

Annual Report 2020

Buninyong & District Financial
Services Limited

Community Bank Buninyong & District

ABN 63 137 673 388

Chairman's Report

For year ending 30 June 2020

The events of the past year across the country, with the devastating impacts of bushfires, floods, drought, and the Covid-19 pandemic have forcefully reshaped our understanding of our world and what matters most. It has propelled us to think, act and engage in ways never previously considered.

When the second half of the financial year moved into 2020, few of us would have predicted what was to come. It has been a year that could be described as many things given the health driven crisis of a pandemic. For most of us it has been the most challenging disruptive, personally confronting, isolating and history shaping period that we will ever see in our lifetimes.

With the Australian banking system deemed to be an "Essential Service", our bank focussed on delivering as much normality as it could behind masks, screens, and sanitizing solution. We closed for Saturday trading during lockdown but have returned to operating on Saturdays as we go to print.

A combination of an historically low cash rate, fiscal stimulus packages from all levels of Government and strong first-home buyer incentives has seen an enormous rise in the volume of business through our doors. In fact, the financial year just gone could best be described as one that started strong and finished strong despite the challenge of a pandemic.

The last financial year has seen us achieve a number of milestone records with footings having grown past \$200m returning an operating profit in excess of \$500,000 leading to an increase of shareholder equity to \$1.13 and a record dividend of 10c per share. In addition, the branch increased its staffing levels and increased the number of accounts to almost double that of the size of Buninyong's population.

As Chair, I am particularly proud to lead an organisation that has shown tremendous character and resilience in the most deeply and difficult confronting times we have ever seen. The growth we have experienced this year has proven that our community trusts our business and supports the Bank that supports them.

I can only extend my highest praise and gratitude to our Branch staff and Manager Randall Dreger. The entire branch team worked in the most challenging operating conditions ever experienced with courage, grace and good spirits as they put the needs of our customers above all else. I must thank our dedicated Board of voluntary directors for the courage and commitment to adopt a COVID-19 relief strategy recognising our responsibility to support our community organisations financial well-being during these difficult times of community lockdown.

Our Board's dedication and commitment to our purpose of community building has never been more evident and never more necessary than in times like these. Whilst many things are changing, many remain the same. Our commitment to "feeding into prosperity" is

Community Bank
Buninyong & District



unwavering and we look forward with optimism buoyed by the thought that what we do positively impacts the communities we serve.

Business Performance:

The following table summarises the continuing positive growth trends across our business, and the resulting impact on our communities and shareholders.

Measure	Unit	2020	2019	2018
Profit Before Community Investment	\$	520,429	387,423	312,870
Community Investment – Donations, Grants, Sponsorships	\$	268,160	233,377	184,663
Profit before Tax	\$	252,089	154,046	128,207
Net Income	\$	193,281	106,763	87,181
Indicator				
Total Equity	\$	768,808	630,874	572, 540
Return on Equity	%	25	17	15
Earnings per Share	c	27.94	15.43	12.60
Shareholder Dividend	c	10.0	8.0	7.0

Community Investment:

The three key strategic pillars of Youth, Environment and Society are a true representation of the strategic thinking that underpins our community investment. The second-half financial year in 2020 was so severely disrupted for every community organisation that our Board adopted a COVID-19 relief strategy for purposes of addressing the survival of those organisations facing fixed costs such as utility and insurance in these times of forced lockdown, loss of revenue and lost fund-raising opportunity.

We believe an increasing level of community investment driven by increasing profitability is paramount in delivering the real community dividend of a stronger, thriving, more resilient community. The Community Investment theme is explored in detail in the Annual Snapshot.

10 Year Anniversary:

Our business celebrated its 10th year anniversary of operation in August 2020. It is a significant milestone in the history of our Community Company not only for the length of operation but for its impact. In financial terms, we have contributed back more than \$1.1m in donations, grants and sponsorships. When coupled with the purchase of the Community House and its rebuild and revaluation, our total community impact is closer to \$2m over the ten years.

Not only has our business been a resounding success for our community but I can proudly boast that it has become the stand-out performer for the entire Ballarat and Western region.

Dividend:

Your Board is pleased to advise that we have declared a fully franked dividend of ten cents per share, up from eight cents last year.

Board and Branch Staff Highlights:

I am pleased to report that our staff numbers grew with the addition of Annabelle Goodall into a customer service role in the 1st quarter of the financial year. Annabelle has been a very welcome addition to the team, and her service and hospitality background has proven invaluable in addressing and meeting the needs of our customers.

In this anniversary year, I am pleased to recognise the 10 service awards of three key branch staff members namely Jenny Murphy, Narelle Tatt and Lea Mullins. All three are a part of the backbone of our customer facing team, they know our customers by name and deliver outstanding service each and every day.

In addition, I must recognise and thank three Board members who have been a part of this organisation from the very first formation of its steering committee. Ron Delaland, Steve Falconer and Garry Trotter are all foundation directors to whom we owe a great debt of gratitude for their unwavering commitment to the business and its purpose.

Community House:

The Community House is almost ready to go. In this severely disrupted pandemic year, our plans to open by mid-year were thwarted by COVID-19 lockdown restrictions. A grand opening will be held in the New Year with a plan to conduct a face-to-face AGM on premise should a relaxation of COVID-19 restrictions allow.

The Future:

The forward facing economic outlook of a long-term low interest rate environment coupled with stimulus incentives across industry, residential property markets and business sectors provides us with some confidence that business growth and loan activity will remain buoyant.

It is a pleasure and an honour to lead a Community Company that has a vision and purpose so deeply entrenched in our community. Our continuous focus on building community with a "Customer First" focussed business will be the driving force that takes our business forward. We all know that a thriving Community Company needs a thriving community to be sustainable and we will continue to serve this purpose with passion long into the future.



Ian Corcoran
Chairman

Branch Manager's Report

For year ending 30 June 2020

The year of 2020 will be remembered as the year of the global pandemic. The financial year started off strong, and despite the challenges the pandemic created, finished strong. I believe the resilience shown by our business is a testament of our "customer first" ethos. That even in the most difficult times, our community trusts us and continues to support the Bank that supports them.

The metrics provided within this Annual Report pertaining to portfolio growth, income, return on equity, operating profit, customer growth, and community impact were all positive and can be attributed to the dedication, diligence and effectiveness of our staff and directors. In unison, we work together towards our collaborative vision of contributing to the growth and prosperity of our community. I would like to publicly extend my profound gratitude to all our stakeholders for making this vision a reality.

August 2020 marked our 10th anniversary of trading. When we look back at our continuous and significant yearly growth, I am both proud and humbled. Our results are exemplary, and our growth has defied the plateauing that was suggested would affect us. We continue to exceed budget on the solid foundational focus to provide

tailored solutions that meet our customers' needs according to their requirements. "Put the customer first and the results will take care of themselves", has proven to be a winning formula for our customers, staff and community.

I am convinced that the next financial year will see us continue to grow in capability and impact, particularly as we look to employ a part-time Communications Lead to tell our story. Paraphrasing last year's report, as more people learn of the wonderful work we are accomplishing, our community will continue to thrive, and our impact will continue to enlarge. This beautiful positive feedback loop continues to gain momentum year on year, despite COVID-19. Thank you.



Randall Dreger
Branch Manager

Community Bank
Buninyong & District



Buninyong & District Financial Services Limited
ABN: 63 137 673 388

Financial Report

As at 30 June 2020

Buninyong & District Financial Services Limited
ABN 63 137 673 388
Directors' Report

The Directors present their report of the company for the financial year ended 30 June 2020.

Directors

The following persons were Directors of Buninyong & District Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Qualifications	Experience and other directorships
Ian J. Corcoran Chairman Board member since 2012	Dip Bus (Acc) GAICD	Retired McDonalds Licensee Director United Way Ballarat Former Director North Ballarat Sports Club Chair Collaborative Marketing Fund - Ballarat & Wstn Vic Former member Rotary Club of Ballarat
Richard G. McDowell Director Board member since April 2016	Dip Bus (Acc) FCA CTA MAICD	Semi-retired Chartered Accountant over 40 years practice Retired director Victorian Water Industry over 20 years Director/Treasurer Buninyong Golf Club, Ballarat West Rotary and Ballarat Swap Meet Director 6 Small/Medium Businesses
Stephen J. Falconer Director Board member since 2009		Retired global auto components business CEO. Responsibility for sales, marketing and business development (both within Australia and Internationally).
Ronald L. Delaland Director Board member since 2009		Director Delaland Holdings Owner/Local Trader - Buninyong Newsagency Buninyong Golf Club - President and Committee roles
Garry D. Trotter Director Board member since 2009	BAppSc BSc Psych (Hons) Grad Dip Occ' Psych	Director of A Leader's Impact Pty Ltd Partner - SED Advisory: Leadership & Culture Divisional Manager - UK Manufacturing Organisation School Council President (Buninyong) School Council Member
Lydia Mzondo Director Board member since 2017	Msc Infor. Systems PMI Project Manager	8 Years in IT and Project Management Past Director of Ballarat African Assoc.
Andrea Mason Director Board member since 2018	BAppSc Cert IV Training & Assessment	Director of Finding North - Aspects of Sustainability Chair of Australian Landcare Int. Board Member of Buninyong Landscape Alliance
Robert Tommasini Company Secretary Appointment since 2019	LLB, GAICD	Director/Secretary of Western BACE Ltd Director/Secretary of Fiona Elsey Cancer Research Inst. Board Member of Ballarat General Cemeteries Trust
Sam Elshaug Director Board member since 2018	BMgt (Marketing) Dip Project Management GAICD	Marketing & Development Manager at UFS Dispensaries Business Development Project Manager at UFS Dispensaries
Jo Innes Director Board member since 2018	Adv Dip Bus. Man. Adv Dip HR AHRI	HR Practitioner with over 22 years HR and Business Management experience

Buninyong & District Financial Services Limited
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Directors' Report

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit committee meetings	
	A	B	A	B
Richard McDowell	12	10	N/A	N/A
Steve Falconer	12	12	N/A	N/A
Ron Delaland	12	12	N/A	N/A
Garry Trotter	12	11	N/A	N/A
Ian Corcoran	12	12	N/A	N/A
Lydia Mzondo	12	11	N/A	N/A
Andrea Mason	12	10	N/A	N/A
Sam Elshaug	12	11	N/A	N/A
Robert Tommasini	12	12	N/A	N/A
Jo Innes	12	11	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Company Secretary

Robert Tommasini was appointed as Company Secretary in March 2019, taking over from Lydia Mzondo. Robert is an experienced self employed governance consultant and holds a law degree.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

The Company owns a house at 407 Warrenheip Street Buninyong. The Company intended to make the house available for use by the community as a Community House for youth and community groups to further their and the community's interests. During the year ended 30 June 2017, the building was deemed unfit for use or repair and as a result the recognised value of this house was impaired back to its land value. Currently, the building improvement is close to completion and will be available for use next financial year.

There has been no other significant changes in the nature of these activities during the year.

Review of operations

The profit/(loss) of the company for the financial year after provision for income tax was \$193,281 (2019 profit: \$106,763), which is a 81% increase as compared with the previous year.

The net assets of the company have increased to \$768,808 (2019: \$630,874).

Dividends

Dividends paid or declared since the start of the financial year.

A fully franked final dividend of 8 cents per share for the year ended 30 June 2019 was declared and paid during the year for the year ended 30 June 2020. A fully franked dividend of 10 cents per share has been proposed for the year ended 30 June 2020 and is anticipated to be paid during the year ending 30 June 2021 from the dividend reserve.

Buninyong & District Financial Services Limited
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Directors' Report

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at **page 5** of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Buninyong & District Financial Services Limited
ABN 63 137 673 388
Directors' Report

Remuneration report (continued)

Remuneration benefits and payments

Robert Tommasini (whilst not a Director) has received \$4,250 payment for Company Secretary duties under his contract.

No other 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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

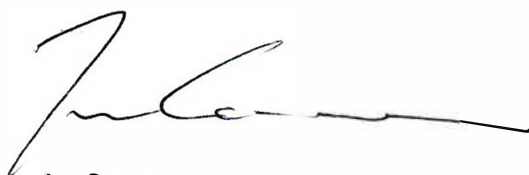
The Buninyong & District Financial Services Limited has NOT accepted the Bendigo and Adelaide Bank Limited's Community Bank® Directors Privileges package.

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

Name	Balance at 30 June 2019	Net change in holdings	Balance at 30 June 2020
Directors			
Richard McDowell	1,500	-	1,500
Stephen Falconer	15,201	1,000	16,201
Ron Delaland	28,201	-	28,201
Amber Balazic (resigned)	-	-	-
Garry Trotter	2,201	-	2,201
Ian Corcoran	5,000	-	5,000
Neil Blanchard (resigned)	-	-	-
Lydia Mzondo	-	-	-
Andrea Mason	-	-	-
Sam Elshaug	-	-	-
Robert Tommasini	-	-	-
Jo Innes	-	-	-

Signed in accordance with a resolution of the Board of Directors on 30.9.2020



Ian Corcoran
Chairman



Ballarat

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Buninyong & District Financial Services Limited

AUDITORS INDEPENDENCE DECLARATION

To the directors of Buninyong & District Financial Services Limited

As auditor for the audit of Buninyong & District Financial Services Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Buninyong & District Financial Services Limited during the year.

D. G. Abbott
Partner
MOR Accountants, Ballarat
Dated: 30/09/2020



Buninyong & District Financial Services Limited
ABN 63 137 673 388
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2020

	<u>Notes</u>	2020 \$	2019 \$
Revenue	2	1,383,985	1,199,902
Expenses			
Employee benefits expense	3	(556,857)	(494,316)
Depreciation and amortisation expense	3	(23,905)	(27,919)
Finance Costs		(4)	(236)
Administration & General Costs	3	(133,229)	(134,057)
Bad and doubtful debts expense		-	-
Information Technology Costs	3	(38,961)	(38,165)
Occupancy - Banking	3	(71,029)	(61,617)
Occupancy - Community House	3	(3,167)	(17,350)
ATM Expense	3	(36,584)	(38,819)
Impairment Expense	7	-	-
Operating profit/(loss) before charitable donations & sponsorships		520,249	387,423
Charitable donations and sponsorships	3	(268,160)	(233,377)
Profit/(loss) before income tax expense		252,089	154,046
Income Tax expense / (benefit)	4	58,808	47,283
Profit/(loss) for the year		193,281	106,763
Other comprehensive income		-	-
Total comprehensive income for the year		193,281	106,763
Profit/(loss) attributable to members of the company		193,281	106,763
Total comprehensive income attributable to members of the company		193,281	106,763
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic for profit / (loss) for the year	16	27.94	15.43
- diluted for profit / (loss) for the year	16	27.94	15.43

The accompanying notes form part of these financial statements

Buninyong & District Financial Services Limited
ABN 63 137 673 388
Statement of Financial Position
As at 30 June 2020

	<u>Notes</u>	2020 \$	2019 \$
Assets			
Current Assets			
Cash and cash equivalents	5	189,993	415,769
Trade and other receivables	6	121,297	117,198
Current Tax Refundable	4	-	552
Right-of-use Assets	10	11,430	-
Total Current Assets		<u>322,720</u>	<u>533,519</u>
Non-Current Assets			
Property, plant and equipment	7	624,275	209,550
Deferred tax asset	4	21,517	26,330
Intangible assets	8	3,682	17,293
Total Non-Current Assets		<u>649,474</u>	<u>253,173</u>
Total Assets		<u>972,194</u>	<u>786,692</u>
Liabilities			
Current Liabilities			
Trade and other payables	9	79,742	71,874
Current Tax Payable	4	10,340	-
Leases	10	11,430	-
Provisions	11	94,788	69,343
Total Current Liabilities		<u>196,300</u>	<u>141,217</u>
Non-Current Liabilities			
Provisions	11	7,086	14,601
Total Non-Current Liabilities		<u>7,086</u>	<u>14,601</u>
Total Liabilities		<u>203,386</u>	<u>155,818</u>
Net Assets / (Liabilities)		<u>768,808</u>	<u>630,874</u>
Equity			
Issued capital	12	679,441	679,441
Reserves	14	248,857	110,923
Retained earnings / (accumulated losses)	13	(159,490)	(159,490)
Total Equity		<u>768,808</u>	<u>630,874</u>

The accompanying notes form part of these financial statements

Buninyong & District Financial Services Limited
ABN 63 137 673 388
Statement of Changes in Equity
For the year ended 30 June 2020

		Issued Capital \$	Dividend Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2018		679,441	52,589	(159,490)	572,540
Total comprehensive income for the year		-	106,763	-	106,763
Dividends paid or provided	22	<u>-</u>	<u>(48,429)</u>	<u>-</u>	<u>(48,429)</u>
Balance at 30 June 2019		<u>679,441</u>	<u>110,923</u>	<u>(159,490)</u>	<u>630,874</u>
Balance at 1 July 2019		679,441	110,923	(159,490)	630,874
Total comprehensive income for the year		-	193,281	-	193,281
Dividends paid or provided	22	<u>-</u>	<u>(55,347)</u>	<u>-</u>	<u>(55,347)</u>
Balance at 30 June 2020		<u>679,441</u>	<u>248,857</u>	<u>(159,490)</u>	<u>768,808</u>

The accompanying notes form part of these financial statements

Buninyong & District Financial Services Limited
ABN 63 137 673 388
Statement of Cash Flows
For the year ended 30 June 2020

	<u>Notes</u>	2020 \$	2019 \$
Cash Flows From Operating Activities			
Receipts from clients		1,467,398	1,300,325
Payments to suppliers and employees		(1,202,093)	(1,110,986)
Interest received		5,741	9,157
Interest paid		(4)	(236)
Income tax (paid) / refunded		(43,103)	(136,158)
Cash Flow Boost 1 received		40,671	-
Net cash flows from/(used in) operating activities	15b	268,610	62,102
Cash Flows From Investing Activities			
Payments for intangible assets		(13,611)	(13,611)
Purchase of property, plant & equipment		(425,020)	(1,625)
Net cash flows from/(used in) investing activities		(438,631)	(15,236)
Cash Flows From Financing Activities			
Repayment of Borrowings		-	(10,151)
Dividends Paid		(55,755)	(47,378)
Net cash flows from/(used in) financing activities		(55,755)	(57,529)
Net increase/(decrease) in cash held		(225,776)	(10,663)
Cash and cash equivalents at start of year		415,769	426,432
Cash and cash equivalents at end of year	15a	189,993	415,769

The accompanying notes form part of these financial statements

Buninyong & District Financial Services Limited

ABN 63 137 673 388

Notes to the Financial Statements

For the year ended 30 June 2020

These financial statements and notes represent those of Buninyong & District Financial Services Limited.

Buninyong & District Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on the 30th of September 2020

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Buninyong.

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

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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 and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch 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 in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Managers 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; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

1. Summary of significant accounting policies (continued)

(b) Income tax (continued)

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Property, plant and equipment

Land & Buildings

Freehold land and buildings are carried at their fair value (refer note 1 (c)), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant & Equipment

The depreciable amount of all fixed assets, excluding freehold land and buildings, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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Notes to the Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

The depreciation rates used for each class of depreciable asset are:

<i>Class of Asset</i>	<i>Rate</i>	<i>Method</i>
Buildings	2.5%	SL
Leasehold Improvements	6.7%	SL
Plant & equipment	10-33%	SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

For operating leases, 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 earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date.

(f) Impairment of assets

At each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with the relevant Standard.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

1. Summary of significant accounting policies (continued)

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligation for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangible assets and franchise fees

Franchise renewal costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of six months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest and fee revenue is recognised when earned.

All revenue is stated net of the amount of goods and services tax (GST).

1. Summary of significant accounting policies (continued)

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(m) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

(o) Contributed equity

Issued and paid up capital is 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.

(p) New and amended accounting policies adopted by the company

AASB16 new standard has been applied this financial year.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 represents a significant overhaul of lease accounting requirements, replacing AASB 117 Leases and a number of lease-related Interpretations for annual reporting periods beginning on or after 1 January 2019:

The new Standard:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

(q) Comparative figures

When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

1. Summary of significant accounting policies (continued)

(s) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

There are no new and amended accounting policies that have been adopted by the company this financial year.

(t) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

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Notes to the Financial Statements

For the year ended 30 June 2020

	2020	2019
	\$	\$
2. Revenue and other income		
Revenue		
- services commissions	1,337,012	1,193,669
	<u>1,337,012</u>	<u>1,193,669</u>
Other revenue		
- interest received	4,076	8,795
- other revenue	42,897	(2,562)
	<u>46,973</u>	<u>6,233</u>
Total Revenue	<u><u>1,383,985</u></u>	<u><u>1,199,902</u></u>
3. Expenses		
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	470,117	413,076
- superannuation costs	44,524	39,242
- other costs	42,216	41,998
	<u>556,857</u>	<u>494,316</u>
Depreciation & amortisation		
<i>Depreciation of non-current assets:</i>		
- building improvements	-	-
- leasehold improvements	1,517	1,517
- plant and equipment	8,777	12,791
<i>Amortisation of non-current assets:</i>		
- franchise fees	13,611	13,611
	<u>23,905</u>	<u>27,919</u>
Administration & General Costs:		
- Accounting Fees	9,195	8,350
- Audit Fees	4,575	4,625
- Advertising & Marketing	11,415	18,327
- Bookkeeping Fees	3,460	5,850
- Cash Delivery	4,657	4,500
- Freight/Cartage/Delivery	4,946	4,505
- Insurance	23,835	18,008
- Printing / Stationery	7,093	6,778
- Telephone	3,914	4,644
- Other	60,139	58,470
	<u>133,229</u>	<u>134,057</u>
Information Technology Costs:		
- IT Equipment Lease	15,521	15,181
- IT Running Costs	8,027	7,429
- IT Support Costs	15,413	15,555
	<u>38,961</u>	<u>38,165</u>
Occupancy Costs - Banking:		
- Cleaning	8,056	7,221
- Electricity / Gas	5,599	5,357
- R&M - Buildings	752	330
- R&M - Furniture & Fittings	5,243	275
- Rent	38,101	37,653
- Rates	7,699	6,951
- Security Monitoring	5,579	3,830
	<u>71,029</u>	<u>61,617</u>
Occupancy Costs - Community House		
- Electricity / Gas	281	189
- R&M - Buildings	496	14,639
- Rates	2,390	2,522
	<u>3,167</u>	<u>17,350</u>

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Notes to the Financial Statements

For the year ended 30 June 2020

	2020	2019
	\$	\$
3. Expenses (continued)		
ATM:		
- Cash Delivery	7,377	8,853
- Leasing	9,271	7,251
- Consumables	-	-
- Maintenance	4,431	7,930
- Switching Fees	884	1,063
- Discrepancies	612	295
- Offsite Rent	14,009	13,427
	<u>36,584</u>	<u>38,819</u>
Charitable Donations & Sponsorships:		
- Community Enterprise Foundation	-	84,211
- Federation University	15,000	17,800
- Buninyong Primary & Local District School	24,100	28,462
- Magic Moments Foundation	-	5,448
- Buninyong Mt Helen Lions Club	54,545	-
- Various Sporting Clubs	34,375	26,846
- Other sponsorships & donations	140,140	70,610
	<u>268,160</u>	<u>233,377</u>
Auditors' remuneration		
<i>Remuneration of the auditor for:</i>		
- Audit or review of the financial report	4,575	4,625
- Taxation services	-	-
- Share registry services	-	-
	<u>4,575</u>	<u>4,625</u>
4. Tax Expense		
a. The components of tax expense/(income) comprise		
- Current tax expense/(income)	53,995	55,440
- Deferred tax expense/(income) relating to the original and reversal of temporary differences.	4,813	(8,157)
	<u>58,808</u>	<u>47,283</u>
b. Prima facie tax payable		
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 27.5% (2019: 27.5%)	69,324	42,363
Add tax effect of:		
- Non-deductible expenses	668	4,920
- Non taxable income	(11,184)	0
<i>Current income tax expense</i>	<u>58,808</u>	<u>47,283</u>
Income tax attributable to the entity	<u>58,808</u>	<u>47,283</u>
The applicable weighted average effective tax rate is	23.33%	30.69%
c. Current tax liability		
Current tax relates to the following:		
<i>Current tax liabilities / (assets)</i>		
Opening balance	(552)	80,166
Income tax paid	(43,103)	(136,158)
Current tax	53,995	55,440
	<u>10,340</u>	<u>(552)</u>

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Notes to the Financial Statements

For the year ended 30 June 2020

	2020	2019
	\$	\$
4. Tax Expense (continued)		
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Accrued Audit Fee	983	983
Employee provisions	28,015	23,085
Super contributions unpaid at 30.06.20	399	-
Property, plant & Equipment	-	2,847
	<u>29,397</u>	<u>26,915</u>
Deferred tax liabilities balance comprises:		
Accrued income	127	585
Property, plant & Equipment	7,753	-
	<u>7,880</u>	<u>585</u>
Net deferred tax asset / (liability)	<u>21,517</u>	<u>26,330</u>
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(2,482)	(8,057)
(Decrease) / increase in deferred tax liabilities	7,295	(100)
	<u>4,813</u>	<u>(8,157)</u>
5. Cash and cash equivalents		
Cash at bank and on hand	85,992	82,162
Sandhurst Select Mortgage Fund	104,001	333,607
	<u>189,993</u>	<u>415,769</u>

The effective interest rate on the Sandhurst Select Mortgage Fund was 0.90%; this investment has an average maturity of 90 Days

6. Trade and other receivables

Current

Trade debtors	120,834	115,071
Interest receivable	463	2,127

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

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Notes to the Financial Statements

For the year ended 30 June 2020

6. Trade and other receivables (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross Amount	Past Due and impaired	< 30 days	Past Due but Not Impaired			Not Past Due
				31-60 days	> 60 days	> 60 days	
2020							
Trade receivables	120,834	-	-	-	-	-	120,834
Other receivables	463	-	-	-	-	-	463
Total	121,297	-	-	-	-	-	121,297
2019							
Trade receivables	115,071	-	-	-	-	-	115,071
Other receivables	2,127	-	-	-	-	-	2,127
Total	117,198	-	-	-	-	-	117,198

	2020	2019
	\$	\$
7. Property, plant and equipment		
<i>Land and Buildings</i>		
At cost	721,836	341,514
Less accumulated depreciation	(1,256)	(1,256)
Less Impairment	(150,258)	(150,258)
Total written down amount	<u>570,322</u>	<u>190,000</u>
<i>Leasehold improvements</i>		
At cost	22,742	22,742
Less accumulated depreciation	(15,019)	(13,502)
Total written down amount	<u>7,723</u>	<u>9,240</u>
<i>Plant and equipment</i>		
At cost	152,794	108,098
Less accumulated depreciation	(106,564)	(97,788)
Total written down amount	<u>46,230</u>	<u>10,310</u>
Total property, plant and equipment	<u><u>624,275</u></u>	<u><u>209,550</u></u>

Movements in carrying amounts

<i>Land and Buildings</i>		
Balance at the beginning of the reporting period	190,000	190,000
Additions	380,322	-
Disposals	-	-
Depreciation expense	-	-
Impairment expense	-	-
Balance at the end of the reporting period	<u><u>570,322</u></u>	<u><u>190,000</u></u>
<i>Leasehold improvements</i>		
Balance at the beginning of the reporting period	9,240	10,758
Additions	-	-
Disposals	-	-
Depreciation expense	(1,517)	(1,518)
Balance at the end of the reporting period	<u><u>7,723</u></u>	<u><u>9,240</u></u>
<i>Plant and equipment</i>		
Balance at the beginning of the reporting period	10,310	21,474
Additions	44,697	1,625
Disposals	-	-
Depreciation expense	(8,777)	(12,789)
Balance at the end of the reporting period	<u><u>46,230</u></u>	<u><u>10,310</u></u>
	<u><u>624,275</u></u>	<u><u>209,550</u></u>

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Notes to the Financial Statements

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	2020	2019
	\$	\$
8. Intangible assets		
<i>Franchise Fee</i>		
At cost	68,056	68,056
Less accumulated amortisation	<u>(64,374)</u>	<u>(50,763)</u>
	<u>3,682</u>	<u>17,293</u>
Movements in carrying amounts		
<i>Intangible assets</i>		
Balance at the beginning of the reporting period	17,293	30,904
Additions	-	-
Disposals	-	-
Amortisation expense	<u>(13,611)</u>	<u>(13,611)</u>
Balance at the end of the reporting period	<u>3,682</u>	<u>17,293</u>
9. Trade and other payables		
Current		
Unsecured liabilities:		
Trade creditors	46,620	21,171
Other creditors and accruals	<u>33,122</u>	<u>50,703</u>
	<u>79,742</u>	<u>71,874</u>
Non-Current		
Unsecured liabilities:		
Other creditors and accruals	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
10. Leases		
Current		
Lease Liability (Business Premises)	11,430	-
	<u>11,430</u>	<u>-</u>
Non-current		
Lease Liability (Business Premises)	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
The term of lease for Business Premises will expire on 7th day of October 2020. The company intends to exercise it's option to renew the term for another 5 years. Under AASB 16, this lease is now recognised as a liability in the accounts.		
11. Provisions		
Employee benefits	<u>101,874</u>	<u>83,944</u>
Movement in employee benefits		
Opening balance	83,944	61,802
Additional provisions recognised	49,821	41,816
Amounts utilised during the year	<u>(31,891)</u>	<u>(19,674)</u>
Closing balance	<u>101,874</u>	<u>83,944</u>
Current		
Annual Leave	40,734	35,641
Long Service Leave	<u>54,054</u>	<u>33,702</u>
	<u>94,788</u>	<u>69,343</u>
Non-Current		
Annual Leave	-	-
Long Service Leave	<u>7,086</u>	<u>14,601</u>
	<u>7,086</u>	<u>14,601</u>
Total Provisions	<u>101,874</u>	<u>83,944</u>

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For the year ended 30 June 2020

12. Share capital

	2020	2019
	\$	\$
691,670 Ordinary Shares fully paid of \$1 each	691,670	691,670
168 Ordinary Shares raised at zero value	-	-
Less: Equity raising costs	<u>(12,229)</u>	<u>(12,229)</u>
	<u><u>679,441</u></u>	<u><u>679,441</u></u>

Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	691,670	691,670
Shares issued during the year	<u>-</u>	<u>-</u>
At the end of the reporting period	<u><u>691,670</u></u>	<u><u>691,670</u></u>

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Capital management

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

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee 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 Franchisee over that 12 month period; and
- (ii) 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 Comprehensive Income.

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

13. Retained earnings / (accumulated losses)

	2020	2019
	\$	\$
a. Retained earnings / (accumulated losses)		
Balance at the beginning of the reporting period	(159,490)	(159,490)
Dividends provided for or paid	-	-
Profit/(loss) after income tax	193,281	106,763
Amounts transferred to reserves	<u>(193,281)</u>	<u>(106,763)</u>
Balance at the end of the reporting period	<u><u>(159,490)</u></u>	<u><u>(159,490)</u></u>

14. Reserves

a. Dividend profits reserve

Balance at the beginning of the reporting period	110,923	52,589
Dividends provided for or paid	<u>(55,347)</u>	<u>(48,429)</u>
Amounts transferred to current year profits	193,281	106,763
Balance at the end of the reporting period	<u><u>248,857</u></u>	<u><u>110,923</u></u>

During the year, the Board of Directors resolved that the current year profits weren't to be offset against accumulated losses, but were to be appropriated to a Dividend profit reserve. This reserve may be made available in subsequent years for further payments of dividends to shareholders.

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Notes to the Financial Statements

For the year ended 30 June 2020

	2020	2019
	\$	\$
15. Statement of cash flows		
<i>(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows</i>		
As per the statement of financial position	189,993	415,769
As per the statement of cash flow	<u>189,993</u>	<u>415,769</u>
 <i>(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities</i>		
Profit / (loss) after income tax	193,281	106,763
Non cash items		
- Depreciation	10,294	14,308
- Amortisation	13,611	13,611
- Impairment	-	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	(4,099)	(9,530)
- (Increase) decrease in deferred tax asset	4,813	(8,157)
- (Increase) decrease in income tax provision	10,893	(80,719)
- Increase (decrease) in payables	21,887	3,684
- Increase (decrease) in provisions	17,930	22,142
Net cash flows from/(used in) operating activities	<u>268,610</u>	<u>62,102</u>
 16. Earnings per share		
Basic earnings per share (cents)	27.94	15.43
Earnings used in calculating basic and diluted earnings per share	<u>193,281</u>	<u>106,763</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>691,838</u>	<u>691,838</u>

17. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

No key management personnel or related party has entered into any contracts with the company. Robert Tommasini has received \$4,250 payment for Company Secretary duties under his contract. No director fees have been paid as the positions are held on a voluntary basis.

Buninyong & District Financial Services Limited has not accepted the Bendigo and Adelaide Bank Limited's Community Bank® Directors Privileges package.

Buninyong & District Financial Services Limited

ABN 63 137 673 388

Notes to the Financial Statements

For the year ended 30 June 2020

17. Key management personnel and related party disclosures (continued)**(d) Key management personnel shareholdings**

The number of ordinary shares in Buninyong & District Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2020	2019
RICHARD MCDOWELL	1,500	1,500
STEPHEN FALCONER	16,201	15,201
RON DELALAND	28,201	28,201
GARRY TROTTER	2,201	2,201
IAN CORCORAN	5,000	5,000
LYDIA MZONDO	-	-
ANDREA MASON	-	-
SAM ELSHAUG	-	-
ROBERT TOMMASINI	-	-
JO INNES	-	-

Each share held has a paid up value of \$1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

18. Events after the reporting period

There have been no events after the end of the financial year that would materially affect the financial statements.

19. Contingent liabilities and contingent assets

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

20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being *Buninyong, Victoria*. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2019: 100%).

21. Commitments**Operating lease commitments**

Non-cancellable operating leases contracted capitalised in the Statement of Financial Position starting 01 Jul 2019 as per AASB 16.

	2020 \$	2019 \$
Payable:		
- no later than 12 months	11,430	38,101
- between 12 months and five years	-	11,430
- greater than five years	-	-

Minimum lease payments

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

Buninyong & District Financial Services Limited**ABN 63 137 673 388****Notes to the Financial Statements****For the year ended 30 June 2020****22. Company details**

The registered office is:

18 Doveton Street North
Ballarat, Victoria 3350

The principal place of business is:

401B Warrenheip Street
Buninyong, Victoria 3357**23. Dividends paid or provided for on ordinary shares**

	2020	2019
	\$	\$
Dividend paid:		
Final ordinary dividend of 8 cents per share (2019: 7 cents)	<u>55,347</u>	<u>48,429</u>
Dividend proposed and not yet recognised as a liability:		
Final ordinary dividend of 10 cents per share (2019: 8 cents)	<u>69,184</u>	<u>55,347</u>

24. Community Enterprise Foundation™

Unlike our practice of prior years, and as a consequence of our significant Community Investments during the period, the company did not allocate pre-tax funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group.

During the period, the company did distribute funds allocated in prior years. This allocation is not included in charitable donations and sponsorship expenditure delineated in the Statement of Profit or Loss and Other Comprehensive Income.

The balance of funds held by the CEF in trust is available for future distribution as grants to eligible applicants.

	2020	2019
	\$	\$
Opening Balance	94,710	49,441
Contributions	-	92,991
Interest	916	867
GST transfers, net	5,937	(5,258)
Management fees	-	(4,210)
Grants paid to eligible recipients	<u>(87,307)</u>	<u>(39,121)</u>
Balance available for future distributions	<u>14,256</u>	<u>94,710</u>

Buninyong & District Financial Services Limited**ABN 63 137 673 388****Notes to the Financial Statements****For the year ended 30 June 2020****25. Financial risk management***Financial risk management policies*

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2020 \$	2019 \$
Financial assets			
Cash and cash equivalents	5	189,993	415,769
Trade and other receivables	6	121,297	117,198
Total financial assets		<u>311,290</u>	<u>532,967</u>
Financial liabilities			
Trade and other payables	9	79,742	71,874
Borrowings	10	-	-
Total financial liabilities		<u>79,742</u>	<u>71,874</u>

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

Buninyong & District Financial Services Limited

ABN 63 137 673 388

Notes to the Financial Statements

For the year ended 30 June 2020

25. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

		Weighted average interest rate	Total	Within	1 to	Over
30 June 2020	Note	%	\$	1 year	5 years	5 years
				\$	\$	\$
Financial assets						
Cash & cash equivalents	5	1.04%	189,993	189,993	-	-
Trade and other receivables	6	0.00%	121,297	121,297	-	-
Total anticipated inflows			<u>311,290</u>	<u>311,290</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Trade and other payables	9	0.00%	79,742	79,742	-	-
Loans and borrowings	10		-	-	-	-
Total expected outflows			<u>79,742</u>	<u>79,742</u>	<u>-</u>	<u>-</u>
Net (outflow)inflow on financial instruments			<u>231,548</u>	<u>231,548</u>	<u>-</u>	<u>-</u>
		Weighted average interest rate	Total	Within	1 to	Over
30 June 2019	Note	%	\$	1 year	5 years	5 years
				\$	\$	\$
Financial assets						
Cash & cash equivalents	5	1.26%	415,769	415,769	-	-
Trade and other receivables	6	0.00%	117,198	117,198	-	-
Total anticipated inflows			<u>532,967</u>	<u>532,967</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Trade and other payables	9	0.00%	71,874	71,874	-	-
Loans and borrowings	10		-	-	-	-
Total expected outflows			<u>71,874</u>	<u>71,874</u>	<u>-</u>	<u>-</u>
Net (outflow)inflow on financial instruments			<u>461,093</u>	<u>461,093</u>	<u>-</u>	<u>-</u>

Buninyong & District Financial Services Limited

ABN 63 137 673 388

Notes to the Financial Statements

For the year ended 30 June 2020

25. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	Equity
	\$	\$
Year ended 30 June 2020		
+/- 1% in interest rates (interest income)	1,859	1,348
	<u>1,859</u>	<u>1,348</u>
Year ended 30 June 2019		
+/- 1% in interest rates (interest income)	4,122	2,988
	<u>4,122</u>	<u>2,988</u>

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2020		2019	
Note	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents (i)	189,993	189,993	415,769	415,769
Trade and other receivables (i)	121,297	121,297	117,198	117,198
Total financial assets	<u>311,290</u>	<u>311,290</u>	<u>532,967</u>	<u>532,967</u>
Financial liabilities				
Trade and other payables (i)	79,742	79,742	71,874	71,874
Loans and borrowings	-	-	-	-
Total financial liabilities	<u>79,742</u>	<u>79,742</u>	<u>71,874</u>	<u>71,874</u>

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Buninyong & District Financial Services Limited
ABN 63 137 673 388
Directors' Declaration

In accordance with a resolution of the Directors of Buninyong & District Financial Services Limited, the Directors of the company declare that:

- 1 the financial statements and notes of the company as set out on pages 1 to 29 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the company's financial position as at 30 June 2020 and of the performance for the year ended on that date;
- 2 in the Directors' opinion 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 resolution is made in accordance with a resolution of the Board of Directors.

Ian Corcoran
Chairman



Signed at Buninyong on 30.9.2020.



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INDEPENDENT AUDITOR'S REPORT

To the directors of Buninyong & District Financial Services Limited

Report on the Audit of the Financial Report

Opinion

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

In our opinion, the financial report of Buninyong & District Financial Services Limited is in accordance with the *Corporations Act 2001*, including

- (a) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the period ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for our Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the registered entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and 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 responsible entities either intends to liquidate the registered entity or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.

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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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.

A handwritten signature in blue ink that reads "David Abbott". The signature is fluid and cursive, with the first letters of the first and last names being capitalized.

D G Abbott
Partner
MOR Accountants
406 Dana Street, Ballarat

Dated: 30/09/2020

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Phone: 5341 8066
Email: secretary@bdfsl.com.au
Web: bendigobank.com.au/buninyong

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ABN: 63 137 673 388
18 Doveton St Nth,
Ballarat VIC 3357
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