

Annual Report 2020

Beaufort Community
Financial Services Limited

Community Bank
Beaufort

ABN 53 097 961 058

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Chairman's report

For year ending 30 June 2020

I first must start off by thanking Tim Chandler for his work and dedication as Chairman over the past number of years. His leadership and knowledge has been of great benefit, not only to our Community Bank, but the Directors as well. This continues on today as a Director.

We have ended the current year with a pandemic called COVID-19. This has placed us all in a different world, internationally as well as locally. We saw the Community Bank reduce hours to fall in line with directives and to reduce social contact. We would like to thank all our customers for accepting social distancing, hand sanitising, etc., so willingly and kindly. A big thank you to our staff who worked towards keeping our customers safe and out of harm's way whilst ensuring their own health and wellbeing.

We again this year opened up our Community Investment Program, but not the usual information evening. This was the first ever online presentation by the Community Enterprise Foundation™ to launch a Community Bank's Community Investment Program. The Community Enterprise Foundation™ are our partners in helping us run the Community Investment Program and a big thank you must go out to them in helping us launch our very successful Community Investment Program.

This year, we combined with three other Community Banks (Creswick, Buninyong and Ballan) and other charitable trusts to make a sizable donation to the Fiona Elsey Cancer Research Institute, thus, creating the 'Bendigo Bank Tissue Bank', where tissue samples are stored as live cells in liquid nitrogen at -200°C and used for research.

At the time of writing this report, we are still in uncertain times. I ask that everybody work with us in ensuring not only their own health and safety but everyone's wellbeing as we journey through these uncertain times. Please keep Community Bank Beaufort in the forefront of your banking requirements to ensure that we together keep a bank local as well as ensuring that we can keep up the tradition of investing profits back into the community, in which we live and love.

The Board is pleased to announce a fully franked dividend of 6.5c per share in line with 2017, 2018 and 2019.

This dividend will be paid to shareholders in December 2020. This brings the total dividends paid per share to \$0.87 since dividends were first paid in 2006.

I must close by thanking our volunteer Directors, Junior Directors – Naomi Gerrard and Jeff Debast, past Secretary, Jenny Coburn, current Secretary, Lynne Dickman and our staff for their work and commitment over the past twelve months to ensure the smooth running of our own local bank.



Alan McCartney
Chairman

Manager's report

For year ending 30 June 2020

The year ending June 2020 has been a year of review and restructure for our business and banking in general. During this time significant contributions to our communities have continued providing positivity in unusual times.

I would like to extend my appreciation to all staff, volunteers and Board members for their contributions to this achievement. An active partnership between staff and our Community investment & Marketing Committee members has contributed to the result.

Our customer and their success motivates us each day. Providing face-to-face banking within our community is our priority. Exciting adaptation to products and services is allowing us to assist customers move to a digital world enabling all the benefits that can be achieved for their business and personal finances through this channel. A review of our service delivery has enabled us to restructure our staffing to provide customers with access to qualified, skilful banking advice at a time that is convenient to them through their channel of choice.

Partnering with the fifth largest retail bank and only financial institution in top 10 most trusted brands in Australia provides comfort and a level of trust our customers and communities can be proud of. Our business is in its 19th year and has amazing customers who proudly support our Community Bank.

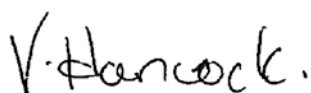
The current economic environment makes it difficult to confidently predict what the future achievements will look like. I am confident that growing our customer base and supporting our customers success will see growth for our business which then directly benefits us all within the communities we live in. For all our customers who know what a difference their banking makes please tell our story.

The face of banking services has changed but our purpose and vision has not. Now more than ever we are being reminded how important our immediate community and the people who live in it are. Having access to knowledgeable business, rural, and consumer banking specialists within our own town is a service we should treasure. For those existing customers who have made the change be proud of the difference your banking is making. Please consider making an individual commitment to having Community Bank Beaufort as your main bank. You not only have access to award winning products, local caring service but you are contributing to your local community needs.

It is important to acknowledge our business partners from Rural Bank, Business and Commercial, Regional support services from Bendigo and Adelaide Bank Limited including Leanne, Graham and Dan. These people all assist to maintain the professionalism of the service we are aiming to deliver.

Our Community Bank Board has created a clear vision for the future of banking services within our communities. Our branch staff are committed to delivering through our customers success.

Join with your local Community Bank and celebrate together.



Vicki Hancock
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

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:

Alan Thomas McCartney

Non-executive chairman

Occupation: Farmer

Qualifications, experience and expertise: Bookkeeping, Certificate in Farming (Apprenticeship), Wool-classing Certificate, Dowling Forest Cemetery Chairman, Burrumbeet Soldiers Memorial Hall Committee (Secretary) and numerous other positions held on various committees.

Special responsibilities: Current Chairman and Chair of Community Investment & Youth Committee

Interest in shares: 8,600 ordinary shares

Timothy George Chandler

Non-executive director

Occupation: Small Business Owner

Qualifications, experience and expertise: Qualified Chartered Accountant. Holds Bachelor of Commerce.

Special responsibilities: Member of Risk, Governance & Audit Committee (July to November) Finance, Strategy & HR Committee (April to June)

Interest in shares: 3,000 ordinary shares

Robert John Byrne

Non-executive director

Occupation: Senior Victorian Public Servant – Department of Economic Development, Jobs, Transport & Resources

Qualifications, experience and expertise: B.Sc (Hons) Melb. M.Comm (Hons) Melbourne. Graduated 1999.

Special responsibilities: Chair of Finance, Strategy & HR Committee

Interest in shares: 750 ordinary shares

Simone Victoria Annette Hutchings

Non-executive director

Occupation: Civil Engineer

Qualifications, experience and expertise: Bachelor of Engineering (Civil), Project management, infrastructure design, community consultation and engagement.

Special responsibilities: Chair of Risk, Governance & Audit Committee

Interest in shares: nil share interest held

Pamela Margaret Sandlant

Non-executive director

Occupation: Retired School Principal, Farmer/Director, Business Manager

Qualifications, experience and expertise: Diploma of Teaching (Primary), Bachelor of Education, Educational leadership, school management, Director of Corangamite Financial Services (Bendigo Bank), Community House Committee, Community Consultation Network- Anglesea.

Special responsibilities: Member of Finance, Strategy & HR Committee

Interest in shares: nil share interest held

Directors' report (continued)

Directors (continued)

Catherine Jane Goninon

Non-executive director (appointed 7 August 2019)

Occupation: Farmer

Qualifications, experience and expertise: Diploma of wine Marketing – University of Adelaide, Diploma of Business – School of Volunteer Management NSW, worked in not for profit aged care and welfare organisations where she developed and implemented volunteer programs, Member of the Warrak Recreation Reserve Committee and Member of the Greater Ararat Business Network Committee.

Special responsibilities: Member of Risk, Audit and Governance Committee

Interest in shares: nil share interest held

Gary Ian Knight

Non-executive director (appointed 5 February 2020)

Occupation: Farmer, Wool Classer

Qualifications, experience and expertise: Bachelor of Education, Certificate IV in Wool Classing, Lieutenant-Treasurer of the Skipton CFA, Member of the Skipton Cemetery Trust, Treasurer of the Skipton Angling Club.

Special responsibilities: Member of Community Investment & Youth Committee

Interest in shares: nil share interest held

Judith Marilyn Maddigan

Non-executive director (resigned 22 November 2019)

Occupation: Community Affairs

Qualifications, experience and expertise: Bachelor of Commerce, Graduate Diploma (Librarianship), Masters of Librarianship & Information Services (Conservation and Archives), Former Member of Victorian Parliament (14.5 years), extensive experience on Boards – both as a member and Chair, Former Speaker of the House of representatives. Expertise in Governance and Community consultation.

Special responsibilities: Member of Community Investment & Youth Committee

Interest in shares: nil share interest held

Timothy Glenton

Non-executive director (resigned 7 August 2019)

Occupation: Chartered Accountant, Pitcher Partners

Qualifications, experience and expertise: of Business/Commerce, Graduate Diploma Chartered Accounting, Master of Tax Law, Chartered Accountant, Chartered Tax Advisor. Chartered Accountant, Vice President and Secretary of community groups over several years.

Special responsibilities: Member of Finance, Strategy & HR Committee

Interest in shares: 1,000 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

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

- Lynne Dickman was appointed company secretary on 4 December 2019.
- Jennifer Coburn was appointed company secretary on 25 June 2019 and ceased 4 December 2019.

Qualifications, experience and expertise: Lynne holds a Certificate of Business Management, and a Certificate III in Hospitality - Patisserie. During her working career she has held positions as the Business Manager at a Victorian Government School for 30 years, and as a senior clerk with a local government waterboard, working in the hospitality industry and childcare industry. Over the years she has been a volunteer with many 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.

Directors' report (continued)

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
\$	\$
74,902	77,750

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Alan Thomas McCartney	8,600	-	8,600
Timothy George Chandler	3,000	-	3,000
Robert John Byrne	750	-	750
Simone Victoria Annette Hutchings	-	-	-
Pamela Margaret Sandlant	-	-	-
Catherine Jane Goninon	-	-	-
Gary Ian Knight	-	-	-
Judith Marilyn Maddigan	-	-	-
Timothy Glenton	1,000	-	1,000

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

Dividends

During the financial year, the following dividends were paid.

	Cents per share	Total amount
Final fully franked dividend	6.5	27,979
Total amount	6.5	27,979

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

Since the end of the financial year and after assessing the viability of the Skipton Agency the board of directors resolved to terminate the Agency Agreement and close the Skipton Agency effective 31 August 2020.

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

Directors' report (continued)

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.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Community Investment & Youth		Risk, Governance & Audit		Finance, Strategy & HR	
	E	A	E	A	E	A	E	A
Alan Thomas McCartney	12	12	7	7	-	-	1	1
Timothy George Chandler	12	11	2	2	4	4	3	3
Robert John Byrne	12	11	-	-	-	-	3	2
Simone Victoria Annette Hutchings	12	11	-	-	9	8	-	-
Pamela Margaret Sandlant	12	11	-	-	-	-	3	3
Catherine Jane Goninon	11	11	-	-	7	7	-	-
Gary Ian Knight	5	5	3	3	-	-	-	-
Judith Marilyn Maddigan	5	4	3	3	-	-	-	-
Timothy Glenton	1	-	-	-	-	-	-	-

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*.

Directors' report (continued)

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (PPT Audit Pty Ltd) for audit and non audit services provided during the year are set out in note 30 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 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 10.

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



Alan Thomas McCartney, Chair

Dated this 29th day of September 2020

Auditor's independence declaration



20 Lydiard Street South
Ballarat VIC 3350

PO Box 605
Ballarat VIC 3353

call (03) 5331 3711
email ppt@ppt.com.au
visit ppt.com.au

Beaufort Community Financial Services Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Beaufort Community Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

- (i) no contraventions of the auditor independence requirements as set out in 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.

PPT Audit Pty Ltd
PPT Audit Pty Ltd

A handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

29 September 2020

Financial statements

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

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	672,360	777,877
Other revenue	9	72,138	40,680
Finance income	10	2,234	2,693
Employee benefit expenses	11f)	(308,019)	(333,731)
Charitable donations, sponsorship, advertising and promotion	11d)	(119,605)	(132,095)
Occupancy and associated costs		(26,014)	(38,818)
Systems costs		(20,339)	(20,390)
Depreciation and amortisation expense	11a)	(32,776)	(23,868)
Finance costs	11b)	(9,549)	(5,357)
General administration expenses		(138,511)	(128,848)
Profit before income tax expense		91,919	138,143
Income tax expense	12b)	(17,017)	(60,393)
Profit after income tax expense		74,902	77,750
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Net gain on fair value increment of investments	26b)	(12,198)	7,616
Other comprehensive income for the year, net of income tax		(12,198)	7,616
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		62,704	85,366
Earnings per share		¢	¢
- Basic and diluted earnings per share:	33a)	17.40	18.06

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	365,373	348,706
Trade and other receivables	15a)	63,896	68,308
Current tax assets	19a)	11,089	-
Total current assets		440,358	417,014
Non-current assets			
Other investments	14a)	333,636	340,723
Property, plant and equipment	16a)	95,064	110,863
Right-of-use assets	17a)	70,583	-
Intangible assets	18a)	18,828	30,020
Deferred tax asset	19b)	9,351	-
Total non-current assets		527,462	481,606
Total assets		967,820	898,620
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	27,443	41,718
Current tax liabilities	19a)	-	1,417
Loans and borrowings	21a)	-	5,372
Lease liabilities	22b)	14,273	-
Employee benefits	24a)	41,757	38,119
Total current liabilities		83,473	86,626
Non-current liabilities			
Loans and borrowings	21b)	-	22,507
Lease liabilities	22c)	69,765	-
Employee benefits	24b)	923	427
Provisions	23a)	31,756	-
Deferred tax liability	19b)	-	9,333
Total non-current liabilities		102,444	32,267
Total liabilities		185,917	118,893
Net assets		781,903	779,727
EQUITY			
Issued capital	25a)	430,440	430,440
Reserves	26b)	22,318	34,516
Retained earnings	27	329,145	314,771
Total equity		781,903	779,727

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital \$	Fair value reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018		430,440	-	291,900	722,340
Total comprehensive income for the year		-	7,616	77,750	85,366
Transactions with owners in their capacity as owners:					
Transfer from retained earnings	26b)	-	26,900	(26,900)	-
Dividends provided for or paid	32	-	-	(27,979)	(27,979)
Balance at 30 June 2019		430,440	34,516	314,771	779,727
Balance at 1 July 2019		430,440	34,516	314,771	779,727
Effect of AASB 16: Leases	3d)	-	-	(32,549)	(32,549)
Restated balance at 1 July 2019		430,440	34,516	282,222	747,178
Total comprehensive income for the year		-	(12,198)	74,902	62,704
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	32	-	-	(27,979)	(27,979)
Balance at 30 June 2020		430,440	22,318	329,145	781,903

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		810,749	901,086
Payments to suppliers and employees		(677,574)	(729,926)
Interest received		2,306	2,640
Interest paid		(3,675)	(3,560)
Lease payments (interest component)	11b)	(4,251)	-
Lease payments not included in the measurement of lease liabilities	11g)	(6,414)	-
Income taxes paid		(31,786)	(33,209)
Net cash provided by operating activities	28	89,355	137,031
Cash flows from investing activities			
Payments for property, plant and equipment		(21,335)	(34,046)
Proceeds from sale of property, plant and equipment		-	13,636
Payments for investments		(9,738)	(12,322)
Net cash used in investing activities		(31,073)	(32,732)
Cash flows from financing activities			
Proceeds from loans and borrowings		-	34,034
Repayment of loans and borrowings		-	(27,035)
Lease payments (principal component)	22a)	(13,636)	-
Dividends paid	32	(27,979)	(27,979)
Net cash used in financing activities		(41,615)	(20,980)
Net cash increase in cash held		16,667	83,319
Cash and cash equivalents at the beginning of the financial year		348,706	265,387
Cash and cash equivalents at the end of the financial year	13b)	365,373	348,706

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 Beaufort 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
17 Lawrence Street Beaufort Victoria 3373	17 Lawrence Street Beaufort Victoria 3373

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 31.

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 29 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 4m).

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

Notes to the financial statements (continued)

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

b) As a lessee

As a lessee, the company leases many assets including property, motor vehicles 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, apart from those where exemptions have been applied (refer Note 11g), lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

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

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

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

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

Leases classified as finance leases under AASB 117

The company leases a motor vehicle. This lease was classified as a finance lease under AASB 117. For this finance lease, the carrying amount of the right-of-use asset and the lease liability as at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

c) As a lessor

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

Notes to the financial statements (continued)

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

d) Impact on financial statements

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

<i>Impact on equity presented as increase (decrease)</i>	Note	1 July 2019 \$
Asset		
Right-of-use assets - land and buildings	17b)	54,675
Deferred tax asset	19b)	12,346
Liability		
Lease liabilities	22a)	(69,297)
Provision for make-good	23b)	(30,273)
Equity		
Retained earnings		<u>(32,549)</u>

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 4.79%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	28,200
Add: additional options now expected to be exercised	54,580
Less: present value discounting	(13,483)
Lease liability as at 1 July 2019	<u>69,297</u>

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 Notes 1-3).

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:

<u>Revenue</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
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).

Notes to the financial statements (continued)

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

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

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Core banking products

Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns

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.

Notes to the financial statements (continued)

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

b) Other revenue (*continued*)

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

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

The company operates as a franchisee 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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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.

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

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

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

Goods and Services Tax

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

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

Notes to the financial statements (continued)

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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Diminishing value	6 to 15 years
Plant and equipment	Straight-line and diminishing value	1 to 10 years
Motor vehicles	Diminishing value	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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

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

Notes to the financial statements (continued)

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 and equity securities (managed funds).

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

<u>Acronym</u>	<u>Meaning</u>
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 FVTOCI.

Notes to the financial statements (continued)

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. |
| - | Equity investments at FVTOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. |

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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

l) Provisions

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

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

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

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

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.

Short-term leases and leases of low-value assets

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

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

As a lessor

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

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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable before 1 July 2019 (continued)

As a lessee

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

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

As a lessor

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

n) 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.

o) 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.

Notes to the financial statements (continued)

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- 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: <ul style="list-style-type: none">- 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:

<u>Note</u>	<u>Assumptions</u>
- 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 24 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 23 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Notes to the financial statements (continued)

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

c) Measurement of fair values

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

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

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

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

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

- Note 29 - financial instruments;

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

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.

Notes to the financial statements (continued)

Note 6 Financial risk management (continued)

b) Liquidity risk (continued)

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	Contractual cash flows		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	84,038	17,887	60,851	17,284
Trade payables	890	890	-	-
	<u>84,928</u>	<u>18,777</u>	<u>60,851</u>	<u>17,284</u>

30 June 2019

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	Contractual cash flows		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Chattel Mortgage	27,879	5,372	22,507	-
Trade payables	5,984	5,984	-	-
	<u>33,863</u>	<u>16,728</u>	<u>22,507</u>	<u>-</u>

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annually by the lender, Bendigo Bank. As at balance date, the lender does not intend to reduce or end the overdraft facility within the next 12 months.

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.

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

Sensitivity analysis - equity price risk

	Equity, net of tax	
	10% increase	10% decrease
30 June 2020:		
Managed funds	24,689	(24,689)
	<u>24,689</u>	<u>(24,689)</u>
30 June 2019:		
Managed funds	25,214	(25,214)
	<u>25,214</u>	<u>(25,214)</u>

Notes to the financial statements (continued)

Note 6 Financial risk management (continued)

c) Market risk (continued)

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 \$365,373 at 30 June 2020 (2019: \$348,706). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitors 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.

<i>Revenue from contracts with customers</i>	2020	2019
	\$	\$
Revenue:		
- Revenue from contracts with customers	672,360	777,877
	<u>672,360</u>	<u>777,877</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	505,184	611,023
- Fee income	45,419	46,874
- Commission income	121,757	119,980
	<u>672,360</u>	<u>777,877</u>

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

Notes to the financial statements (continued)

Note 9 Other revenue

The company generates other sources of revenue from dividends and distributions from financial instruments and discretionary contributions received from the franchisor. The current year also includes cash flow boost income which is part of the federal government's economic stimulus measures implemented in wake of the global coronavirus pandemic.

<i>Other revenue</i>	2020	2019
	\$	\$
Revenue:		
- Dividend and distribution income	13,415	15,882
- Market development fund income	25,000	25,000
- Cash flow boost	33,243	-
- Other income	480	(202)
	72,138	40,680

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.

<i>Finance income</i>	2020	2019
	\$	\$
At amortised cost:		
- Interest on cash and cash equivalents	2,234	2,693
	2,234	2,693

Note 11 Expenses

a) Depreciation and amortisation expense	2020	2019
	\$	\$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	6,437	5,864
- Plant and equipment	2,687	2,114
- Motor vehicles	-	4,698
	9,124	12,676
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	7,210	-
- Leased motor vehicles	5,250	-
	12,460	-
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,239	2,239
- Franchise renewal process fee	8,953	8,953
	11,192	11,192
Total depreciation and amortisation expense	32,776	23,868

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

Notes to the financial statements (continued)

Note 11 Expenses (continued)

b) Finance costs	Note	2020 \$	2019 \$
<i>Finance costs:</i>			
- Equipment finance interest paid or accrued		-	1,499
- Amortisation of debt establishment costs		139	298
- Lease interest expense	22a)	4,251	-
- Unwinding of make-good provision		1,482	-
- Managed investment administration fees		3,677	3,560
		<u>9,549</u>	<u>5,357</u>

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

c) Impairment loss on trade receivables and contract assets

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

d) Charitable donations, sponsorship, advertising and promotion

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

	Note	2020 \$	2019 \$
- Direct sponsorship, advertising, and promotion payments		66,973	53,148
- Contribution to the Community Enterprise Foundation™	11e)	52,632	78,947
		<u>119,605</u>	<u>132,095</u>

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

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

e) Community Enterprise Foundation™ contributions

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

Disaggregation of CEF funds

	Note	2020 \$	2019 \$
Opening balance		89,812	95,147
Contributions paid in	11d)	52,632	78,947
Grants paid out		(86,000)	(81,174)
Interest received		814	839
Management fees incurred		(2,631)	(3,947)
Balance available for distribution		<u>54,627</u>	<u>89,812</u>

f) Employee benefit expenses

Wages and salaries	268,334	287,880
Non-cash benefits	2,943	3,503
Contributions to defined contribution plans	24,504	25,965
Expenses related to long service leave	179	(5,041)
Other expenses	12,059	21,424
	<u>308,019</u>	<u>333,731</u>

Notes to the financial statements (continued)

Note 11 Expenses (continued)

g) Recognition exemption

The company has elected to exempt leases that fall outside the scope of AASB 16 or the lease term is 12 months or less.

	2020 \$	2019 \$
Expenses relating to leases that fall outside the scope of AASB 16	9,615	-
Expenses relating to short-term leases	578	-
	<u>10,193</u>	<u>-</u>

Expenses relating to leases exempt from recognition are included in Occupancy and associated costs, Systems costs and General administration expenses.

The company pays for the right to use information technology equipment and an ATM. However it was determined that the company does not have sufficient control over or ability to direct the use of these assets for them to be classified as leases under AASB 16. Therefore they have been exempted from recognition.

The company's lease for use of a self-storage unit expired during the year and continues on a month to month basis. As either party can terminate the lease without significant penalty the company has elected to exempt using the short term lease exemption.

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 \$
<i>Current tax expense/(credit)</i>		
- Current tax	18,728	36,210
- Movement in deferred tax	(19,224)	4,551
- Carried-forward capital losses	-	164
- Investments at FVTOCI	4,627	(2,889)
- Adjustment to deferred tax on AASB 16 retrospective application	12,346	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	540	-
- Adjustment to reconcile unrealised gains on investments	-	22,357
	<u>17,017</u>	<u>60,393</u>

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 \$540 related to the remeasurement of deferred tax assets and liabilities of the company.

Notes to the financial statements (continued)

Note 12 Income tax expense (continued)

b) Amounts recognised in other comprehensive income

	2020			2019		
	Gross	Tax expense (credit)	Net of tax	Gross	Tax expense (credit)	Net of tax
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
- Fair value gains/(losses) on investments	(16,825)	(4,627)	(12,198)	10,505	2,889	7,616
	(16,825)	(4,627)	(12,198)	10,505	2,889	7,616

c) Prima facie income tax reconciliation

	2020	2019
	\$	\$
Operating profit before taxation	91,919	138,143
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	25,278	37,989
Tax effect of:		
- Non-deductible expenses	342	47
- Non-assessable income	(9,143)	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	540	-
- Adjustment to reconcile unrealised gains on investments	-	22,357
	17,017	60,393

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	213,945	212,461
- Term deposits	151,428	136,245
	365,373	348,706

b) Reconciliation to statement of cash flows

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

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2020	2019
	\$	\$
- Cash at bank and on hand	213,945	212,461
- Term deposits	151,428	136,245
	365,373	348,706

Notes to the financial statements (continued)

Note 14 Other investments

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

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

a) Non-current investments	2020	2019
	\$	\$
Managed funds - at FVTOCI	333,636	340,723
	<u>333,636</u>	<u>340,723</u>

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

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

	2020		2019	
	Fair value	Distribution income recognised	Fair value	Distribution income recognised
<i>Investment</i>	\$	\$	\$	\$
IOOF - managed portfolio	333,636	13,415	340,723	15,882

Note 15 Trade and other receivables

a) Current assets	2020	2019
	\$	\$
Trade receivables	57,035	61,710
Prepayments	6,811	6,477
Other receivables and accruals	50	121
	<u>63,896</u>	<u>68,308</u>

Note 16 Property, plant and equipment

a) Carrying amounts

<i>Leasehold improvements</i>	2020	2019
	\$	\$
At cost	263,347	247,563
Less: accumulated depreciation and impairment	(179,126)	(172,689)
	<u>84,221</u>	<u>74,874</u>
 <i>Plant and equipment</i>		
At cost	36,966	31,415
Less: accumulated depreciation and impairment	(26,123)	(23,436)
	<u>10,843</u>	<u>7,979</u>

Notes to the financial statements (continued)

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

a) Carrying amounts (*continued*)

	2020 \$	2019 \$
<i>Motor vehicles</i>		
At cost	-	30,855
Less: accumulated depreciation and impairment	-	(2,845)
	-	28,010
Total written down amount	95,064	110,863

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

	Note	2020 \$	2019 \$
<i>Leasehold improvements</i>			
Carrying amount at beginning		74,874	80,738
Additions		15,784	-
Depreciation		(6,437)	(5,864)
Carrying amount at end		84,221	74,874
<i>Plant and equipment</i>			
Carrying amount at beginning		7,979	6,901
Additions		5,551	3,192
Depreciation		(2,687)	(2,114)
Carrying amount at end		10,843	7,979
<i>Motor vehicles</i>			
Carrying amount at beginning		28,010	20,214
Lease asset transferred out - at cost	17	(30,855)	-
Lease asset transferred out - accumulated depreciation	17	2,845	-
Additions		-	30,854
Disposals		-	(18,360)
Depreciation		-	(4,698)
Carrying amount at end		-	28,010
Total written down amount		95,064	110,863

Following the adoption of AASB 16, the company has grouped its leased assets previously recognised in 'property, plant and equipment' in 'right-of-use assets'.

Notes to the financial statements (continued)

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 has elected to present right-of-use assets measured in right-of-use assets rather than the underlying asset class. Accordingly, leased assets recognised in the statement of financial position have been reallocated to right-of-use assets from property, plant and equipment.

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 \$
<i>Leased land and buildings</i>			
At cost		144,199	-
Less: accumulated depreciation and impairment		(96,734)	-
		<u>47,465</u>	<u>-</u>
<i>Leased motor vehicles</i>			
At cost		30,855	-
Less: accumulated depreciation and impairment		(8,095)	-
		<u>22,760</u>	<u>-</u>
<i>Borrowing costs applicable to leased motor vehicles</i>			
At cost		556	-
Less: accumulated depreciation and impairment		(198)	-
		<u>358</u>	<u>-</u>
Total written down amount		<u>70,583</u>	<u>-</u>

b) Reconciliation of carrying amounts

<i>Leased land and buildings</i>			
Initial recognition on transition	3d)	144,199	-
Accumulated depreciation on adoption	3d)	(89,524)	-
Depreciation		(7,210)	-
Carrying amount at end		<u>47,465</u>	<u>-</u>
<i>Leased motor vehicles</i>			
Lease asset transferred in - at cost	16b)	30,855	-
Lease asset transferred in - accumulated depreciation	16b)	(2,845)	-
Depreciation		(5,250)	-
Carrying amount at end		<u>22,760</u>	<u>-</u>

Notes to the financial statements (continued)

Note 17 Right-of-use assets (continued)

b) Reconciliation of carrying amounts (continued)

	Note	2020 \$	2019 \$
<i>Borrowing costs applicable to leased motor vehicles</i>			
Lease asset transferred in - at cost	16b)	556	-
Lease asset transferred in - accumulated depreciation	16b)	(59)	-
Amortisation		(139)	-
Carrying amount at end		358	-
Total written down amount		70,583	-

Note 18 Intangible assets

a) Carrying amounts

Franchise fee

At cost	161,192	161,192
Less: accumulated amortisation and impairment	(157,427)	(155,188)
	3,765	6,004

Franchise renewal process fee

At cost	44,769	44,769
Less: accumulated amortisation and impairment	(29,706)	(20,753)
	15,063	24,016
Total written down amount	18,828	30,020

b) Reconciliation of carrying amounts

Franchise fee

Carrying amount at beginning	6,004	8,243
Amortisation	(2,239)	(2,239)
Carrying amount at end	3,765	6,004

Franchise renewal process fee

Carrying amount at beginning	24,016	32,969
Amortisation	(8,953)	(8,953)
Carrying amount at end	15,063	24,016
Total written down amount	18,828	30,020

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.

Notes to the financial statements (continued)

Note 19 Tax assets and liabilities

a) Current tax

	2020 \$	2019 \$
Income tax payable/(refundable)	(11,089)	1,417

b) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	30 June 2020
	\$	\$	\$	\$	\$
<i>Deferred tax assets</i>					
- expense accruals	934	2	-	-	936
- employee provisions	10,600	497	-	-	11,097
- make-good provision	-	(69)	-	8,325	8,256
- lease liability	-	(3,059)	-	19,057	15,998
- carried-forward capital losses	164	(9)	-	-	155
Total deferred tax assets	11,698	(2,638)	-	27,382	36,442
<i>Deferred tax liabilities</i>					
- income accruals	34	(21)	-	-	13
- fair value of investments	13,092	(461)	(4,627)	-	8,004
- property, plant and equipment	7,905	(1,172)	-	-	6,733
- right-of-use assets	-	(2,695)	-	15,036	12,341
Total deferred tax liabilities	21,031	(4,349)	(4,627)	15,036	27,091
Net deferred tax assets (liabilities)	(9,333)	1,711	4,627	12,346	9,351

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

	30 June 2018	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	30 June 2019
	\$	\$	\$	\$	\$
<i>Deferred tax assets</i>					
- expense accruals	894	40	-	-	934
- employee provisions	10,397	203	-	-	10,600
- fair value of investments	12,155	-	(12,155)	-	-
- carried-forward capital losses	-	164	-	-	164
Total deferred tax assets	23,446	407	(12,155)	-	11,698
<i>Deferred tax liabilities</i>					
- income accruals	19	15	-	-	34
- fair value of investments	-	-	13,092	-	13,092
- property, plant and equipment	5,688	2,217	-	-	7,905
Total deferred tax liabilities	5,707	2,232	13,092	-	21,031
Net deferred tax assets (liabilities)	17,739	(1,825)	(25,247)	-	(9,333)

Notes to the financial statements (continued)

Note 19 Tax assets and liabilities (continued)

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	890	5,984
Other creditors and accruals	26,553	35,734
	<u>27,443</u>	<u>41,718</u>

Note 21 Loans and borrowings

a) Current liabilities

Chattel mortgage	-	5,372
	<u>-</u>	<u>5,372</u>

b) Non-current liabilities

Chattel mortgage	-	22,507
	<u>-</u>	<u>22,507</u>

Following the adoption of AASB 16, the company has grouped its 'Chattel mortgage' previously recognised in 'loans and borrowings' in 'lease liabilities'.

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Chattel mortgage	4.28%	2023	-	-	27,879	27,879

Notes to the financial statements (continued)

Note 22 Lease liabilities

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

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

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

Lease portfolio

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

The company's lease portfolio includes:

- Beaufort branch premises The lease agreement is a non-cancellable lease with an initial term of ten years which commenced in February 2007. An extension option term of five years was exercised in November 2015. The lease has one further five year extension option available.
- Motor vehicle The lease agreement is a non-cancellable term of four years. The lease includes a balloon payment at which time the registered security over the motor vehicles is removed.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

a) Lease liability measurement

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

<i>Lease liabilities on transition</i>	Note	2020 \$	2019 \$
Balance at the beginning (finance lease liabilities)		27,879	-
Initial recognition on AASB 16 transition	3d)	69,297	-
Borrowing costs		498	-
Lease payments - interest		4,251	-
Lease payments		(17,887)	-
		<u>84,038</u>	<u>-</u>

Notes to the financial statements (continued)

Note 22 Lease liabilities (continued)

	2020	2019
	\$	\$
b) Current lease liabilities		
Property lease liabilities	10,916	-
Unexpired interest	(2,770)	-
	<u>8,146</u>	<u>-</u>
Motor Vehicle lease liabilities	6,971	-
Unexpired interest	(844)	-
	<u>6,127</u>	<u>-</u>
	<u>14,273</u>	<u>-</u>
c) Non-current lease liabilities		
Property lease liabilities	60,948	-
Unexpired interest	(7,563)	-
	<u>53,385</u>	<u>-</u>
Motor Vehicle lease liabilities	17,187	-
Unexpired interest	(807)	-
	<u>16,380</u>	<u>-</u>
	<u>69,765</u>	<u>-</u>
d) Maturity analysis		
- Not later than 12 months	17,887	-
- Between 12 months and 5 years	60,851	-
- Greater than 5 years	17,284	-
Total undiscounted lease payments	<u>96,022</u>	<u>-</u>
Unexpired interest	(11,984)	-
Present value of lease liabilities	<u>84,038</u>	<u>-</u>
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.

Notes to the financial statements (continued)

Note 22 Lease liabilities (continued)

e) Impact on the current reporting period (continued)

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of \$222.

	AASB 117 expense previously recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	17,887	(17,887)	-
- Depreciation and amortisation expense	-	12,460	12,460
- Finance costs	-	5,733	5,733
Increase in expenses - before tax	17,887	306	18,193
- Income tax expense / (credit) - current	(4,919)	4,919	-
- Income tax expense / (credit) - deferred	-	(5,003)	(5,003)
Increase in expenses - after tax	12,968	222	13,190

Note 23 Provisions

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

a) Non-current liabilities

	2020 \$	2019 \$
Make-good on leased premises	31,756	-
	31,756	-

b) Make-good provision

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term.

The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings as well as cost to remedy any damages caused during the removal process.

Provision	Note	2020 \$	2019 \$
Face-value of make-good costs recognised	3d)	43,500	-
Present value discounting	3d)	(13,226)	-
Present value unwinding		1,482	-
		31,756	-

Notes to the financial statements (continued)

Note 23 Provisions (continued)

c) Changes in estimates

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

The lease is due to expire on 31 January 2027 at which time it is expected the face-value costs to restore the premises will fall due.

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

<i>Profit or loss</i>	2020	2021	2022	2023	2024+
Expense:					
- Finance costs	1,482	1,555	1,631	1,711	6,847
<i>Statement of financial position</i>					
Liability:					
- Make-good provision	31,756	33,311	34,942	36,653	43,500

Note 24 Employee benefits

a) Current liabilities

	2020 \$	2019 \$
Provision for annual leave	26,219	22,264
Provision for long service leave	15,538	15,855
	<u>41,757</u>	<u>38,119</u>

b) Non-current liabilities

Provision for long service leave	923	427
	<u>923</u>	<u>427</u>

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.

Notes to the financial statements (continued)

Note 25 Issued capital

a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	430,440	430,440	430,440	430,440
	<u>430,440</u>	<u>430,440</u>	<u>430,440</u>	<u>430,440</u>

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 258. As at the date of this report, the company had 285 shareholders (2019: 285 shareholders).

Notes to the financial statements (continued)

Note 25 Issued capital (continued)

Prohibited shareholding interest (continued)

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

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

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

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

Note 26 Reserves

a) Nature and purpose of reserves

Fair value reserve

The fair value reserve comprises:

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

b) Disaggregation of reserve balances, net of tax

Reserves for the period ended 30 June 2020

	Fair value reserve	Total	Total other comprehensive income
	\$	\$	\$
Balance at beginning of reporting period	34,516	34,516	-
Fair value movement on equity instruments designated at FVTOCI	(12,198)	(12,198)	(12,198)
Balance at end of reporting period	<u>22,318</u>	<u>22,318</u>	<u>(12,198)</u>

Reserves for the period ended 30 June 2019

	Fair value reserve	Total	Total other comprehensive income
	\$	\$	\$
Fair value reclassified from retained earnings	26,900	26,900	-
Fair value movement on equity instruments designated at FVTOCI	7,616	7,616	7,616
Balance at end of reporting period	<u>34,516</u>	<u>34,516</u>	<u>7,616</u>

Notes to the financial statements (continued)

Note 27 Retained earnings

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		314,771	291,900
Adjustment for transition to AASB 16	3d)	(32,549)	-
Net profit after tax from ordinary activities		74,902	77,750
Transfers to other comprehensive income		-	(26,900)
Dividends provided for or paid		(27,979)	(27,979)
Balance at end of reporting period		<u>329,145</u>	<u>314,771</u>

Note 28 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	74,902	77,750
Adjustments for:		
- Depreciation	21,584	12,676
- Amortisation	11,192	11,192
- (Profit)/loss on disposal of non-current assets	-	4,724
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	4,412	(2,264)
- (Increase)/decrease in other assets	(3,467)	19,323
- Increase/(decrease) in trade and other payables	(14,136)	5,034
- Increase/(decrease) in employee benefits	4,135	735
- Increase/(decrease) in provisions	1,483	-
- Increase/(decrease) in tax liabilities	(10,750)	7,861
Net cash flows provided by operating activities	<u>89,355</u>	<u>137,031</u>

Note 29 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.

Notes to the financial statements (continued)

Note 29 Financial instruments - fair value (continued)

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

		Carrying amount				Fair value		
	Note	FVTPL	FVTOCI	At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:								
Managed funds	14	-	333,636	-	333,636	333,636	-	333,636
		-	333,636	-	333,636	333,636	-	333,636
Financial assets not measured at fair value:								
Trade and other receivables	15	-	-	57,035	57,035	-	-	-
Cash and cash	13	-	-	213,945	213,945	-	-	-
Term deposits	14	-	-	151,428	151,428	-	-	-
		-	-	422,408	422,408	-	-	-
Financial liabilities not measured at fair value:								
Trade and other payables	20	-	-	890	890	-	-	-
Lease liabilities	22	-	-	84,038	84,038	-	-	-
		-	-	84,928	84,928	-	-	-

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

		Carrying amount				Fair value		
	Note	FVTPL	FVTOCI	At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:								
Managed funds	14	-	340,723	-	340,723	340,723	-	340,723
		-	340,723	-	340,723	340,723	-	340,723
Financial assets not measured at fair value:								
Trade and other receivables	15	-	-	61,710	61,710	-	-	-
Cash and cash	13	-	-	212,461	212,461	-	-	-
Term deposits	14	-	-	136,245	136,245	-	-	-
		-	-	410,416	410,416	-	-	-
Financial liabilities not measured at fair value:								
Trade and other payables	20	-	-	5,984	5,984	-	-	-
Chattel mortgage	21	-	-	27,879	27,879	-	-	-
		-	-	33,863	33,863	-	-	-

Notes to the financial statements (continued)

Note 29 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 30 Auditor's remuneration

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

	2020 \$	2019 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,800	5,350
Total auditor's remuneration	<u>5,800</u>	<u>5,350</u>

Note 31 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Alan Thomas McCartney
Timothy George Chandler
Robert John Byrne
Simone Victoria Annette Hutchings
Pamela Margaret Sandlant
Catherine Jane Goninon
Gary Ian Knight
Judith Marilyn Maddigan
Timothy Glenton

b) Key management personnel compensation

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

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

c) Related party transactions

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

	2020 \$	2019 \$
<i>Transactions with related parties</i>		
- Former company secretary Jennifer Coburn provided the company with secretarial and board support services. The total benefit received (including GST) was:	26,400	6,600
Total transactions with related parties	<u>26,400</u>	<u>6,600</u>

Notes to the financial statements (continued)

Note 31 Related parties (continued)

c) Related party transactions (continued)

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 \$nil for the year ended 30 June 2020 (2019: \$nil).

Note 32 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 change in equity and statement of cash flows.

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Fully franked dividend	6.5	27,979	6.5	27,979
Total dividends paid during the financial year	6.5	27,979	6.5	27,979

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

b) Franking account balance

Franking credits available for subsequent reporting periods

	2020 \$	2019 \$
Franking account balance at the beginning of the financial year	172,715	149,013
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	31,786	34,315
- Franking debits from the payment of franked distributions	(10,613)	(10,613)
Franking account balance at the end of the financial year	193,888	172,715
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(11,089)	1,417
Franking credits available for future reporting periods	182,799	174,132

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

Notes to the financial statements (continued)

Note 33 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	74,902	77,750
	Number	Number
Weighted-average number of ordinary shares	430,440	430,440
	Cents	Cents
Basic and diluted earnings per share	17.40	18.06

Note 34 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	-	10,916
- between 12 months and 5 years	-	17,284
- greater than 5 years	-	-
Minimum lease payments payable	-	28,200
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	-	6,971
- between 12 months and 5 years	-	24,158
- greater than 5 years	-	-
Minimum lease payments	-	31,129
Less future finance charges	-	(3,250)
Present value of minimum lease payments	-	27,879

b) Other commitments

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

Note 35 Contingencies

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

Note 36 Subsequent events

Since the end of the financial year and after assessing the viability of the Skipton Agency the board of directors resolved to terminate the Agency Agreement and close the Skipton Agency effective 31 August 2020.

There have been no other 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 Beaufort 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.



Alan Thomas McCartney, Chair

Dated this 29th day of September 2020

Independent audit report



20 Lydiard Street South
Ballarat VIC 3350

PO Box 605
Ballarat VIC 3353

call (03) 5331 3711
email ppt@ppt.com.au
visit ppt.com.au

Independent Auditor's Report To the Directors of Beaufort Community Financial Services Limited

Opinion

We have audited the financial report of Beaufort Community Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Responsibilities of Directors for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determines 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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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



20 Lydiard Street South
Ballarat VIC 3350

PO Box 605
Ballarat VIC 3353

call (03) 5331 3711

email ppt@ppt.com.au

visit ppt.com.au

Independent Auditor's Report

To the Directors of Beaufort Community Financial Services Limited

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

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PPT Audit Pty Ltd
PPT Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'J. Hargreaves', written over a circular stamp or seal.

Jason D. Hargreaves
Director

Signed at Ballarat
30th September 2020

Community Bank - Beaufort
17 Lawrence Street, Beaufort VIC 3373
Phone: 03 5349 2322
Email: beaufortmailbox@bendigoadelaide.com.au
Web: bendigobank.com.au/beaufort

Franchisee: Beaufort Community Financial Services Limited
ABN: 53 097 961 058
17 Lawrence Street, Beaufort VIC 3373
Phone: 03 5349 2322



/BeaufortCommunityBankBranch

