Annual Report 2020

Break O'Day Community Financial Services Limited

Community Bank
St Helens/St Marys

ABN 63 614 142 853

Contents

Chair's report

For year ending 30 June 2020

On 8 February this year our Community Bank St Helens/St Marys celebrated it's second birthday and in March we were hit with the COVID-19 pandemic. Interesting times indeed!

As always, our most capable staff rose to the occasion and continued to provide a welcoming and professional service to our community. Relative to most of the world, Tasmania has been blessed during the pandemic, due in no small part to strong controls implemented by our State Government. Nonetheless, many small businesses, community and sporting organisations, families and individuals have struggled during this period and, when able to, Community Bank St Helens/St Marys seeks to support them at every opportunity. For example, our Autumn grant round was cancelled after we received advice that many in the Break O'Day community were struggling to put food on their tables. The grant funds were distributed to provide emergency food and medical relief throughout our region via Anglicare and the St Helens and Fingal Neighbourhood Houses.

"We are bigger than a Bank."

The 2019 Chair's report mentioned that our Board had entered into a resource sharing arrangement with Freycinet Coast Community Financial Serviced Limited. It is pleasing to report that this arrangement continues to develop and is providing an enhanced service delivery model for the East Coast and hinterland region. This will help to strengthen our communities and to enhance the financial viability of Break O'Day Community Financial Services Limited and Freycinet Coast Financial Services. The following Regional Manager's report further elaborates on the new staffing arrangements.

Irrespective of the COVID-19 crisis our business continues to grow and our business on the books currently stand at $46.6 million. As a result of the resource sharing agreement and the appointment of Mrs Lisa Dean-Hyam as a dedicated lender, our lending capability will be greatly enhanced and benefits seen in the very near future."
The recent leap in business and development in the St Helens region, as an immediate result of the opening of the local mountain bike trails, has led to a resurgence in residential property sales and the relocation of new people to the region. This bears well for the future. Based on our current financial position there is little prospect of paying a dividend in the 2020/21 financial year however a 2021/22 dividend appears to be realistic.

Our Board dynamic has changed with the resignation of Lynne Fitzgerald and the appointment to the Board of Tyler Birch and Garry Pannan. Lynne was a dedicated and hard-working Board member and her contribution to the Board was greatly appreciated. Tyler adds a much-needed younger profile to the Board and Garry's business acumen is welcomed.

Our inaugural Branch Manager, Sheree Archer, has left us to try her hand at new ventures. Our Board, staff and shareholders owe Sheree a debt of gratitude for the absolute dedication and commitment she displayed in her time with us. Sheree fully grasped the concept of the Community Bank model and was always prominent at community events. She will be missed by many in our community.

Also in the 2019 Chair's report it was reported that there was an expectation that our Community Bank St Helens/St Marys would open an agency at the St Marys Newsagency in November 2019. This did not occur due to the Newsagency owners changing their operations such that it would no longer be conducive to a bank agency.
No further action on a St Marys Agency has taken place as there does not appear to be a suitable premises in the town. However, this remains a work in progress.

Our Board members and staff continue to work collaboratively with the Bendigo and Adelaide Bank Limited team and we would especially like to thank our Regional Manager Jordan Lovell for his support and advice.

I thank all of our staff and my fellow Board members for their dedication and good work.

Lastly, I would like to acknowledge our shareholders and express the Board members' gratitude for providing us with the opportunity to play our part in making our community a better place to live. Of course shareholders expect a financial reward for their contribution and we strive to ensure that this is forthcoming in the near future. However, I remind all of our shareholders that this is your community and your bank and, in order for us all to prosper, it is imperative that we secure all of your banking business.

"The more of your banking you have with us, the more you are supporting your community."

Andrew MacGregor
Chair

Regional Manager's report

For year ending 30 June 2020

The 2019/20 financial year will go on record as one of the most unique of our lifetimes. No one would have predicted the circumstances we now find ourselves in, and some of the changes to our lifestyle we have come to accept. Fortunately, at the time of writing, we as Tasmanians appear to be experiencing some of best conditions the world over. There are certainly worse places to be contained to than Tasmania, with that especially true of the St Helens and St Marys area.

For Community Bank St Helens/St Marys, we have continued to grow our business despite these conditions and have proved to be quite resilient to the pandemic. We have grown our funds under management by over $7 million (15% growth) through the year, with a strong mix of lending and deposits. We continue to close in on profitability, and an increased ability to support our community. Whilst we have been resilient to local impacts from COVID-19, broader economic impacts have had some impact on our revenues which we will work hard to restore in the 2020/21 financial year.

We have, however, bid farewell to our inaugural Branch Manager, Sheree Archer, who resigned in early July. We thank her very much for her tireless service of our branch and community in her time. Sheree was a very committed Branch Manager and we have been fortunate to have had her commitment to the role, and we wish her very well with her future endeavours.

Independent of COVID-19, the banking and finance industry is changing rapidly, and we have tried to maintain our adaptability locally and respond to those changes to ensure we are in place to best support our customers and local community. We have moved to a new, exciting structure to better support our customers and community by adding to our team and specialising roles. We are very excited to have Suzanne Turner as our new Branch Manager. Suzanne has been Branch Manager of Community Bank Swansea and Bicheno for 18 months and has been a very successful leader of those businesses. Suzanne will continue to manage both Swansea and Bicheno branches, as well as St Helens/St Marys. We are excited to see the impact her leadership and customer focus will have for our business and customers.

We have also appointed Lisa Dean-Hyam to a Customer Relationship Manager role between St Helens and Bicheno. Lisa comes to us after an excellent career with another financial institution and brings a wealth of home lending experience to the role. Lisa looks forward to supporting new and existing customers to purchase their next home, investment property or to review their existing loans.

Our branch team, Tom, Pam and Lily, have enjoyed another year of supporting our customers in branch, and have continued to grow their abilities to help with a wide range of products and enquiries. They have done a particularly good job to maintain their high standards throughout the pandemic, and through the change of leadership.

Bendigo and Adelaide Bank Limited continues to enjoy the partnership with Break O'Day Community Financial Services Limited. The Board have put in another outstanding year of service to their community. Their willingness to embrace change to better support our customers and community is commendable and will ensure that the business is sustainable and successful long into the future. We also thank our shareholders, who have made this all possible. We look forward to delivering a return to the community from your investment soon.

Last, but certainly not least, we thank our customers for their support in 2019/20. Your banking with us will allow us to continue to invest in your community. We continue to see the benefits community banking can deliver, with our community investment in Tasmania now exceeding $6 million over the last 15 years.

We look forward to a successful financial year for Community Bank St Helens/St Marys and all the exciting opportunities we will have to support our customers and community.

Jordan Lovell
Regional Manager Tasmania, Bendigo Bank

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

Mark Cunneen
Head of Community Support, Bendigo and Adelaide Bank

Directors' report

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

Directors

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

Andrew Donald MacGregor
Chairman
Occupation: Retired Surveyor
Qualifications, experience and expertise: Experienced throughout Tasmania as a Registered Land Surveyor, Certified Practising Planner, Property Development Consultant and Project Facilitator. Andrew has served as local government Councillor and Warden, as well as Director of several private companies. As a Life Member of St Helens and Districts Chamber of Commerce, past Chair of the Break O'Day Business Enterprise Board, past Chair of Medea Park Residential Care and a Board Member of the Tasmanian Community Fund, Andrew is passionate about developing economic opportunity for all in our community and views the Community Bank branch as a key part of this process.
Special responsibilities: HR Committee, Property Committee
Interest in shares: 21,015 ordinary shares

David Edward Llewellyn
Deputy Chairman
Occupation: Viticulturist
Qualifications, experience and expertise: David is the Owner/Manager of Priory Ridge Wines, a successful business in St Helens. As a former politician for 28 years, he served more than 14 years as a Cabinet Minister in previous Tasmanian Governments and for some time held the position of Deputy Premier. David is a member of the Diocesan Board of Trustees for the Anglican Church in Tasmania and a former Chairman of Anglicare Tasmania. David has a 26 year background in electronic engineering as a senior Technical Officer and Operations Manager. In 2012 he was made a Member of the Order of Australia for services to the Tasmanian Parliament and to charity.
Special responsibilities: Deputy Chairman, Property Committee, Governance and Audit Committee
Interest in shares: 32,401 ordinary shares

Roger William Harrison Harlow
Non-executive director
Occupation: Retired Teacher and Scientist
Qualifications, experience and expertise: Roger trained as a medical research scientist in Adelaide and Hobart, moving to St Helens to teach mathematics and science. He has served as Municipal Treasurer, Chair and Treasurer of Healthy House as well as Director of Medea Park Assoc. and Orienteering Tasmania. Secretary of a local company for 31 years. Roger has a strong commitment to Break O'Day and its future. He sees the Community Bank as a key factor in growing community confidence and
Special responsibilities: Treasurer, HR Committee, Marketing and Finance Committee
Interest in shares: 4,272 ordinary shares

Christopher Frederick Triebe
Non-executive director
Occupation: Local Government – Municipal Town Planner / Self employed
Qualifications, experience and expertise: After a career in the RAAF, Chris managed a sailing holiday business in Greece and on return to Australia, gained a Bachelor of Business (Hons) at Australian Maritime College, specialising in Customer Relationship Management in Australian Seaports. At Break O'Day Council he completed a Grad.Dip. in Urban and Environmental Planning. Over the past 10 years, Chis has been the local Officer in Charge of the Australian Electoral Commission, a member of RSLA and the RAAF Association. A previous volunteer of the St Helens Fire Brigade, Chris is also a keen member of the St Helens Golf Club and previous Secretary. His energy and enthusiasm for the Community Bank model make Chris a valued Board member.
Special responsibilities: Secretary, Governance and Audit Committee, Marketing and Sponsorship Committee
Interest in shares: 4,151 ordinary shares

Directors *(continued)*

Sandra Maree Lohrey
Non-executive director
Occupation: Retail Assistant
Qualifications, experience and expertise: Sandra was born and raised in St Helens and is now employed here in the retail sector. She has experience as a small business operator in her role as a Nutrimetics sales consultant. As Team Captain and participant in the Cancer Council's Relay for Life. Sandra is a capable organiser. She has coordinated the work of the Steering Committee as Secretary and her extensive local connections and relationships are strong assets in the Board's community development for the Bank.
Special responsibilities: HR Committee, Launch Committee
Interest in shares: 2,501 ordinary shares

Annette Elizabeth Maney
Non-executive director
Occupation: Small business owner
Qualifications, experience and expertise: Annette's deep understanding of the banking sector came through roles in retail banking for two different major banks, customer service and branch administration, staff supervision and training, as well as regional management. She has developed product promotion and sales skills developed through her successful retail business, featuring international mail order. Annette brings good communication and negotiation skills to the Board and sees the Community Bank as a great vehicle to both serve and develop the community.
Special responsibilities: HR Committee, Marketing and Sponsorship Committee, Launch Committee
Interest in shares: 5,203 ordinary shares

Stephen John Walley
Non-executive director
Occupation: Educational Consultant
Qualifications, experience and expertise: A distinguished teaching career saw Stephen achieve Principalship of St Helens, St Marys and Prospect High Schools. He currently offers Educational Leadership and Coaching as a private consultant. Stephen continues to support young people and his community commitment shines in his Life Membership of St Helens Football Club and continuing involvement in a range of other community committees. Building community connections is a key success factor for the Community Bank and the Board values Stephen's extensive skills in this area.
Special responsibilities: HR Committee, Marketing and Sponsorship Committee
Interest in shares: 5,001 ordinary shares

Garry Colin Pannan
Non-executive director (appointed 24 February 2020)
Occupation: Small Business Owner
Qualifications, experience and expertise: Garry has owned and operated businesses for the last 20 years and currently employs six staff. Garry brings to the Board a background in sales, marketing, bookkeeping and running small businesses. On the Board of Break O'Day Chamber of commerce and former Board member of East Coast Tourism.
Special responsibilities: Marketing Committee
Interest in shares: 5,000 ordinary shares

Tyler Owen Birch
Non-executive director (appointed 24 February 2020)
Occupation: Project Officer/Gardener
Qualifications, experience and expertise: Core experience in Community Development, primarily through employment with St Helens Neighbourhood House under the THRIVE Community Garden Project. Further experience in Community Development holding the ex offico position of 'Youth Representative' on the Neighbourhood Houses Tasmania Board 2018 - 2020.
Qualifications include: 2 x Certificate IV - Small Business Management & Human Resources. Management & Leadership Certificate IV - currently being undertaken along with Tasmanian Emerging Community Leaders Program 2020 (postponed to 2021).
Voluntary roles include one on one student mentoring at St Helens District High School in addition to mathematics tutoring at the St Helens Trade Training centre for year 11/12 students.
Special responsibilities: Marketing Committee
Interest in shares: nil share interest held

Directors *(continued)*

Lynne West Fitzgerald
Non-executive director (resigned 28 October 2019)
Occupation: Retired
Qualifications, experience and expertise: Consultant, Hunt & Fitzgerald 2013-2015, providing services to businesses and not-for-profit organisations; Director Strategy and Research, Tasmanian Department of Economic Development, Tourism and the Arts, 2004-2012; Responsibilities included the development and implementation of the government's Labour market programs and the preparation of its Economic Development Plan. Secretary, Unions Tasmania, 1995-2004. Community work has included: Adult Literacy Volunteer Tutor, Hobart Community Legal Service Board member and Meals on Wheels volunteer driver. Bachelor of Education degree from the University of Tasmania and a Certificate of Superannuation Trusteeship
Special responsibilities: Governance and Audit Committee
Interest in shares: 400 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 Christopher Triebe. Chris was appointed to the position of secretary on 9 August 2016.

Qualifications, experience and expertise: After a career in the RAAF, Chris managed a sailing holiday business in Greece and on return to Australia, gained a Bachelor of Business (Hons) at Australian Maritime College, specialising in Customer Relationship Management in Australian Seaports. At Break O'Day Council he completed a Grad.Dip. in Urban and Environmental Planning. Over the past 10 years, Chis has been the local Officer in Charge of the Australian Electoral Commission, a member of RSLA and the RAAF Association. A previous volunteer of the St Helens Fire Brigade, Chris is also a keen member of the St Helens Golf Club and previous Secretary. His energy and enthusiasm for the Community Bank model make Chris a valued Board member.

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

Year ended 30 June 2020 $	Year ended 30 June 2019 $
(97,451)	(137,741)

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Andrew Donald MacGregor	21,015	-	21,015
David Edward Llewellyn	32,401	-	32,401
Roger William Harrison Harlow	4,272	-	4,272
Christopher Frederick Triebe	4,151	-	4,151
Sandra Maree Lohrey	2,501	-	2,501
Annette Elizabeth Maney	5,203	-	5,203
Stephen John Walley	5,001	-	5,001
Garry Colin Pannan	5,000	-	5,000
Tyler Owen Birch	-	-	-
Lynne West Fitzgerald	400	-	400

Dividends

No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be paid in the current financial year.

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

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					
			Sponsorship & Marketing		Governance & Strategy		Marketing	
	E	A	E	A	E	A	E	A
Andrew Donald MacGregor	12	11	-	-	-	-	-	-
David Edward Llewellyn	12	11	-	-	1	1	-	-
Roger William Harrison Harlow	12	12	-	-	-	-	-	-
Christopher Frederick Triebe	12	11	11	10	1	1	6	6
Sandra Maree Lohrey	12	11	-	-	-	-	-	-
Annette Elizabeth Maney	12	11	11	10	-	-	2	2
Stephen John Walley	12	9	11	8	-	-	-	-
Lynne West Fitzgerald	4	4	4	4	1	1	-	-
Tyler Owen Birch	5	5	1	1	-	-	-	-
Garry Colin Pannan	5	5	3	3	-	-	-	-

E - eligible to attend
A - number attended

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 29 to the accounts.

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

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the directors at St Helens, Tasmania.

Andrew Donald MacGregor, Chairman

Dated this 14th day of September 2020

Auditor's independence declaration

Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Break O'Day Community Financial Services Ltd

As lead auditor for the audit of Break O'Day Community Financial Services Ltd 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: 14 September 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	240,003	195,312
Other revenue	9	80,256	52,448
Finance income	10	1,537	3,286
Employee benefit expenses	11c)	(235,167)	(231,328)
Charitable donations, sponsorship, advertising and promotion		(36,476)	(29,695)
Occupancy and associated costs		(12,125)	(42,974)
Systems costs		(18,432)	(18,016)
Depreciation and amortisation expense	11a)	(68,219)	(43,576)
Finance costs	11b)	(13,581)	(8)
General administration expenses		(65,398)	(69,860)
Loss before income tax credit		(127,602)	(184,411)
Income tax credit	12a)	30,151	46,670
Loss after income tax credit		(97,451)	(137,741)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(97,451)	(137,741)
Earnings per share		¢	¢
- Basic and diluted loss per share:	31a)	(12.81)	(18.10)

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	61,372	155,643
Trade and other receivables	15a)	33,437	29,086
Total current assets		94,809	184,729
Non-current assets			
Investment property	14a)	31,905	-
Property, plant and equipment	16a)	169,712	199,153
Right-of-use assets	17a)	255,353	-
Intangible assets	18a)	73,692	99,906
Deferred tax asset	19a)	119,281	81,806
Total non-current assets		649,943	380,865
Total assets		744,752	565,594
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	28,244	41,745
Loans and borrowings	21a)	10	2,820
Lease liabilities	22b)	21,447	-
Employee benefits	24a)	18,592	14,972
Total current liabilities		68,293	59,537
Non-current liabilities			
Loans and borrowings	21b)	-	13,482
Lease liabilities	22c)	297,359	-
Employee benefits	24b)	970	545
Provisions	23a)	2,856	-
Total non-current liabilities		301,185	14,027
Total liabilities		369,478	73,564
Net assets		375,274	492,030
EQUITY			
Issued capital	25a)	724,372	724,372
Accumulated losses	26	(349,098)	(232,342)
Total equity		375,274	492,030

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		724,372	(94,601)	629,771
Total comprehensive income for the year		-	(137,741)	(137,741)
Balance at 30 June 2019		**724,372**	**(232,342)**	**492,030**
Balance at 1 July 2019		724,372	(232,342)	492,030
Effect of AASB 16: Leases	3d)	-	(19,305)	(19,305)
Restated balance at 1 July 2019		724,372	(251,647)	472,725
Total comprehensive income for the year		-	(97,451)	(97,451)
Balance at 30 June 2020		**724,372**	**(349,098)**	**375,274**

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		343,965	293,129
Payments to suppliers and employees		(399,327)	(418,486)
Interest received		1,537	3,286
Interest paid		-	(8)
Lease payments (interest component)	11b)	(13,456)	-
Lease payments not included in the measurement of lease liabilities	11d)	(5,787)	-
Net cash used in operating activities	27	(73,068)	(122,079)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,239)	(1,838)
Net cash used in investing activities		(2,239)	(1,838)
Cash flows from financing activities			
Repayment of loans and borrowings		-	(2,686)
Lease payments (principal component)	22a)	(18,964)	-
Net cash used in financing activities		(18,964)	(2,686)
Net cash decrease in cash held		(94,271)	(126,603)
Cash and cash equivalents at the beginning of the financial year		155,643	282,246
Cash and cash equivalents at the end of the financial year	13a)	61,372	155,643

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 Break O'Day Community Financial Services Ltd (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
48 Cecilia Street St Helens TAS 7216	48 Cecilia Street St Helens TAS 7216

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 30.

Note 2 Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 14 September 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

Leases classified as finance leases under AASB 117

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

c) As a lessor

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

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

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

d) Impact on financial statements

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

Impact on equity presented as increase (decrease)	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	17b)	218,350
Right-of-use assets - investment property	14b)	31,905
Deferred tax asset	19a)	7,323
Liability		
Lease liabilities	22a)	(274,152)
Provision for make-good	23b)	(2,731)
Equity		
Accumulated losses		(19,305)

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 4.46%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	96,800
Add: additional options now expected to be exercised	264,000
Add: variable market review / index based increase	5,223
Less: present value discounting	(91,871)
Lease liability as at 1 July 2019	274,152

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

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

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.

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

b) Other revenue *(continued)*

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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.

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

e) Taxes *(continued)*

Goods and Services Tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 15 years
Plant and equipment	Straight-line	2.5 to 15 years
Motor vehicles	Straight-line	5 years

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

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

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 an agency list from Bendigo Bank.

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost.

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 are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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)
Other intangible assets	Straight-line	5 years

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset 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, borrowings, leases, equity securities.

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.

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

i) Financial instruments *(continued)*

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.

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.

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

i) Financial instruments *(continued)*

Derecognition (continued)

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

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

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

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

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.

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.

<u>As a lessee</u>

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.

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

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

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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

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

As a lessor

At inception or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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

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

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

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessor *(continued)*

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

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

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

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

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

Policy applicable before 1 July 2019

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

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - 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.

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

m) Leases *(continued)*

Policy applicable before 1 July 2019 (continued)

As a lessor

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

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

n) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 22 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

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

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 8 - revenue recognition	estimate of expected returns;
- Note 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 11a) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 24 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 23 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

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

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

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

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

a) Credit risk

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

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

Note 6 Financial risk management *(continued)*

b) Liquidity risk

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

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

30 June 2020

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Unsecured loans	10	10	-	-
Lease liabilities	318,806	35,222	138,068	240,774
Trade payables	474	474	-	-
	319,290	35,706	138,068	240,774

30 June 2019

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Unsecured loans	10	10	-	-
Chattel Mortgage	16,292	2,810	-	-
Trade payables	621	621	-	-
	16,923	6,251	-	-

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 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 held cash and cash equivalents of $61,372 at 30 June 2020 (2019: $155,643). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2020 can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 8 Revenue from contracts with customers

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

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	240,003	195,312
	240,003	195,312
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	167,526	135,618
- Fee income	20,408	16,885
- Commission income	52,069	42,809
	240,003	195,312

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

Note 9 Other revenue

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

Other revenue	2020 $	2019 $
Revenue:		
- Rental income	9,273	12,448
- Market development fund income	40,000	40,000
- Cash flow boost	25,983	-
- Other income	5,000	-
	80,256	52,448

Note 10 Finance income

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

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

Finance income	2020 $	2019 $
At amortised cost:		
- Term deposits	1,537	3,286
	1,537	3,286

Note 11 Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	11,373	11,254
- Plant and equipment	6,717	6,348
- Motor vehicles	-	3,974
	18,090	21,576
Depreciation of right-of-use assets		
- Leased land and buildings	19,941	-
- Leased motor vehicles	3,974	-
	23,915	-
Amortisation of intangible assets:		
- Franchise fee	2,000	2,000
- Franchise establishment fee	20,000	20,000
- Other intangible assets	4,214	-
	26,214	22,000
Total depreciation and amortisation expense	68,219	43,576

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

Note 11 Expenses *(continued)*

b) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Bank loan interest paid or accrued		-	8
- Lease interest expense	22a)	12,794	-
- Unwinding of make-good provision		124	-
- MV interest		663	786
		13,581	794

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

c) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	206,255	203,020
Non-cash benefits	2,877	3,628
Contributions to defined contribution plans	18,643	18,537
Expenses related to long service leave	424	545
Other expenses	6,968	5,598
	235,167	231,328

d) Recognition exemption

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

	2020 $	2019 $
Expenses relating to low-value leases	5,787	-
	5,787	-

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

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

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss

	2020 $	2019 $
Current tax credit		
- Future income tax benefit attributable to losses	(30,467)	(52,441)
- Movement in deferred tax	(13,889)	5,771
- Adjustment to deferred tax on AASB 16 retrospective application	7,323	-
- Reduction in company tax rate	6,882	-
	(30,151)	(46,670)

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $6,882 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2020 $	2019 $
Operating loss before taxation	(127,602)	(184,411)
Prima facie tax on loss from ordinary activities at 27.5% (2019: 27.5%)	(35,091)	(50,713)
Tax effect of:		
- Non-deductible expenses	7,209	6,050
- Other deductible expenses	(2,006)	(2,007)
- Temporary differences	6,566	(5,771)
- Other assessable income	(7,145)	-
- Movement in deferred tax	(13,889)	5,771
- Leases initial recognition	7,323	-
- Reduction in company tax rate	6,882	-
	(30,151)	(46,670)

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

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

	2020 $	2019 $
- Cash at bank and on hand	61,372	54,889
- Term deposits	-	100,754
	61,372	155,643

Note 14 Investment property

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

a) Carrying amounts	2020 $	2019 $
Investment properties - sub-lease		
At cost	33,272	-
Less: accumulated depreciation	(1,367)	-
Total written down amount	31,905	-

b) Reconciliation of carrying amounts		
Investment properties - sub-lease		
Initial recognition on transition - at cost	33,272	-
Depreciation	(1,367)	-
Total written down amount	31,905	-

Note 15 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	21,861	17,232
Prepayments	9,778	9,965
Other receivables and accruals	1,798	1,889
	33,437	29,086

Note 16 Property, plant and equipment

a) Carrying amounts

	2020 $	2019 $
Leasehold improvements		
At cost	166,414	166,414
Less: accumulated depreciation	(25,661)	(14,288)
	140,753	152,126
Plant and equipment		
At cost	44,395	42,156
Less: accumulated depreciation	(15,436)	(8,719)
	28,959	33,437
Motor vehicles		
At cost	-	19,842
Less: accumulated depreciation	-	(6,252)
	-	13,590
Total written down amount	169,712	199,153

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

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leasehold improvements			
Carrying amount at beginning		152,126	161,542
Additions		-	1,838
Depreciation		(11,373)	(11,254)
Carrying amount at end		140,753	152,126
Plant and equipment			
Carrying amount at beginning		33,437	39,785
Additions		2,239	-
Depreciation		(6,717)	(6,348)
Carrying amount at end		28,959	33,437
Motor vehicles			
Carrying amount at beginning		13,590	17,564
Lease asset transferred out - at cost	17b)	(19,842)	-
Lease asset transferred out - accumulated depreciation	17b)	10,226	-
Depreciation		(3,974)	(3,974)
Carrying amount at end		-	13,590
Total written down amount		169,712	199,153

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

Note 16 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 17 Right-of-use assets

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

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

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

a) Carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
At cost		290,410	-
Less: accumulated depreciation		(44,673)	-
		245,737	-
Leased motor vehicles			
At cost		19,842	-
Less: accumulated depreciation		(10,226)	-
		9,616	-
Total written down amount		255,353	-

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
Initial recognition on transition	3d)	244,450	-
Accumulated depreciation on adoption	3d)	(26,100)	-
Remeasurement adjustments		47,328	-
Depreciation		(19,941)	-
Carrying amount at end		245,737	-
Leased motor vehicles			
Lease asset transferred in - at cost	16b)	19,842	-
Lease asset transferred in - accumulated depreciation	16b)	(6,252)	-
Depreciation		(3,974)	-
Carrying amount at end		9,616	-
Total written down amount		255,353	-

Note 18 Intangible assets

a) Carrying amounts

	2020 $	2019 $
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(4,833)	(2,833)
	5,167	7,167
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(48,333)	(28,333)
	51,667	71,667
Other intangible assets		
At cost	21,072	21,072
Less: accumulated amortisation	(4,214)	-
	16,858	21,072
Total written down amount	73,692	99,906

b) Reconciliation of carrying amounts

Franchise fee		
Carrying amount at beginning	7,167	9,167
Amortisation	(2,000)	(2,000)
Carrying amount at end	5,167	7,167
Franchise establishment fee		
Carrying amount at beginning	71,667	91,667
Amortisation	(20,000)	(20,000)
Carrying amount at end	51,667	71,667
Other intangible assets		
Carrying amount at beginning	21,072	21,072
Amortisation	(4,214)	-
Carrying amount at end	16,858	21,072
Total written down amount	73,692	99,906

c) Changes in estimates

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

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

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

Note 19 Tax assets and liabilities

a) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$
- expense accruals	798	(18)	-	780
- employee provisions	4,267	819	-	5,086
- make-good provision	-	(8)	751	743
- lease liability	-	3,993	75,392	79,385
- carried-forward tax losses	89,122	23,944	-	113,066
Total deferred tax assets	94,187	28,730	76,143	199,060
Deferred tax liabilities				
- property, plant and equipment	-	7,592	-	7,592
- right-of-use assets	-	3,367	68,820	72,187
- establishment fees	12,381	(12,381)	-	-
Total deferred tax liabilities	12,381	(1,422)	68,820	79,779
Net deferred tax assets (liabilities)	81,806	30,152	7,323	119,281

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	2,313	1,954	-	4,267
- carried-forward tax losses	36,682	52,440	-	89,122
Total deferred tax assets	39,765	54,422	-	94,187
Deferred tax liabilities				
- income accruals	336	(336)	-	-
- other	4,293	8,088	-	12,381
Total deferred tax liabilities	4,629	7,752	-	12,381
Net deferred tax assets (liabilities)	35,136	46,670	-	81,806

b) Uncertainty over income tax treatments

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

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

Note 20 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

a) Current liabilities

	2020 $	2019 $
Trade creditors	474	621
Other creditors and accruals	27,770	41,124
	28,244	41,745

Note 21 Loans and borrowings

a) Current liabilities

	2020 $	2019 $
Unsecured loans	10	10
Chattel mortgage	-	2,810
	10	2,820

b) Non-current liabilities

Chattel mortgage	-	13,482
	-	13,482

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

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Chattel mortgage	4.5%	2022	-	-	16,292	16,292

Note 22 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.46%.

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.

Note 22 Lease liabilities *(continued)*

Lease portfolio

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

The company's lease portfolio includes:

- St Helens Branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in February 2018. The lease has two further five year extension options available. The company is reasonably certain to exercise both five-year lease terms.
- Motor vehicle — The lease agreement is a non-cancellable term of five years.

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

a) Lease liability measurement

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

Lease liabilities on transition	Note	2020 $	2019 $
Balance at the beginning (finance lease liabilities)		16,292	-
Initial recognition on AASB 16 transition	3d)	274,152	-
Remeasurement adjustments		47,326	-
Lease payments - interest		13,456	-
Lease payments		(32,420)	-
		318,806	-

b) Current lease liabilities

Property lease liabilities	31,750	-
Unexpired interest	(13,242)	-
	18,508	-
Motor Vehicle lease liabilities	3,472	-
Unexpired interest	(533)	-
	2,939	-
	21,447	-

c) Non-current lease liabilities

Property lease liabilities	367,776	-
Unexpired interest	(80,960)	-
	286,816	-
Motor Vehicle lease liabilities	11,066	-
Unexpired interest	(523)	-
	10,543	-
	297,359	-

Note 22 Lease liabilities *(continued)*

d) Maturity analysis

	2020 $	2019 $
- Not later than 12 months	35,222	-
- Between 12 months and 5 years	138,068	-
- Greater than 5 years	240,774	-
Total undiscounted lease payments	414,064	-
Unexpired interest	(95,258)	-
Present value of lease liabilities	318,806	-

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 $2,836.

Profit or loss - increase (decrease) in expenses	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
- Occupancy and associated costs	28,948	(28,948)	-
- Depreciation and amortisation expense	-	19,941	19,941
- Finance costs	-	12,918	12,918
Increase in expenses - before tax	28,948	3,911	32,859
- Income tax expense / (credit) - current	(7,961)	7,961	-
- Income tax expense / (credit) - deferred	-	(9,036)	(9,036)
Increase in expenses - after tax	20,987	2,836	23,823

Note 23 Provisions

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

a) Non-current liabilities

	2020 $	2019 $
Make-good on leased premises	2,856	-
	2,856	-

Note 23 Provisions

b) Make-good provision

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

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

Provision	Note	2020 $	2019 $
Face-value of make-good costs recognised	3d)	5,000	-
Present value discounting	3d)	(2,268)	-
Present value unwinding		124	-
		2,856	-

c) Changes in estimates

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

The lease is due to expire on 31 January 2033 at which time it is expected the face-value costs to restore the premises will fall due.

Note 24 Employee benefits

a) Current liabilities	2020 $	2019 $
Provision for annual leave	18,592	14,972
	18,592	14,972

b) Non-current liabilities

Provision for long service leave	970	545
	970	545

c) Key judgement and assumptions

Employee attrition rates

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

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

Note 25 Issued capital

a) Issued capital

	2020 Number	2020 $	2019 Number	2019 $
Ordinary shares - fully paid	760,851	760,851	760,851	760,851
Less: equity raising costs	-	(36,479)	-	(36,479)
	760,851	724,372	760,851	724,372

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 257. As at the date of this report, the company had 285 shareholders (2019: 285 shareholders).

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

Note 25 Issued capital *(continued)*

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

Prohibited shareholding interest (continued)

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

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

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

Note 26 Accumulated losses

	Note	2020 $	2019 $
Balance at beginning of reporting period		(232,342)	(94,601)
Adjustment for transition to AASB 16	3d)	(19,305)	-
Net loss after tax from ordinary activities		(97,451)	(137,741)
Balance at end of reporting period		(349,098)	(232,342)

Note 27 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net loss after tax from ordinary activities	(97,451)	(137,741)
Adjustments for:		
- Depreciation	42,005	21,576
- Amortisation	26,214	22,000
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(4,351)	2,574
- (Increase)/decrease in other assets	(30,152)	(46,670)
- Increase/(decrease) in trade and other payables	(13,501)	9,076
- Increase/(decrease) in employee benefits	4,043	7,106
- Increase/(decrease) in provisions	125	-
Net cash flows used in operating activities	(73,068)	(122,079)

Note 28 Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	15	23,659	19,121
Cash and cash equivalents	13	61,372	54,889
Term deposits	13	-	100,754
		85,031	174,764
Financial liabilities			
Trade and other payables	20	474	621
Unsecured bank loans	21	10	10
Lease liabilities	22	318,806	-
		319,290	631

Note 29 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	4,600
Non audit services		
- Taxation advice and tax compliance services	1,300	1,985
- General advisory services	3,350	3,430
- Share registry services	1,900	1,885
	6,550	7,300
Total auditor's remuneration	11,350	11,900

Note 30 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Andrew Donald MacGregor
David Edward Llewellyn
Roger William Harrison Harlow
Christopher Frederick Triebe
Sandra Maree Lohrey
Annette Elizabeth Maney
Stephen John Walley
Lynne West Fitzgerald

Note 30 Related parties *(continued)*

b) Key management personnel compensation

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

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

c) Related party transactions

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

Community Bank Directors' Privileges Package

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

Note 31 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2020 $	2019 $
Loss attributable to ordinary shareholders	(97,451)	(137,741)
	Number	Number
Weighted-average number of ordinary shares	760,851	760,851
	Cents	Cents
Basic and diluted loss per share	(12.81)	(18.10)

a) 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 Break O'Day Community Financial Services Ltd, 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.

Andrew Donald MacGregor, Chairman

Dated this 14th day of September 2020

Independent audit report

Partners in success
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Independent auditor's report to the members of Break O'Day Community Financial Services Ltd

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Break O'Day Community Financial Services Ltd, 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
Break O'Day Community Financial Services Ltd's (the company) financial report comprises the:

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

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

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

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

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

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

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 14 September 2020

Joshua Griffin
Lead Auditor

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