

Annual Report 2020

Belfast Community
Enterprises Limited

Community Bank
Port Fairy & District

ABN 65 161 382 832



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Our 2020 cover:



Alannah Sander – our first Community Bank Scholarship recipient

Chairman's report

For year ending 30 June 2020

The financial year 2019/20 has been a year of strong foundation building by our Community Bank. We have seen a stable staff team established, strong Committee development and good sound governance development within the Board and its activities.

This I believe is due to two very strong and positive influences. Firstly, Julia O'Neill as our Branch Manager has welded together a strong team that has become a vital component of the Port Fairy community. The number of people in the street who comment on the friendliness and helpfulness that is present in the branch is testament to this strength we now have.

Secondly, I believe it is due to the governance oversight by our Company Secretary Ashley King. The Community Bank model is a little unusual as we are a public unlisted company, Belfast Community Enterprises Limited, with all the associated 'red tape' of a corporate structure as well as being a franchise holder with the Bendigo and Adelaide Bank Limited. Balancing the two demands which while not conflicting do sometimes not align when points of view and others of strategic direction do not always mesh exactly.

Both Julia and Ashley have been instrumental in setting a strong pathway for our future.

Our financial performance for the year has again been positive, sometimes much to the envy of our colleague Community Banks. Since our opening, we as a branch have always enjoyed the stability of operating with a surplus which has meant that we have been able to not only deliver above average service, but also strong financial support by way of grants and sponsorship to our community.

One sponsorship of note during this period has been the awarding of our first scholarship to Alannah Sanders, a Macarthur based young lady who is studying Podiatry at Latrobe University. Alannah was chosen from a strong field of applicants and it has been a pleasure to interact with her and support her this year despite the impositions placed on us by COVID-19.

The close of the 2019/20 financial year has seen a social and business environment the nature of which we have never experienced before. COVID-19 has most certainly changed the way we think and act. Zoom and its compatriots have become a way of life now. The challenge will be for all of us to determine what we want as the 'new normal' when we emerge from this time. My dream is the new normal will see an even stronger and more prosperous and supportive Community Bank in Port Fairy.

To finish off this report, I would comment on two matters that are not within the period covered, but have happened or will happen subsequent to 30 June. Firstly, Julia has stepped down from her Branch Manager role due to health issues. On behalf of the Board and the branch team, I cannot thank her enough for the part she has played in our development.

Secondly, this will be my last Annual General Meeting in the role of Chairman of the Board. I have a strong philosophy that staying in a role for too long is not good for the company and have suggested to the Board that it is time for new blood and thinking in this role.

I would like to thank all of the shareholders, Board members including former foundation Director Nick Abbott who stepped down earlier this year, Committee members and staff for their commitment to and support of our Community Bank Port Fairy & District.



Ralph Leutton
Chairman

Manager's report

For year ending 30 June 2020

Dear Shareholders,

The 2019/20 year has been a year like no other where the Directors, staff and our customers have had to face a series of unexpected new challenges. While the impact of COVID-19 had been widely felt in our community, our local businesses, customers and the staff, the impact to the Community Bank's business has been varied.

I have always believed our staff are one of our greatest assets in the business and over the last 12 months we have seen Fiona Towler and Amy Harman both promoted within the business. Kat Wiesner-Ellix move from a trainee position to gain a full-time CRO position and the appointment of Thomas Flaherty as our trainee. Our staff over the last twelve months have taken on a considerable amount of upskilling and learning in new areas in the business, this has led to a more comprehensive view of our customers when we are engaging them and has driven the below results.

In our day-to-day business our foot traffic through the branch has seen the most impact from COVID-19. This can be reflected in the 4.2% decline from the previous year in over the counter transactions. There was a 3.8% increase in our customer base, our balance sheet experienced an increase in deposit holdings but a decrease in the lending holdings which produced a 1.4% reduction in the overall balance sheet. The branch ratings for our key performance areas for the overall year was effective, a pleasing result. Our profit for the year before income tax expense was \$54,074. This was a great result for a difficult year and after contributions back to the community as well as funds put away for future partnerships within the community.

	30 June 2019	30 June 2020
Deposits	\$39.9 million	\$43.6 million
Loans	\$56.3 million	\$55.8 million
Other	\$13.8 million	\$9 million
Total	\$110 million	\$108.5 million
Customer Numbers	1,411	1,465

We are now in the seventh year of the business and for the founding members and shareholders of Community Bank Port Fairy & District it must be a proud moment to reflect on the overall \$457,474 that has been donated back to the local community and the impact it has made. One could easily surmise that not one community group or sporting organisation in our catchment area has not been a recipient. In the 2019/20 year \$111,921 was awarded in community partnerships.

I would like to thank our Chairman, Ralph Leutton, Directors, members of Committees and our Company Secretary for all their support in the day-to-day running of the business as well as with our partnership with organisations and community groups. The Board and the committees engaged in an innovative partnership for this year's Port Fairy Folk Festival with its committee, the Business Association, Moyne Shire and the traders of Bank Street. This made Bank Street come alive for the long weekend in March with a busking stage, roving performers, free activities, seating and market stalls. The flow on effect of this partnership generated increased revenue for the traders on Bank Street and renewed activity in Bank Street over the long weekend.

I hope that as shareholders that you are as proud of your company and its achievements as I am. We are a truly unique bank and one that I have been privileged to help oversee. If you have family members or friends who deserve the levels of service and the excellent products that we can provide, please ask them to contact our branch.

Yours sincerely,



Julia O'Neill
Branch Manager

Community partnering contributions



Port Fairy Adventure Film Festival received \$4,000.

COMMUNITY INVESTMENT 2019/20
\$111,921

For year ending 30 June 2020 we proudly contributed \$111,921 in grants, sponsorships and donations to our community which increases our total community partnering contributions in the six years of business operations to \$457,474. All made possible by our customers.

The Board remains committed to building our community balance sheet and was pleased to deposit \$50,000 in the Community Enterprise Foundation™ Charitable Fund for investment in local infrastructure projects that will provide an ongoing and long term benefit for our community.

A notable investment was the awarding of our Community Bank's first tertiary studies scholarship. Alannah Sanders from Macarthur was the successful student and she is eligible to receive funding of \$10,000 during her initial two years at Undergraduate bachelor's degree level.

Since opening for business six years ago the customers of Community Bank Port Fairy & District have supported the following organisations:

COMMUNITY CONTRIBUTIONS
\$457,474
 since opening

- Port Fairy Folk Festival
- Port Fairy Sea Scouts
- Port Fairy Probus Club
- Community Garden Group
- Yambuk Progress Group
- Port Fairy Show Society
- St Patricks Primary School Port Fairy
- Moyneyana Festival Inc.
- Port Fairy Business Assoc.
- Port Fairy Community Race Day
- Port Fairy Belfast Lions Art Show
- Sackville Street Streetscape
- Port Fairy Surf Life Saving Club
- Yambuk Hall Committee
- Port Fairy Marine Rescue Service
- Macarthur Pony Club
- ExLibris Writing Competition
- Port Fairy Petanque Group
- Port Fairy Angling Club
- Warrong All Abilities Equestrian
- Port Fairy Consolidated Parents & Friends
- Friends of Moyneyana House
- Port Fairy Consolidated School Bazaar
- Port Fairy Consolidated School Awards
- Port Fairy Jazz Festival
- Moyne Health Services
- Koroit & District Primary School
- Rotary Club of Port Fairy
- Port Fairy Golf Club

- Port Fairy Citizens Band
- Port Fairy SES Unit
- Port Fairy Men's Shed
- Port Fairy Heritage Boats
- Port Fairy Tourism
- Port Fairy Theatre Group
- All Abilities Advocacy
- Port Fairy Historical Society
- Koroit Lions Club
- Port Fairy Adventure Film Festival
- Nature's Way Eco Sanctuary Group
- Port Fairy Winter Weekends Dachshund Dash & "Reflected" event
- Port Fairy Consolidated School Council
- Child Care Action Group
- St Brigid's Hall Crossley
- Port Fairy Hospital Auxiliary
- Port Fairy Football Netball Club
- Port Fairy Cricket Club
- Port Fairy Bowls Club
- Koroit Business & Tourism Association
- Koroit Community Race Day
- Koroit Football Netball Club Tower Hill Challenge
- Commonwealth Championship Sheep Dog Trials
- Macarthur Men's Shed
- Fun4Kids Festival
- Gourmet Port Fairy

- ExLibris - Stories on Sackville St
- Port Fairy Community House
- Kirkstall Recreation Reserve
- South West Working Equitation Club
- Port Fairy Playgroup
- Port Fairy Tennis Club Inc.
- St John's Strawberry Fete
- St Pats Primary School Graduation Awards
- Macarthur Music in the Vines
- Brophy Family & Youth Services
- Port Fairy Belfast Lions Club
- Sungold Field Days
- Koroit Bowls Club
- Friends of Griffiths Island
- St John's Anglican Church
- Port Fairy Film Society
- Belfast Aquatics
- Macarthur Swimming Pool
- Koroit Irish Festival
- Warrnambool Toy Library
- South West Energy Group
- Warrnambool Special Development School
- Port Campbell Surf Life Savings Club
- Koroit Football Netball Club
- Port Fairy Biggest Morning Tea

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

For the financial year ended 30 June 2020

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

Directors

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

Ralph David Leutton

Chairman

Occupation: Contract Facilitator/Lobbyist

Qualifications, experience and expertise: Ralph Leutton works in his own right as an independent advocate and facilitator in natural resource management, industry strategic direction and the areas of vocational training and education. Mr. Leutton has held a number of contracts with peak industry and producer groups, working with government to develop or resolve policy areas in natural resource management, industry strategy and human resource availability. During his career, Mr. Leutton has had opportunity to serve on a number of corporate and government oversight boards. These have ranged from large events (Expo 88 and Beef 88); national training (NQC, TVET Aust., Rural Skills Aust., Rural Training Council of Aust., and Agrifood Industry Skills Council); community based boards and committees; as well as in the health services industry.

Special responsibilities: Board Chair, Member of the Finance & Risk Committee.

Interest in shares: 5,001 ordinary shares

Nicole Louise Dwyer

Non-executive director

Occupation: Real Estate Agent

Qualifications, experience and expertise: Nicole is an original steering committee member and former Deputy Chairman. She is a licensed real estate agent and local business manager in Port Fairy. Nicole has TAFE qualifications in Marketing and has experience in Event Management. As an extremely active volunteer in many groups locally in particular the Port Fairy Surf Life Saving Club and Port Fairy Football Netball Club, Nicole has received several recognitions for her contribution to our community and personal performances including Life Saving Victoria "Nipper Program Coordinator" Award for 2018 and Moyne Shire Citizen of the year in 2020.

Special responsibilities: Member of the Community and Marketing Committee

Interest in shares: 2,501 ordinary shares

Peter John Langley

Non-executive director

Occupation: Motelier

Qualifications, experience and expertise: Peter is self employed and owns a motel and holiday rental business. He has had 35 years in the public service in Victoria, and has been past Treasurer of Port Fairy Golf Club for two years and is a founding member of Warrnambool Seahawks/Mermaids Basketball Inc. He has a private pilots license and has coached representative basketball at both junior and senior levels.

Special responsibilities: Chair of the Community and Marketing Committee.

Interest in shares: 20,001 ordinary shares

Directors' report (continued)

Directors (continued)

John Julian Rahilly

Non-executive director

Occupation: Accommodation Supplier

Qualifications, experience and expertise: John is a retired pharmacist of 40 years, and former board member of Amcal Pharmaceutical Group. He is also past president, vice-president and captain of Port Fairy Golf Club.

Special responsibilities: Member of the Human Resources Committee.

Interest in shares: 5,000 ordinary shares

Margaret Donne Leutton

Non-executive director

Occupation: Leisure in Healthy Activities Co-Ord.

Qualifications, experience and expertise: Maggie has extensive experience in many roles undertaken under the auspices of her business, Direction Projects since 1989 include coordination Woody's Murray to Moyne annual Cycle Relay for five years, Administrator for Port Fairy Tourism Inc. and Port Fairy Business Association. Having an Advanced Diploma in Business Management, contracting in rural, regional and urban areas around the Eastern Seaboard for Corporate and government clients as well as many of the rural industry bodies in dairy, horticulture, farm chemicals, fisheries and cattle. Currently involved in the health industry in the areas of aged care, planned activities and further education. Volunteering for several music festivals, Red Cross fundraising and Red Cross Emergency Services.

Special responsibilities: Member of the Community and Marketing Committee.

Interest in shares: 5,001 ordinary shares

Thomas Newton

Non-executive director (appointed 18 November 2019)

Occupation: Business Manager

Qualifications, experience and expertise: Business Manager, MaxCare. Tom attained a Bachelor of Management - Farm business from the University of Sydney. He has extensive experience working and consulting in agriculture and has been working with Brisbane based Maxum foods for 13 years, the last six of which he has been the Business Manager of MaxCare. He served on the Westvic Dairy Board for 3 years and is a member of the Australia Institute of Company Directors. In 2012 he completed the Leadership Great South Coast Program. Tom is originally from the Stanthorpe area in rural Queensland before moving to Port Fairy 10 years ago. He is married with 2 children.

Special responsibilities: Member of the Finance and Risk Committee

Interest in shares: 1,000 ordinary shares

Damian John Gleeson

Deputy Chair (appointed 6 April 2020)

Occupation: Business Owner

Qualifications, experience and expertise: Educated at St Patrick's College in Ballarat and then attended the Australia Catholic University where he gained a Bachelor of Education. Damian taught in Portland and Geelong for ten years before entering the Hospitality Industry in 1995. With wife Sue, he has been self-employed since 1997 having owned and operated six Hotels. Damian returned home to Port Fairy in 2004 as licensee as the Star of the West hotel. He served as president of the Port Fairy Football Netball Club from 2007 - 2009. Damian is currently a Committee Member of the Port Fairy Cricket Club and held the position of Club President from 2012/13 to 2017/18. Damian strongly supported the Steering Committee to establish the Port Fairy & District Community Bank and was and continues to be an outstanding advocate for the benefits the model brings to our community. He freely gives of his time to assist in numerous community events and activities.

Special responsibilities: Deputy Chair, Member of the Community and Marketing Committee, Member of the Human Resources Committee.

Interest in shares: 10,000 ordinary shares

Directors' report (continued)

Directors (continued)

Diana Jane Officer

Non-executive director (resigned 18 November 2019)

Occupation: Retired

Qualifications, experience and expertise: During the 70's and 80's Diana was employed in a Finance Company, Insurance Company and Stockbrokers, McCaughan Dyson & Son in Melbourne. Has worked with Coffey Hunt Accountants in Warrnambool for 17 years in their Financial Planning area in an Administration role. Currently Chair of the Badge and Endowment Committee of Warrnambool Legacy Club, Life member of the Warrnambool Lawn Tennis Club and Member of the Port Fairy Golf Club.

Special responsibilities: Minute Secretary.

Interest in shares: 2,000 ordinary shares

Richard Nicholas Abbott

Non-executive director (resigned 10 February 2020)

Occupation: Retired

Qualifications, experience and expertise: Nicholas is a retired General Physician, with Bachelor of Medicine, Bachelor of Surgery (MBBS), Diploma Of Child Health (DCH), Member Royal College Physicians (MRCP) and a Fellow of the Royal Australasian College of Physicians (FRACP). He is a member of Port Fairy Streetscape Committee, Port Fairy Men's Shed and Chairman of the Port Fairy Coastal Community Group.

Special responsibilities: Member of the Human Resources Committee.

Interest in shares: 20,002 ordinary shares

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

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

Company Secretary

The company secretary is Ashley King. Ashley was appointed to the position of secretary on 1 June 2018.

Qualifications, experience and expertise: Ashley has been involved in the finance industry for 40 years. He established and was General Manager of the Southern Financial Group from 1990 to 2013 which provided a range of financial services to customers predominantly from South Western and Western Victoria. In 2013 he assisted the Steering Committee of the Port Fairy & District Community Bank to commence operating and was the Branch Manager from opening in June 2014 until his retirement in March 2018. He also assisted the Board with its business operations during this period.

Principal activity

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

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

Operating results

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

	Year ended 30 June 2020	Year ended 30 June 2019
	\$	\$
	46,317	42,411

Directors' report (continued)

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Ralph David Leutton	5,001	-	5,001
Nicole Louise Dwyer	2,501	-	2,501
Peter John Langley	20,001	-	20,001
John Julian Rahilly	5,000	-	5,000
Margaret Donne Leutton	5,001	-	5,001
Thomas Newton	-	1,000	1,000
Damian John Gleeson	10,000	-	10,000
Diana Jane Officer	2,000	-	2,000
Richard Nicholas Abbott	20,002	-	20,002

Dividends

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

	Cents per share	Total amount \$
Final fully franked dividend	4.00	37,507
Total amount	4.00	37,507

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

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

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.

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					
			Finance and Risk		Community and Marketing		Human Resources	
	E	A	E	A	E	A	E	A
Ralph David Leutton	6	6	12	10	-	-	-	-
Nicole Louise Dwyer	6	5	-	-	11	9	-	-
Peter John Langley	6	5	-	-	11	10	-	-
John Julian Rahilly	6	5	-	-	-	-	4	4
Margaret Donne Leutton	6	6	-	-	11	11	-	-
Thomas Newton	4	4	6	4	-	-	-	-
Damian John Gleeson	2	2	-	-	3	2	1	1
Diana Jane Officer	2	2	5	3	-	-	-	-
Richard Nicholas Abbott	4	2	7	6	-	-	2	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 (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 27 to the accounts.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

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



**Ralph David Leutton,
Chairman**

Dated this 18th day of September 2020

Auditor's independence declaration



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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 18 September 2020

Joshua Griffin
Lead Auditor

Financial statements

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

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	715,466	675,898
Other revenue	9	66,293	25,000
Finance income	10	8,771	15,016
Employee benefit expenses	11c)	(414,935)	(390,934)
Charitable donations, sponsorship, advertising and promotion		(132,768)	(89,360)
Occupancy and associated costs		(11,709)	(49,452)
Systems costs		(33,894)	(33,021)
Depreciation and amortisation expense	11a)	(59,824)	(31,174)
Finance costs	11b)	(25,274)	-
General administration expenses		(58,052)	(63,432)
Profit before income tax expense		54,074	58,541
Income tax expense	12a)	(7,757)	(16,130)
Profit after income tax expense		46,317	42,411
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		46,317	42,411
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	4.94	4.52

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)	767,294	716,236
Trade and other receivables	14a)	58,825	55,128
Total current assets		826,119	771,364
Non-current assets			
Property, plant and equipment	15a)	169,373	179,501
Right-of-use assets	16a)	408,035	-
Intangible assets	17a)	103,083	123,459
Deferred tax asset	18b)	35,908	2,039
Total non-current assets		716,399	304,999
Total assets		1,542,518	1,076,363
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	56,288	50,112
Current tax liabilities	18a)	2,829	5,433
Lease liabilities	20b)	18,033	-
Employee benefits	22a)	30,225	13,511
Total current liabilities		107,375	69,056
Non-current liabilities			
Trade and other payables	19b)	29,004	43,507
Lease liabilities	20c)	488,299	-
Employee benefits	22b)	3,753	884
Provisions	21a)	12,854	-
Total non-current liabilities		533,910	44,391
Total liabilities		641,285	113,447
Net assets		901,233	962,916
EQUITY			
Issued capital	23a)	898,316	898,316
Retained earnings	24	2,917	64,600
Total equity		901,233	962,916

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2020

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018		898,316	115,956	1,014,272
Total comprehensive income for the year		-	42,411	42,411
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(93,767)	(93,767)
Balance at 30 June 2019		898,316	64,600	962,916
Balance at 1 July 2019		898,316	64,600	962,916
Effect of AASB 16: Leases	3d)	-	(70,493)	(70,493)
Restated balance at 1 July 2019		898,316	(5,893)	892,423
Total comprehensive income for the year		-	46,317	46,317
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(37,507)	(37,507)
Balance at 30 June 2020		898,316	2,917	901,233

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		849,563	769,099
Payments to suppliers and employees		(686,356)	(700,738)
Interest received		11,745	14,679
Lease payments (interest component)	11b)	(24,674)	-
Lease payments not included in the measurement of lease liabilities	11d)	(15,037)	-
Income taxes paid		(17,490)	(665)
Net cash provided by operating activities	25	117,751	82,375
Cash flows from investing activities			
Payments for property, plant and equipment		-	(3,371)
Payments for intangible assets		(13,184)	-
Net cash used in investing activities		(13,184)	(3,371)
Cash flows from financing activities			
Lease payments (principal component)	20a)	(16,002)	-
Dividends paid	29a)	(37,507)	(93,767)
Net cash used in financing activities		(53,509)	(93,767)
Net cash increase/(decrease) in cash held		51,058	(14,763)
Cash and cash equivalents at the beginning of the financial year		716,236	730,999
Cash and cash equivalents at the end of the financial year	13a)	767,294	716,236

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 Belfast Community Enterprises 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
32a Bank Street Port Fairy VIC 3284	32a Bank Street Port Fairy VIC 3284

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 28.

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 18 September 2020.

Note 3. Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

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

Leases classified as operating leases under AASB 117

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

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 that the company:

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

c) As a lessor

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

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.

	Note	1 July 2019 \$
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	16b)	437,355
Deferred tax asset	18b)	26,739
Liability		
Lease liabilities	20a)	(522,334)
Provision for make-good	21b)	(12,253)
Equity		
Retained earnings		(70,493)

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%.

Notes to the financial statements (continued)

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

d) Impact on financial statements (continued)

	1 July 2019 \$
Lease liabilities reconciliation on transition	
Operating lease disclosure as at June 2019	202,874
Add: additional options now expected to be exercised	548,389
Less: present value discounting	(228,929)
Lease liability as at 1 July 2019	522,334

Note 4. Summary of significant accounting policies

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

a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Commission (continued)

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

Fee income

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

Core banking products

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

Ability to change financial return

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

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

b) Other revenue

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

Revenue stream	Revenue recognition policy
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.

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

b) Other revenue (continued)

Cash flow boost (continued)

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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.

Short-term employee benefits (continued)

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.

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

d) Employee benefits (continued)

Defined superannuation contribution plans (continued)

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

Other long-term employee benefits

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

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

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

e) Taxes

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

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.

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line and diminishing value	6.5 to 40 years
Plant and equipment	Straight-line and diminishing value	1 to 40 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. The company has also acquired a customer list from Bendigo Bank.

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

Asset class	Method	Useful life
Franchise establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled customer accounts	Straight-line	8 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 or one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, leases.

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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.

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

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

ECLs are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received.

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

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, ATM installed at the branch, and incidental damage caused from the removal of assets.

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonably 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.

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 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.

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) 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:

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - 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:

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 11a) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6. Financial risk management

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

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

Notes to the financial statements (continued)

Note 6. Financial risk management (continued)

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

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

a) Credit risk

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

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

b) Liquidity risk

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

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

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

30 June 2020 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	506,332	41,896	180,538	488,153
Trade payables	474	474	-	-
	506,806	42,370	180,538	488,153

30 June 2019

No non-derivative financial liabilities

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets 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 \$767,294 at 30 June 2020 (2019: \$716,236). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Notes to the financial statements (continued)

Note 7. Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 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.

	2020 \$	2019 \$
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	715,466	675,898
	715,466	675,898
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	569,231	540,594
- Fee income	44,215	38,871
- Commission income	102,020	96,433
	715,466	675,898

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

Note 9. Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor and the cash flow boost from the Australian Government.

	2020 \$	2019 \$
Other revenue		
Revenue:		
- Market development fund income	25,000	25,000
- Cash flow boost	41,005	-
- Other income	288	-
	66,293	25,000

Notes to the financial statements (continued)

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.

	2020 \$	2019 \$
Finance income		
At amortised cost:		
- Term deposits	8,771	15,016
	8,771	15,016

Note 11. Expenses

	Note	2020 \$	2019 \$
a) Depreciation and amortisation expense			
Depreciation of non-current assets:			
- Leasehold improvements		7,898	8,533
- Plant and equipment		2,230	2,474
		10,128	11,007
Depreciation of right-of-use assets			
- Leased land and buildings		29,320	-
		29,320	-
Amortisation of intangible assets:			
- Franchise fee		2,197	1,833
- Franchise renewal process fee		10,987	18,334
- Domiciled customer accounts		7,192	-
		20,376	20,167
Total depreciation and amortisation expense		59,824	31,174

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

b) Finance costs

Finance costs:			
- Lease interest expense	20a)	24,674	-
- Unwinding of make-good provision		600	-
		25,274	-

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

c) Employee benefit expenses

Wages and salaries	306,670	319,596
Contributions to defined contribution plans	27,476	28,482
Expenses related to long service leave	2,869	349
Other expenses	77,920	42,507
	414,935	390,934

Notes to the financial statements (continued)

Note 11. Expenses (continued)

	2020	2019
	\$	\$
d) Recognition exemption		
The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.		
Expenses relating to low-value leases	15,037	-
	15,037	-

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

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

Note 12. Income tax expense

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

	2020	2019
	\$	\$
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Current tax	14,886	17,605
- Movement in deferred tax	(35,940)	(1,475)
- Adjustment to deferred tax on AASB 16 retrospective application	26,739	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	2,072	-
	7,757	16,130

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 \$2,072 related to the remeasurement of deferred tax assets and liabilities of the company.

	2020	2019
	\$	\$
b) Prima facie income tax reconciliation		
Operating profit before taxation	54,074	58,541
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	14,870	16,099
Tax effect of:		
- Non-deductible expenses	2,090	22
- Temporary differences	9,202	1,484
- Other assessable income	(11,276)	-
- Movement in deferred tax	(35,940)	(1,475)
- Leases initial recognition	26,739	-
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	2,072	-
	7,757	16,130

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.

Notes to the financial statements (continued)

Note 13. Cash and cash equivalents (continued)

	2020	2019
	\$	\$
a) Cash and cash equivalents (continued)		
- Cash at bank and on hand	32,294	6,236
- Term deposits	735,000	710,000
	767,294	716,236

Note 14. Trade and other receivables

	2020	2019
	\$	\$
a) Current assets		
Trade receivables	43,784	45,737
Prepayments	6,965	6,417
Other receivables and accruals	8,076	2,974
	58,825	55,128

Note 15. Property, plant and equipment

	2020	2019
	\$	\$
a) Carrying amounts		
Leasehold improvements		
At cost	213,795	213,795
Less: accumulated depreciation	(59,036)	(51,138)
	154,759	162,657
Plant and equipment		
At cost	32,637	32,637
Less: accumulated depreciation	(18,023)	(15,793)
	14,614	16,844
Total written down amount	169,373	179,501

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

Leasehold improvements		
Carrying amount at beginning	162,657	171,190
Depreciation	(7,898)	(8,533)
Carrying amount at end	154,759	162,657
Plant and equipment		
Carrying amount at beginning	16,844	15,947
Additions	-	3,371
Depreciation	(2,230)	(2,474)
Carrying amount at end	14,614	16,844
Total written down amount	169,373	179,501

Notes to the financial statements (continued)

Note 15. Property, plant and equipment (continued)

c) Changes in estimates

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

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

Note 16. Right-of-use assets

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

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

	Note	2020 \$	2019 \$
a) Carrying amounts			
Leased land and buildings			
At cost		586,398	-
Less: accumulated depreciation		(178,363)	-
Total written down amount		408,035	-
b) Reconciliation of carrying amounts			
Leased land and buildings			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	586,398	-
Accumulated depreciation on adoption	3d)	(149,043)	-
Depreciation		(29,320)	-
Total written down amount		408,035	-

Note 17. Intangible assets

	2020 \$	2019 \$
a) Carrying amounts		
Franchise fee		
At cost	20,987	20,987
Less: accumulated amortisation	(12,197)	(10,000)
	8,790	10,987
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise renewal process fee		
At cost	54,932	54,932
Less: accumulated amortisation	(10,987)	-
	43,945	54,932
Domiciled customer accounts		
At cost	57,540	57,540
Less: accumulated amortisation	(7,192)	-
	50,348	57,540
Total written down amount	103,083	123,459

Notes to the financial statements (continued)

Note 17. Intangible assets (continued)

	2020 \$	2019 \$
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	10,987	1,833
Additions	-	10,987
Amortisation	(2,197)	(1,833)
Carrying amount at end	8,790	10,987
Franchise renewal process fee		
Carrying amount at beginning	54,932	18,334
Additions	-	54,932
Amortisation	(10,987)	(18,334)
Carrying amount at end	43,945	54,932
Domiciled customer accounts		
Carrying amount at beginning	57,540	57,540
Amortisation	(7,192)	-
Carrying amount at end	50,348	57,540
Total written down amount	103,083	123,459

c) Changes in estimates

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

The company has determined the intangible asset has a finite useful life from 1 July 2019 of 8 years.

The financial effect of the reassessment, assuming the assets are held until the end of their revised useful lives and no other impairment indicators are present, on actual and expected amortisation expense was as follows:

	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$
Profit or loss					
Expense:					
- Amortisation expense	7,192	7,192	7,192	7,192	7,192

Note 18. Tax assets and liabilities

	2020 \$	2019 \$
a) Current tax		
Income tax payable	2,829	5,433

b) Deferred tax

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

	30 June 2019 \$	Recognised in profit or loss \$	Recognised in equity \$	30 June 2020 \$
Deferred tax assets				
· expense accruals	798	(798)	-	-
· employee provisions	3,959	4,875	-	8,834
· make-good provision	-	(28)	3,370	3,342
· lease liability	-	(11,996)	143,642	131,646
Total deferred tax assets	4,757	(7,946)	147,011	143,822

Notes to the financial statements (continued)

Note 18. Tax assets and liabilities (continued)

b) Deferred tax (continued)

	30 June 2019 \$	Recognised in profit or loss \$	Recognised in equity \$	30 June 2020 \$
Deferred tax liabilities				
· income accruals	819	(819)	-	-
· deductible prepayments	1,765	46	-	1,811
· property, plant and equipment	134	(120)	-	14
· right-of-use assets	-	(14,184)	120,273	106,089
Total deferred tax liabilities	2,718	(15,077)	120,273	107,914
Net deferred tax assets (liabilities)	2,039	7,130	26,739	35,908

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

	30 June 2018 \$	Recognised in profit or loss \$	Recognised in equity \$	30 June 2019 \$
Deferred tax assets				
· expense accruals	770	28	-	798
· employee provisions	2,064	1,895	-	3,959
Total deferred tax assets	2,834	1,923	-	4,757
Deferred tax liabilities				
· income accruals	726	93	-	819
· deductible prepayments	1,544	221	-	1,765
· property, plant and equipment	-	134	-	134
Total deferred tax liabilities	2,270	448	-	2,718
Net deferred tax assets (liabilities)	564	1,475	-	2,039

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 19. 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.

	2020 \$	2019 \$
a) Current liabilities		
Trade creditors	474	-
Other creditors and accruals	55,814	50,112
	56,288	50,112
b) Non-current liabilities		
Other creditors and accruals	29,004	43,507
	29,004	43,507

Notes to the financial statements (continued)

Note 20. 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

The company's lease portfolio includes:

- Port Fairy Branch

The lease agreement is a non-cancellable lease with an initial term of five years which commenced in June 2014. An extension option term of five years was exercised in June 2019. The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term.

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.

	Note	2020 \$	2019 \$
Lease liabilities on transition			
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	522,334	-
Lease payments - interest		24,674	-
Lease payments		(40,676)	-
		506,332	-
b) Current lease liabilities			
Property lease liabilities		41,896	-
Unexpired interest		(23,863)	-
		18,033	-
c) Non-current lease liabilities			
Property lease liabilities		668,691	-
Unexpired interest		(180,392)	-
		488,299	-
d) Maturity analysis			
- Not later than 12 months		41,896	-
- Between 12 months and 5 years		180,538	-
- Greater than 5 years		488,153	-
Total undiscounted lease payments		710,587	-
Unexpired interest		(204,255)	-
Present value of lease liabilities		506,332	-

Notes to the financial statements (continued)

Note 20. Lease liabilities (continued)

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of \$10,091.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
· Occupancy and associated costs	40,676	(40,676)	-
· Depreciation and amortisation expense	-	29,320	29,320
· Finance costs	-	25,274	25,274
Increase in expenses - before tax	40,676	13,918	54,594
· Income tax expense / (credit) - current	(11,186)	11,186	-
· Income tax expense / (credit) - deferred	-	(15,013)	(15,013)
Increase in expenses - after tax	29,490	10,091	39,581

Note 21 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.

	2020 \$	2019 \$
a) Non-current liabilities		
Make-good on leased premises	12,854	-
	12,854	-

b) Make-good provision

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

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

	Note	2020 \$	2019 \$
Provision			
Face-value of make-good costs recognised	3d)	25,000	-
Present value discounting	3d)	(12,746)	-
Present value unwinding		600	-
		12,854	-

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.

Notes to the financial statements (continued)

Note 21 Provisions (continued)

c) Changes in estimates (continued)

The lease is due to expire on 31 May 2034 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:

	2020	2021	2022	2023	2024+
Profit or loss					
Expense:					
- Finance costs	600	629	660	692	10,165
Liability:					
- Make-good provision	12,854	13,483	14,143	14,835	25,000

Note 22. Employee benefits

	2020 \$	2019 \$
a) Current liabilities		
Provision for annual leave	30,225	13,511
	30,225	13,511
b) Non-current liabilities		
Provision for long service leave	3,753	884
	3,753	884

c) Key judgement and assumptions

Employee attrition rates

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

Note 23. Issued capital

a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	937,667	937,667	937,667	937,667
Less: equity raising costs	-	(39,351)	-	(39,351)
	937,667	898,316	937,667	898,316

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.

Notes to the financial statements (continued)

Note 23. Issued capital (continued)

b) Rights attached to issued capital (continued)

Ordinary shares (continued)

Voting rights (continued)

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 248. As at the date of this report, the company had 276 shareholders (2019: 277 shareholders).

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

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

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.

Notes to the financial statements (continued)

Note 24. Retained earnings

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		64,600	115,956
Adjustment for transition to AASB 16	3d)	(70,493)	-
Net profit after tax from ordinary activities		46,317	42,411
Dividends provided for or paid	29a)	(37,507)	(93,767)
Balance at end of reporting period		2,917	64,600

Note 25. Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	46,317	42,411
Adjustments for:		
- Depreciation	39,448	11,007
- Amortisation	20,376	20,167
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(3,697)	5,886
- (Increase)/decrease in other assets	(7,130)	10,032
- Increase/(decrease) in trade and other payables	4,858	(19,452)
- Increase/(decrease) in employee benefits	19,583	6,891
- Increase/(decrease) in provisions	600	-
- Increase/(decrease) in tax liabilities	(2,604)	5,433
Net cash flows provided by operating activities	117,751	82,375

Note 26. Financial instruments

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

	Note	2020 \$	2019 \$
Financial assets			
Trade and other receivables	14	51,860	48,711
Cash and cash equivalents	13	32,294	6,236
Term deposits	13	735,000	710,000
		819,154	764,947
Financial liabilities			
Trade and other payables	19	474	-
Lease liabilities	20	506,332	-
		506,806	-

Notes to the financial statements (continued)

Note 27. Auditor's remuneration

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

	2020 \$	2019 \$
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	4,600
Non audit services		
- General advisory services	2,210	1,830
- Share registry services	2,443	1,370
	4,653	3,200
Total auditor's remuneration	9,453	7,800

Note 28. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Ralph David Leutton	Nicole Louise Dwyer	Peter John Langley
John Julian Rahilly	Margaret Donne Leutton	Thomas Newton
Damian John Gleeson	Diana Jane Officer	Richard Nicholas Abbott

b) Key management personnel compensation

No director of the company receives remuneration for services as a company director or committee member. There are no executives within the company whose remuneration is required to be disclosed.

c) Related party transactions

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

Note 29. Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Fully franked dividend	4.00	37,507	10.00	93,767
Total dividends paid during the financial year	4.00	37,507	10.00	93,767

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

Notes to the financial statements (continued)

Note 29. Dividends provided for or paid (continued)

	2020 \$	2019 \$
b) Franking account balance		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	37,607	77,128
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded) 16,019		16,115
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	1,376	(15,354)
- Franking debits from the payment of franked distributions	(14,227)	(40,186)
Franking account balance at the end of the financial year	40,871	37,607
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	2,829	5,433
Franking credits available for future reporting periods	43,700	43,040

Note 30. 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	46,317	42,411

	Number	Number
Weighted-average number of ordinary shares	937,667	937,667

	Cents	Cents
Basic and diluted earnings per share	4.94	4.52

Note 31. 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 20).

	2020 \$	2019 \$
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	40,575
- between 12 months and 5 years	-	162,299
Minimum lease payments payable	-	202,874

Notes to the financial statements (continued)

Note 31. Commitments (continued)

b) Other commitments

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

Note 32. Contingencies

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

Note 33. Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

Directors' declaration

In accordance with a resolution of the directors of Belfast Community Enterprises 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.



**Ralph David Leutton,
Chairman**

Dated this 18th day of September 2020

Independent audit report



Chartered Accountants

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PO Box 454, Bendigo 3552
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Independent auditor's report to the members of Belfast Community Enterprises Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Belfast Community Enterprises Limited, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2020 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

Belfast Community Enterprises Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 18 September 2020

Joshua Griffin
Lead Auditor

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