manager's report

For year ending 30 June 2020

Dear Shareholders,

After 18 years with our company it would be difficult to think of a year that has seen so many changes and challenges than this one.

It is hard to conceive that within a very short time frame we have dealt with the closure of one of our branches whilst working through the impacts of the COVID-19 pandemic. I am proud to say that as always, our staff have taken these challenges in their stride to ensure that we are positioned as well as we possibly can be to face the new emerging economy and world that we live in. I am also truly grateful that in virtually all instances, our customers have been able to adapt to these changes and hopefully have not experienced too much inconvenience or disruption as a result of them. As ever we are continuing to remain connected to our local community and businesses that operate within it and, in times such as these, it is terrific to see the co-operation that exists between people and the strength of relationships that are being forged whilst facing these current issues. I am sure that the 2019/20 financial year will be remembered by many businesses as a defining period for them, some in a more positive light than others.

For our own business, the support from many layers of government and others, as well as financial subsidies has certainly assisted or improved our profit performance. We have once again produced a very favourable shareholder and community outcome and 2020/21 should see further improvement. 2019/20 saw us produce some outstanding growth results which were achieved predominantly in the early part of the year but which saw us achieve significant growth overall. During the financial year our overall portfolio of business rose from $319.5 million to $335 million (+$15.5 million). Lending growth was approx $9 million. Deposit growth was $6.5 million.

As a bank, always remember that we have a very competitive product offering which is complemented by outstanding service, provided by experienced staff with many years of banking experience. Our commitment to assisting our community is still strong however, we are constantly reviewing our forms of assistance and this will be a significant focus for us during the next 12 months. We want to ensure that we are producing outcomes for the community that are genuinely needed or being requested, by as many members of our community as possible.

Please let people know about the great things we are doing not only as a bank but as a strong community supporter as well. Hopefully this will lead to even more people in our area seeing us as the first choice for their banking needs.

Thank you to our Board of Directors who consistently seek to improve our company and empower me to look at ways and means in which we can remain not only successful but relevant and targeted in our activities.

Many thanks

Sean Kay

Sean Kay
Senior Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2020

The directors present the 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:

Barry Anthony McKenna

Chairman

Occupation: Teacher

Qualifications, experience and expertise: Councillor for the City of Bayswater since 1991, Barry was the Mayor of the City from October 2015 - October 2017.

Current Committees: Executive Committee (Chair).

Interest in shares: 12,499 ordinary shares

Denise Gail Beer

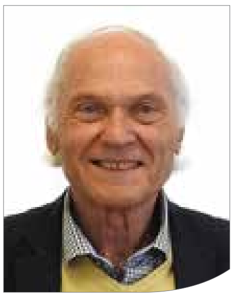
Deputy Chairperson

Occupation: Retired

Qualifications, experience and expertise: Resident of Morley since 1977. Bachelor of Business in Management and Accounting. Employed in the not for profit sector in a variety of roles from 1985 until 2013. Denise has experience in operational aspects of community sector business including human resources, marketing and promotion, budgeting and compliance and tender writing.

Current Committees: Executive Committee (Deputy Chair), 83 Whatley Crescent Project Working Party.

Interest in shares: 1,000 ordinary shares



Tadeusz Joseph Budzinski

Treasurer

Occupation: Retired

Qualifications, experience and expertise: Retired Director of Finance at the City of Bayswater, a role he held from 1989 to 2012. Ted extended this role to include Aged Care and Child Care facilities. Previous to his career at the City of Bayswater, Ted held various roles specialising in accountancy and financial management in the mining industry, wine industry and at Australia Post as well as being involved in numerous community groups including various chairing roles.

Current Committees: Executive Committee (Company Treasurer), 83 Whatley Crescent Bayswater Project Working Party.

Interest in shares: 5,001 ordinary shares

Directors (continued)

Michael Stephen Anderton J.P

Secretary

Occupation: Company Director

Qualifications, experience and expertise: Company Director of an insurance services company and past director of community groups and sporting organisations.

Current Committees: Executive Committee (Company Secretary), 83 Whatley Crescent Bayswater Project Working Party.

Interest in shares: 8,000 ordinary shares

Steven James Brown

Non-executive director

Occupation: Lawyer

Qualifications, experience and expertise: Steven is a lawyer and founder of the law firm Lynn and Brown Lawyers. He has worked as a lawyer at Lynn and Brown Lawyers since 1996. He has been a Director of Bayswater Community Financial Services Limited since 2005. He is the current Chairperson of the Sacred Heart Primary School board and former president and life member of the Morley Business Association.

Current Committees: Stakeholder Engagement Group.

Interest in shares: 3,001 ordinary shares

Gregory Da Rui

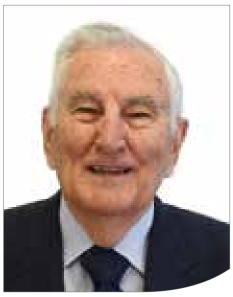
Non-executive director

Occupation: Pharmacist

Qualifications, experience and expertise: Chairperson of Bayswater Village Retailers Association and Branch Committee member of the Pharmacy Guild of Australia WA branch.

Current Committees: Stakeholder Engagement Group, 83 Whatley Crescent Bayswater Project Working Party.

Interest in shares: 4,508 ordinary shares



Ronald Edwin Gascoigne

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Formerly a manager of ANZ Bank. Previously a resident of the City of Bayswater for 44 years. Committee member of the Bayswater Amateur Swimming and Life Saving Club from 1961 to 1997. Retired as a Life Member after serving as President for 14 years. Ron served 35 years with the Australian Army Reserve and retired with the rank of Major. Secretary/Treasurer of a not for profit charitable organisation since 2004.

Current Committees: Nil.

Interest in shares: 20,001 ordinary shares

Directors (continued)

Alan James Radford

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Retired from Telstra as a Principal Technical Officer after 33 years. Have been running a small computer software and consulting business since 1995 until 2016 and served 5 terms as a Councillor for the City of Bayswater, completed last term in October 2017. Alan is a Community Board member on Noranda Primary School and Hampton Park Primary School, both are independent public schools. At present Alan is President of the Noranda Probus Club and a member of the Noranda Sports Club.

Current Committees: 83 Whatley Crescent Bayswater Project Working Party (Lead).

Interest in shares: 3,000 ordinary shares

Louise Anne Rowe

Non-executive director

Occupation: Media and Communications Manager

Qualifications, experience and expertise: I am a media and communications expert with over 20 years' experience as a broadcast journalist and WA State Government media directorships with the Department of Corrective Services and Tourism WA. Currently I am the state media and communications manager for Australian Red Cross Lifeblood and also run Louise Rowe Communications, a communications consultancy with clients from a diverse range of sectors including finance, aged care, state government and tourism.

Current Committees: Stakeholder Engagement Group (Lead).

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 Michael Anderton. Michael was appointed to the position of secretary on 1 July 2007.

Qualifications, experience and expertise: Company Director of an insurance services company and past director of community groups and sporting organisations.

Principal activity

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

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

Operating results

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

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	170,381	133,177

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Barry Anthony McKenna	9,999	2,500	12,499
Denise Gail Beer	1,000	-	1,000
Tadeusz Joseph Budzinski	1	5,000	5,001
Michael Stephen Anderton J.P	5,500	2,500	8,000
Steven James Brown	1	3,000	3,001
Gregory Da Rui	2,008	2,500	4,508
Ronald Edwin Gascoigne	2,809	17,192	20,001
Alan James Radford	1,100	1,900	3,000
Louise Anne Rowe	-	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	6.85	78,430
Total amount	6.85	78,430

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

During the financial year, the Board also made the decision to close the Noranda branch effective from 15 May 2020. The Board made the decision to merge and consolidate operations under Bayswater Community Financial Services Ltd.

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							
			Executive		Community		83 Whatley Crescent Bayswater Project		Stakeholder Engagement	
	E	A	E	A	E	A	E	A	E	A
Barry Anthony McKenna	10	10	10	10	-	-	-	-	-	-
Denise Gail Beer	9	9	10	8	-	-	3	1	-	-
Tadeusz Joseph Budzinski	10	8	10	10	-	-	3	3	-	-
Michael Stephen Anderton J.P	10	10	10	10	-	-	3	3	-	-
Steven James Brown	10	10	-	-	1	1	-	-	2	2
Gregory Da Rui	10	9	-	-	1	-	-	-	2	1
Ronald Edwin Gascoigne	9	9	-	-	-	-	-	-	-	-
Alan James Radford	10	8	-	-	-	-	3	3	-	-
Louise Anne Rowe	9	8	-	-	1	1	-	-	2	2

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 Bayswater, Western Australia.

Barry McKenna.

Barry Anthony McKenna,
Chairman

Dated this 7th day of September 2020

Auditor's independence declaration

Partners in success

Chartered Accountants

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

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

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

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

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

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services
Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

Financial statements

Bayswater Community Financial Services Limited
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	2,143,163	2,130,811
Other revenue	9	153,420	78,602
Finance income	10	1,331	18,315
Employee benefit expenses	11c)	(1,320,718)	(1,340,162)
Charitable donations, sponsorship, advertising and promotion	11b)	(89,046)	(63,587)
Occupancy and associated costs		(99,793)	(193,401)
Systems costs		(44,786)	(46,730)
Depreciation and amortisation expense	11a)	(138,834)	(113,649)
Finance costs	11b)	(20,169)	(26,463)
General administration expenses		(270,441)	(263,533)
Other expenses	11e)	(100,623)	-
Profit before income tax expense		**213,504**	**180,203**
Income tax expense	12a)	(43,123)	(47,026)
Profit after income tax expense		**170,381**	**133,177**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**170,381**	**133,177**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	31a)	14.88	11.63

The accompanying notes form part of these financial statements

Bayswater Community Financial Services Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	338,628	980,546
Trade and other receivables	15a)	299,205	214,534
Other investments	14a)	210,300	231,600
Total current assets		848,133	1,426,680
Non-current assets			
Property, plant and equipment	16a)	1,282,530	1,337,067
Right-of-use assets	17a)	158,103	-
Intangible assets	18a)	73,730	90,727
Deferred tax asset	19b)	105,953	47,636
Total non-current assets		1,620,316	1,475,430
Total assets		2,468,449	2,902,110
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	196,650	175,718
Current tax liabilities	19a)	14,252	35,205
Loans and borrowings	21a)	101	59,280
Lease liabilities	22b)	121,600	-
Employee benefits	23a)	201,114	203,147
Total current liabilities		533,717	473,350
Non-current liabilities			
Loans and borrowings	21b)	-	633,320
Lease liabilities	22c)	173,399	-
Employee benefits	23b)	13,657	4,678
Total non-current liabilities		187,056	637,998
Total liabilities		720,773	1,111,348
Net assets		1,747,676	1,790,762
EQUITY			
Issued capital	24a)	1,103,852	1,103,852
Retained earnings	25	643,824	686,910
Total equity		1,747,676	1,790,762

The accompanying notes form part of these financial statements

Bayswater Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2018		1,103,852	633,880	1,737,732
Total comprehensive income for the year		-	133,177	133,177
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(80,147)	(80,147)
Balance at 30 June 2019		**1,103,852**	**686,910**	**1,790,762**
Balance at 1 July 2019		1,103,852	686,910	1,790,762
Effect of AASB 16: Leases	3d)	-	(135,037)	(135,037)
Restated balance at 1 July 2019		1,103,852	551,873	1,655,725
Total comprehensive income for the year		-	170,381	170,381
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(78,430)	(78,430)
Balance at 30 June 2020		**1,103,852**	**643,824**	**1,747,676**

The accompanying notes form part of these financial statements

Bayswater Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		2,407,499	2,396,294
Payments to suppliers and employees		(2,062,025)	(2,095,592)
Interest received		1,266	22,210
Interest paid		(1,769)	(26,463)
Lease payments (interest component)	11b)	(18,401)	-
Lease payments not included in the measurement of lease liabilities	11d)	(10,498)	-
Dividends received		13,200	14,000
Income taxes paid		(71,172)	(34,618)
Net cash provided by operating activities	26	**258,100**	**275,831**
Cash flows from investing activities			
Payments for property, plant and equipment		(7,700)	(1,157,872)
Proceeds from sale of assets		5,917	-
Payments for intangible assets		(11,830)	-
Net cash used in investing activities		**(13,613)**	**(1,157,872)**
Cash flows from financing activities			
Proceeds from loans and borrowings		-	742,000
Repayment of loans and borrowings		(692,499)	(49,400)
Lease payments (principal component)	22a)	(115,476)	-
Dividends paid	30	(78,430)	(80,147)
Net cash provided by/(used in) financing activities		**(886,405)**	**612,453**
Net cash decrease in cash held		**(641,918)**	**(269,588)**
Cash and cash equivalents at the beginning of the financial year		980,546	1,250,134
Cash and cash equivalents at the end of the financial year	13a)	**338,628**	**980,546**

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

Registered Office	Principal Place of Business
14 King William Street Bayswater WA 6053	14 King William Street Bayswater WA 6053

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 29.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

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

Note 3 Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease.* The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 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, office equipment, and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

- 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 is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

d) Impact on financial statements

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

Impact on equity presented as decrease	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	17b)	234,669
Deferred tax asset	19b)	51,221
Liability		
Lease liabilities	22a)	(420,927)
Equity		
Retained earnings		(135,037)

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.06%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	271,270
Add: additional options now expected to be exercised	189,745
Add: variable market review / index based increase	7,850
Less: other adjustments to present value	(47,938)
Lease liability as at 1 July 2019	420,927

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
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Sale of assets	Revenue from the sale of assets is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
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.

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

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.

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

Current income tax

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

Deferred tax

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

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

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

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

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

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

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.

Depreciation

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

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 15 years
Plant and equipment	Straight-line and diminishing value	2.5 to 40 years
Motor vehicles	Diminishing value	3 to 5 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term
Franchise renewal process fee (Noranda)	Straight-line	Over the franchise term
Franchise renewal process fee (Bayswater)	Straight-line	Over the franchise term

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

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

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, borrowings, leases, equity securities (shares, managed funds, ETFs).

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.

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

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

Financial assets - business model assessment

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

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

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

i) Financial instruments *(continued)*

Classification and subsequent measurement (continued)

Financial assets - subsequent measurement and gains and losses

- Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

ECL's are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

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

This approach is applicable to:

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

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

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

Non-financial assets

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

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

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.

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

l) Leases

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

Policy applicable from 1 July 2019

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

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

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.

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

l) 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

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

Policy applicable before 1 July 2019

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

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

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.

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

m) Fair value measurement

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

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

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

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

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

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

n) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

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

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 22 - 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 8 - revenue recognition	estimate of expected returns;
- Note 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;

c) Measurement of fair values

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

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

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

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

c) Measurement of fair values *(continued)*

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

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

- Note 27 - financial instruments;
- Note 14 - other investments.

Note 6 Financial risk management

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

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

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

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

a) Credit risk

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

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

b) Liquidity risk

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

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

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
Bank loans	101	101	-	-
Lease liabilities	294,999	133,877	183,772	6,325
Trade payables	38,451	38,451	-	-
	333,551	172,429	183,772	6,325

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

30 June 2019

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	692,600	59,280	633,320	-
Trade payables	4,069	4,069	-	-
	696,669	63,349	633,320	-

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $338,628 at 30 June 2020 (2019: $980,546). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

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	2,143,163	2,130,811
	2,143,163	2,130,811

Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	1,932,585	1,905,927
- Fee income	127,346	134,446
- Commission income	83,232	90,438
	2,143,163	2,130,811

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 dividends and distributions of financial instrument, discretionary contributions received from the franchisor and cash flow boost from the Australian Government.

Other revenue	2020 $	2019 $
Revenue:		
- Rental income	11,975	14,502
- Dividend and distribution income	13,200	14,000
- Market development fund income	30,833	35,000
- Cash flow boost	62,500	-
- Sale of assets	5,917	-
- At FVTPL - equity instruments	-	14,800
- Other income	2,008	300
- COVID 19 grant and rent relief	26,987	-
	153,420	78,602

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	1,331	18,315
	1,331	18,315

Note 11 Expenses

a) Depreciation and amortisation expense

	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	2,643	21,945
- Plant and equipment	32,139	54,978
- Motor vehicles	12,710	9,427
	47,492	86,350
Depreciation of right-of-use assets		
- Leased land and buildings	66,116	-
	66,116	-
Amortisation of intangible assets:		
- Franchise fee	13,556	13,556
- Franchise renewal process fee (Noranda)	11,670	13,743
	25,226	27,299
Total depreciation and amortisation expense	138,834	113,649

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

b) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Bank loan interest paid or accrued		1,768	26,463
- Lease interest expense	22a)	18,401	-
		20,169	26,463

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

c) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	1,077,848	1,115,963
Non-cash benefits	17,044	9,596
Contributions to defined contribution plans	107,910	108,648
Expenses related to long service leave	14,622	(7,169)
Other expenses	103,294	113,124
	1,320,718	1,340,162

Note 11 Expenses *(continued)*

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	10,498	-
	10,498	-

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.

e) Other expenses

	2020 $	2019 $
- At FVTPL - equity instruments	100,623	-

This expense reflects the decrease in market value in the financial year for listed shares held.

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/(credit)		
- Current tax	55,876	53,481
- Net benefit of franking credits on dividends received	(5,657)	(6,000)
- Movement in deferred tax	(64,430)	(455)
- Adjustment to deferred tax on AASB 16 retrospective application	51,221	-
- Reduction in company tax rate	6,113	-
	43,123	47,026

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 $6,113 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	213,504	180,203
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	58,714	49,556
Tax effect of:		
- Non-deductible expenses	199	3,470
- Temporary differences	13,210	455
- Other assessable income	(16,247)	-
- Movement in deferred tax	(64,430)	(455)
- Net benefit of franking credits on distributions received	(5,657)	(6,000)
- Leases initial recognition	51,221	-
- Reduction in company tax rate	6,113	-
	43,123	47,026

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	188,628	230,546
- Term deposits	150,000	750,000
	338,628	980,546

Note 14 Other investments

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

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

a) Current investments	2020 $	2019 $
Equity securities - at FVTPL	210,300	231,600
	210,300	231,600

Note 15 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	252,647	177,681
Prepayments	28,993	30,041
Other receivables and accruals	17,565	6,812
	299,205	214,534

Note 16 Property, plant and equipment

a) Carrying amounts

	2020 $	2019 $
Land		
At cost	963,634	963,634
	963,634	963,634
Leasehold improvements		
At cost	567,442	795,521
Less: accumulated depreciation	(327,702)	(523,014)
	239,740	272,507
Plant and equipment		
At cost	224,624	195,807
Less: accumulated depreciation	(183,593)	(145,715)
	41,031	50,092
Motor vehicles		
At cost	72,498	70,430
Less: accumulated depreciation	(34,373)	(19,596)
	38,125	50,834
Total written down amount	1,282,530	1,337,067

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 $
Land		
Carrying amount at beginning	963,634	-
Additions	-	963,634
Carrying amount at end	963,634	963,634
Leasehold improvements		
Carrying amount at beginning	272,506	211,548
Additions	-	82,903
Disposals	(28,292)	-
Depreciation	(2,643)	(21,945)
Transferred out - at cost	(27,034)	-
Transferred out - at accumulated depreciation	25,203	-
Carrying amount at end	239,740	272,506

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

b) Reconciliation of carrying amounts *(continued)*

	2020 $	2019 $
Plant and equipment		
Carrying amount at beginning	50,092	24,559
Additions	1,783	80,511
Depreciation	(12,675)	(54,978)
Transferred in - at cost	27,034	-
Transferred in - at accumulated depreciation	(25,203)	-
Carrying amount at end	41,031	50,092
Motor vehicles		
Carrying amount at beginning	50,835	29,438
Additions	-	30,824
Depreciation	(12,710)	(9,427)
Carrying amount at end	38,125	50,835
Total written down amount	1,282,530	1,337,067

c) Changes in estimates

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

There were no changes in estimates for the current reporting period.

Note 17 Right-of-use assets

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

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

a) Carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
At cost		1,310,000	-
Less: accumulated depreciation		(1,151,897)	-
Total written down amount		158,103	-

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
Initial recognition on transition	3d)	1,320,450	-
Accumulated depreciation on adoption	3d)	(1,085,781)	-
Remeasurement adjustments		(10,450)	-
Depreciation		(66,116)	-
Total written down amount		158,103	-

Note 18 Intangible assets

a) Carrying amounts

	2020 $	2019 $
Franchise fee		
At cost	178,682	227,268
Less: accumulated amortisation	(159,457)	(227,268)
	19,225	-
Renewal processing fee (Bayswater)		
At cost	54,505	67,781
Less: accumulated amortisation	-	(45,901)
	54,505	21,880
Renewal processing fee (Noranda)		
At cost	-	134,053
Less: accumulated amortisation and impairment	-	(65,206)
	-	68,847
Total written down amount	73,730	90,727

b) Reconciliation of carrying amounts

	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	21,880	35,436
Additions	10,901	-
Amortisation	(13,556)	(13,556)
Carrying amount at end	19,225	21,880
Renewal processing fee (Bayswater)		
Additions	54,505	-
Carrying amount at end	54,505	-
Renewal processing fee (Noranda)		
Carrying amount at beginning	68,847	68,847
Disposals	(57,177)	-
Amortisation	(11,670)	-
Carrying amount at end	-	68,847
Total written down amount	73,730	90,727

Note 18 Intangible assets *(continued)*

c) Changes in estimates

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

There were no changes in estimates for the current reporting period.

Note 19 Tax assets and liabilities

a) Current tax

	2020 $	2019 $
Income tax payable	14,252	35,205

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	954	(174)	-	780
- employee provisions	57,152	(1,312)	-	55,840
- lease liability	-	(39,055)	115,755	76,700
- fair value of investments	-	25,845	-	25,845
Total deferred tax assets	58,106	(14,696)	115,755	159,165
Deferred tax liabilities				
- income accruals	1,874	2,693	-	4,567
- deductible prepayments	8,261	(723)	-	7,538
- fair value of investments	335	(335)	-	-
- right-of-use assets	-	(23,427)	64,534	41,107
Total deferred tax liabilities	10,470	(21,792)	64,534	53,212
Net deferred tax assets (liabilities)	47,636	7,096	51,221	105,953

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	184	-	954
- employee provisions	52,805	4,347	-	57,152
- fair value of investments	3,734	(3,734)	-	-
Total deferred tax assets	57,309	797	-	58,106
Deferred tax liabilities				
- income accruals	2,944	(1,070)	-	1,874
- deductible prepayments	7,184	1,077	-	8,261
- fair value of investments	-	335	-	335
Total deferred tax liabilities	10,128	342	-	10,470
Net deferred tax assets (liabilities)	47,181	455	-	47,636

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 $
Trade creditors	38,451	4,069
Other creditors and accruals	158,199	171,649
	196,650	175,718

Note 21 Loans and borrowings

a) Current liabilities

	2020 $	2019 $
Secured bank loans	101	59,280
	101	59,280

b) Non-current liabilities

	2020 $	2019 $
Secured bank loans	-	633,320
	-	633,320

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020 Face value	30 June 2020 Carrying value	30 June 2019 Face value	30 June 2019 Carrying value
Secured bank loans	3.49%	Floating	101	101	692,600	692,600

Note 22 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.06%.

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:

- Bayswater Branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in September 2010. An extension option term of five years was exercised in September 2015. The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term.
- Noranda Branch — The lease agreement is a non-cancellable lease with an initial term of two years which commenced in October 2019. During the period the company closed its Noranda branch, however continues to pay rent until a new tenant is found or the lease agreement can be terminated. As such leases have been recognised under the current lease agreement terms. As future events become known lease calculations will be adjusted accordingly.

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.

Note 22 Lease liabilities (continued)

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)	420,927	-
Remeasurement adjustments		(10,452)	-
Lease payments - interest		18,401	-
Lease payments		(133,877)	-
		294,999	-

b) Current lease liabilities

Property lease liabilities		133,877	-
Unexpired interest		(12,277)	-
		121,600	-

c) Non-current lease liabilities

Property lease liabilities		190,097	-
Unexpired interest		(16,698)	-
		173,399	-

d) Maturity analysis

- Not later than 12 months		133,877	-
- Between 12 months and 5 years		183,772	-
- Greater than 5 years		6,325	-
Total undiscounted lease payments		323,974	-
Unexpired interest		(28,975)	-
Present value of lease liabilities		294,999	-

Note 22 Lease liabilities *(continued)*

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 increase in profit after tax of $35,786.

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	133,877	(133,877)	-
- Depreciation and amortisation expense	-	66,116	66,116
- Finance costs	-	18,401	18,401
Decrease in expenses - before tax	133,877	(49,360)	84,517
- Income tax expense / (credit) - current	(36,816)	36,816	-
- Income tax expense / (credit) - deferred	-	(23,242)	(23,242)
Decrease in expenses - after tax	97,061	(35,786)	61,275

Note 23 Employee benefits

a) Current liabilities

	2020 $	2019 $
Provision for annual leave	101,374	109,050
Provision for long service leave	99,740	94,097
	201,114	203,147

b) Non-current liabilities

	2020 $	2019 $
Provision for long service leave	13,657	4,678
	13,657	4,678

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.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Note 24 Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	1,144,952	1,144,952	1,144,952	1,144,952
Less: equity raising costs	-	(6,100)	-	(6,100)
Less: return of capital	-	(35,000)	-	(35,000)
	1,144,952	1,103,852	1,144,952	1,103,852

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").

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 *(continued)*

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

Prohibited shareholding interest (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		686,910	633,880
Adjustment for transition to AASB 16	3d)	(135,037)	-
Net profit after tax from ordinary activities		170,381	133,177
Dividends provided for or paid	30a)	(78,430)	(80,147)
Balance at end of reporting period		643,824	686,910

Note 26 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	170,381	133,177
Adjustments for:		
- Depreciation	113,608	86,350
- Amortisation	25,226	27,299
- (profit)/loss on disposal of assets	8,828	-
- (Increase)/decrease in fair value of equity instruments designated at FVTPL	21,300	(14,800)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(84,670)	(3,104)
- (Increase)/decrease in other assets	(7,097)	(455)
- Increase/(decrease) in trade and other payables	24,531	18,692
- Increase/(decrease) in employee benefits	6,946	15,809
- Increase/(decrease) in tax liabilities	(20,953)	12,863
Net cash flows provided by operating activities	258,100	275,831

Note 27 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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

		Carrying amount			Fair value		
	Note	FVTPL	At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:							
Equity securities	14	210,300	-	210,300	210,314	-	210,314
		210,300	-	210,300	210,314	-	210,314
Financial assets not measured at fair value:							
Trade and other receivables	15	-	252,647	252,647	-	-	-
Cash and cash	13	-	188,628	188,628	-	-	-
Term deposits	14	-	150,000	150,000	-	-	-
		-	591,275	591,275	-	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	20	-	38,451	38,451	-	-	-
Secured bank loans	21	-	101	101	-	-	-
		-	38,552	38,552	-	-	-

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

		Carrying amount			Fair value		
	Note	FVTPL	At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:							
Equity securities	14	231,600	-	231,600	231,614	-	231,614
		231,600	-	231,600	231,614	-	231,614
Financial assets not measured at fair value:							
Trade and other receivables	15	-	177,681	177,681	-	-	-
Cash and cash	13	-	230,546	230,546	-	-	-
Term deposits	14	-	750,000	750,000	-	-	-
		-	1,158,227	1,158,227	-	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	20	-	4,069	4,069	-	-	-
Secured bank loans	21	-	692,600	692,600	-	-	-
		-	696,669	696,669	-	-	-

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

Valuation techniques and significant unobservable inputs

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

Transfers between Levels 1 and 2

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

Note 28 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	4,600
Non audit services		
- Taxation advice and tax compliance services	600	-
- General advisory services	3,849	1,830
- Share registry services	3,958	-
	8,407	1,830
Total auditor's remuneration	13,207	6,430

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Barry Anthony McKenna
Denise Gail Beer
Tadeusz Joseph Budzinski
Michael Stephen Anderton J.P
Steven James Brown
Gregory Da Rui
Ronald Edwin Gascoigne
Alan James Radford
Louise Anne Rowe

Note 29 Related parties *(continued)*

b) Key management personnel compensation

Key management personnel compensation comprised the following.	2020 $	2019 $
Short-term employee benefits	86,325	75,700
Post-employment benefits	6,740	3,641
	93,065	79,341

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

Remuneration Policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

Note 29 Related parties *(continued)*

b) Key management personnel compensation *(continued)*

Performance-based remuneration (continued)

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on KPIs. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

Year	Revenue	Net Profit
2011	2,153,329	273,715
2012	2,223,076	244,427
2013	2,164,223	163,653
2014	2,037,216	106,036
2015	2,020,216	3,163
2016	2,019,635	72,754
2017	2,120,420	65,432
2018	2,193,804	76,699
2019	2,227,728	133,177
2020	2,297,914	170,381

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation period. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Note 29 Related parties *(continued)*

c) Related party transactions

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

Transactions with related parties	2020 $	2019 $
- Louise Anne Rowe and her company, Louise Rowe Communications, undertakes PR and communications services for the company. The total benefit received was:	13,320	18,096
- Greg Da Rui supplied Flu vaccinations and supplies for COVID protection. The total benefit received was:	395	-
- Steven Brown supplied legal service (Lyn & Brown Lawyers). The total benefit received was:	2,000	-
Total transactions with related parties	15,715	18,096

Community bank Directors' Privileges Package

The board has adopted the Community bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community bank. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders. The total benefits received by the directors from the Directors' Privilege Package are $570 for the year ended 30 June 2020 (2019: $215).

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 cash flows and statement of changes of equity.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	6.85	78,430	7.00	80,147
Total dividends paid during the financial year	6.85	78,430	7.00	80,147

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

b) Dividends proposed not recognised at balance date

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	5.70	65,262	6.85	78,430
Total dividends declared subsequent to financial year end	5.70	65,262	6.85	78,430

The tax rate at which future dividends will be franked is 26% (2020: 27.5%).

Note 30 Dividends provided for or paid *(continued)*

c) Franking account balance	2020 $	2019 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	430,536	426,319
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	44,616	16,693
- Franking credits from the payment of income tax following lodgement of annual income tax	32,556	17,924
- Franking credits from franked dividends received	5,657	
- Franking debits from the payment of franked distributions	(29,749)	(30,400)
Franking account balance at the end of the financial year	483,616	430,536
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	14,252	35,205
Franking credits available for future reporting periods	497,868	465,741

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	170,381	133,177
	Number	Number
Weighted-average number of ordinary shares	1,144,952	1,144,952
	Cents	Cents
Basic and diluted earnings per share	14.88	11.63

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 22).

Operating lease commitments - lessee	2020	2019
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	133,878
- between 12 months and 5 years	-	137,392
Minimum lease payments payable	-	271,270

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 Bayswater Community Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001* , including:

  (i) giving a true and fair view of the company's financial position as at 30 June 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.

Barry Anthony McKenna, Chairman

Dated this 7th day of September 2020

Independent audit report

Partners in success

Chartered Accountants

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Independent auditor's report to the members of Bayswater Community Financial Services Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Bayswater Community Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 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
Bayswater Community Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion
We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

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

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

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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: 7 September 2020

Joshua Griffin
Lead Auditor

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Bendigo Bank