

Annual Report 2020

Canungra & District
Community Financial Group
Limited

Community Bank
Canungra & District



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Chairperson's report

For year ending 30 June 2020

Welcome again to our Annual Report for the Canungra & District Community Financial Group Limited. Our branch is about to cross over the milestone of four years of trading and has continued to provide a full range of banking services to the Canungra community and the surrounding district. In March this year, we also expanded our services in to Beaudesert with the opening of a Customer Service Centre within the C1 Realty premises. As other banks withdrew from Beaudesert, we have provided a banking service with a difference. Having a small footprint and shared space with a host business, our business has expanded.

In September 2019, our region was impacted with one of the worst fires seen in living history. But our community showed its resilience and pulled together to help those that were effected as well as support local families, businesses and groups through the recovery process. The end of 2019 drew to a close and our local economy was improving and things were looking better.

In March 2020, the COVID-19 pandemic reached our shores and it seemed like the country shut down overnight. Our thoughts were with the majority of businesses in our region that rely heavily on the tourism industry and our towns became empty as businesses adhered to government recommendations and closed temporarily. But we seem to be a very adaptable community, a lot of businesses went 'online' or used this time to diversify and once again, the community spirit shone through. We all became much better at technology as we worked from home and even our Board meetings were being held 'online'. Then the restrictions slowly lifted, we were ideally placed being within 50km of Brisbane and the Gold Coast and tourists began to return to our area.

During the 2019/20 financial year, Community Bank Canungra & District business book grew from \$43.46 million to \$54 million, which again is a testament to the support from our local community and the continued customer focussed attitude of our branch staff. Led by Vanessa Skinner, our Branch Manager, our team comprising of Natasha, Candice, Hannah and Mandy at Canungra and Leanne at Beaudesert never lost sight of how important our customers are, both to our community and to our business. We would like to also thank Rachel and Madison who are no longer with our business and we are extremely grateful for their dedication whilst working in our business and for the community.

Once again, we thank all of our community groups, businesses and customers within our region. With your support, we continue to be able to contribute back to our community through grants and sponsorships. During the year we installed two defibrillators in the community, located outside Community Bank Canungra & District and the Caretakers Office within the Canungra Showgrounds. We will also be holding a 'Pitch Night' to give back to the community.

To the Board, I offer my sincere appreciation and thanks. We have grown (and shrunk), met the challenges and needs of our network and strengthened our community relationships to help grow our business. During the financial year, two of our foundation Board and also foundation Steering Committee members, Peter Clark and Fiona Davidson tendered their resignations as Board members. Peter and Fiona worked tirelessly whilst on the Steering Committee to generate interest and raise capital before then becoming Board members to help grow the business in its formative years. We wish them both well in the future and the Board and community will be forever grateful for your commitment. We also welcomed two new Board members, Mike Townsend and Stephen Craven. Stephen has since resigned from the Board due to work commitments but we thank him for his input during his short tenure.

Chairperson's report (continued)

To the shareholders, thank you for your investment in the Canungra & District Community Financial Group Limited which in turn became the bricks and mortar of Community Bank Canungra & District. We also thank you for your ongoing support and commitment to building a stronger community. It is amazing that we came together as a community to bring banking back to the Canungra area and it was your investment in shares in the community company that allowed this to happen, and I now ask you to invest in the business by opening an account, or moving your banking which will grow the business. I also urge you to contact Vanessa and our staff to discuss your banking needs and experience firsthand their personalised customer service.

Currently there is the opportunity for you to increase your shareholding or an opportunity to let someone you know become a shareholder in our local Community Bank. Please refer to the following link for details: www.bendigobank.com.au/branch/qld/canungra-district-community-bank-branch/lvm-shares/

Without the dedication and commitment of everyone, we definitely wouldn't be where we are today and over the coming years the growth of Community Bank Canungra & District. with your support. will ensure that our communities grow and prosper.

Yours sincerely



Janine Rockliff
Chairperson
Canungra & District Community Financial Group Ltd

Manager's report

For year ending 30 June 2020

The financial year ending 30 June 2020 saw Community Bank Canungra & District deliver another year of growth, and the opening of the Beaudesert Customer Service Centre in March. We achieved this through the continued support of our shareholders, customers and the community.

Our performance this year was strong, with Lending growth of \$4 million, the balance of our total Lending as at 30 June 2020 was \$24.5 million. Our total Deposit balance as at 30 June 2020 was \$26.68 million.

The combined result of Lending and Deposits, otherwise known as branch footings, saw total business grow by 14% from the previous year to \$51.2 million. Customer numbers grew 16.3% to 1,231.

Having only been open for four months, the Beaudesert Customer Service Centre had footings of \$4.5 million and 64 customers.

Our major points of difference at Community Bank Canungra & District are the level of support and sponsorship provided to our local community, and the amazing service provided by our team in branch. I would like to show my appreciation and thanks to the Board for the disbursement of funds to our community. Our volunteer Board of Directors give their time and energy to assist us in building our business and advocating for the community.

To our shareholders and customers, the very biggest thanks of all for continuing to support and do business with Community Bank Canungra & District. This financial year my focus along with branch growth, is empowering staff with the skills and knowledge to support me in this role. I am also strongly committed to strengthening bonds with local businesses.

To my team, Natasha, Candice, Hannah, Leanne and Mandy thank you for your dedication and commitment in ensuring our customers receive the best outcomes each and every time they are in the branch.

The Community Bank model has a proven track record in small communities, and I believe there is good opportunity locally for further business growth in the coming years. This growth will flow directly back into the community in the form of sponsorship and benefits to the local economy.

The level of growth is entirely dependent on the level of support from the community and I would encourage all customers, shareholders, Board members and staff to talk about and recommend the Community Bank branch to their family, friends and colleagues.



Vanessa Skinner
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

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

Directors

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

Janine Pamela Rockliff

Chairperson

Occupation: Property Valuer

Qualifications, experience and expertise: Janine holds a Bachelor of Business (Property Studies) and is a Certified Practising Valuer registered in Queensland, and Associate of the Australian Property Institute and has worked as a property valuer in both the public and private sectors over the past 14 years. Janine was the Chairperson of the Canungra & District Community Bank® Project Steering Committee and is an active member in the Chamber of Commerce and a member of the Sports & Recreation Association. Janine is also an elected representative of South-East Queensland on the Community Bank National Council.

Special responsibilities: HR/Staff Committee

Interest in shares: 2,501 ordinary shares

Michael Andrew Townsend

Secretary (appointed 26 September 2019)

Occupation: Bookkeeper / Consultant

Qualifications, experience and expertise: Mike currently operates a bookkeeping and consultancy business in Southern Queensland, specialising in Indigenous and Not-For-Profit entities and is also a Registered Provider to the NDIS. Mike was formerly a Queensland Principal (10 years) and holds a Bachelor of Teaching (UWS) specialising in Indigenous Education. Mike is closely tied to the business community in the Scenic Rim and has been the Vice President of Beaudesert Chamber of Commerce since 2018; a member of the West Moreton Trade and Investment Group since 2019; and was appointed to the Scenic Rim Community Consultative Committee for Inland Rail in 2020.

Special responsibilities: Governance and Strength of the Board

Interest in shares: nil share interest held

Terry Robert Watkins

Non-executive director

Occupation: Business Owner

Qualifications, experience and expertise: Terry was formerly a Telstra/Telecom linesman, primary producer, and member of the armed forces. Terry currently owns and operates a service station within the catchment area of the Canungra district. Terry is involved in a number of community groups and is currently 1st Officer Tamborine Rural Fire Brigade. Special responsibilities: Audit & Finance Committee.

Special responsibilities: Audit & Finance Committee.

Interest in shares: 5,001 ordinary shares

Leslie John Fortescue

Non-executive director

Occupation: Electronics Technician

Qualifications, experience and expertise: John is an electronics technician and current owner of a local bed and breakfast. John and his wife have built the business from the ground up and are now actively involved in a number of local community groups and events throughout the year. John has been a resident in the area since 2000 and is currently a member of the Canungra Chamber of Commerce.

Special responsibilities: Governance and Strength of the Board

Interest in shares: 2,001 ordinary shares

Directors' report (continued)

Directors (continued)

Leanne Kay Angel

Non-executive director

Occupation: Director of Community Development, LifeFlight

Qualifications, experience and expertise: Leanne Angel is the Director of Community Development at LifeFlight Foundation, a community-based organisation which funds and promotes the emergency aero-medical rescue services provided by LifeFlight Australia. Prior to starting with LifeFlight in 2003, Leanne was an employee at Bendigo Bank working as the Business Development Manager for their Sandhurst Trustees company. Leanne is a Fellow of the Fundraising Institute of Australia, the Queensland Ambassador of CFRE and volunteers to mentor those undertaking a career path in fundraising. A resident of Canungra since 2007, Leanne enjoys acreage living in this great community.

Special responsibilities: Nil

Interest in shares: 2,000 ordinary shares

Christine Mary Watkins

Non-executive director

Occupation: Student

Qualifications, experience and expertise: Christine Watkins is a fully Licenced Real Estate Agent, holds an Associate Diploma in Community Services and is a Justice of the Peace. She has previously worked as a Youth Worker, Employment Adviser & trainer for able & disabled job seekers. Christine was a Personal Adviser, Trainer & Customer Service Officer for Centrelink before moving to Real Estate. After selling her Real Estate business after having run it for 8 years, Christine now works for Elders Real Estate.

Christine also has experience running a service station after moving to the area 14 ½ years ago.

Special responsibilities: Nil

Interest in shares: 5,000 ordinary shares

Stephen Craven

Non-executive director (appointed 26 September 2019 and resigned 25 May 2020)

Occupation: CEO

Qualifications, experience and expertise: Qualified Motor Mechanic. Managing Director/CEO NFP. Recruitment and Management. Business owner. Property investor. Current director Smart Employment Solutions LTD.

Special responsibilities: Nil

Interest in shares: nil share interest held

Fiona Lorraine Davidson

Non-executive director (resigned 21 May 2020)

Occupation: Business Owner

Qualifications, experience and expertise: Fiona currently owns a business based on the Gold Coast specialising in sports embroidery, trophies and teamware. Fiona is on the Gold Coast Collaborative Marketing Cluster. A relatively new member of the Canungra community, Fiona has strong ties to a number of community groups and organisations within the area through her business.

Special responsibilities: Marketing, Community Investments & Business Development Committee

Interest in shares: 1 ordinary shares

Peter William Clark

Non-executive director (resigned 27 February 2020)

Occupation: Retired

Qualifications, experience and expertise: Peter holds a Bachelor of Science (University of Queensland), Ph.D. (Indiana University) and M.B.A (University of Queensland). Peter originally trained and worked as a research scientist at various universities in the USA and Australia. Peter has also been employed as the Executive Director of an ASX listed public company for 10 years responsible for business planning, IP management, capital raising, finance, government grant applications, prospectuses, negotiations, product development, etc. More recently, Peter was the Manager Research Services at Central Queensland University. Peter is now retired and the President of the Beechmont Tennis Club and an active member of the Beechmont Area Progress Association and the Beechmont Recreation Arts and Sports Association.

Special responsibilities: Compliance and Audit Committee

Interest in shares: 1,250 ordinary shares

Directors' report (continued)

Directors (continued)

Leigh Dawn Bartlett

Non-executive director (resigned 10 July 2019)

Occupation: Business Consultant

Qualifications, experience and expertise: Leigh is currently employed as a Human Resources/Payroll professional business consultant with extensive experience with Award Interpretation, Change Management, Performance Management, Stakeholder Engagement, Organisational Management and Governance. Leigh is an active member of the community and is currently Group Leader Canungra Scout Group, President of the Tamborine Mountain College P&F Association, and Secretary of the Canungra Masters Swimming Club.

Special responsibilities: HR/Staff Committee

Interest in shares: 251 ordinary shares

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

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

Company Secretary

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

- Michael Andrew Townsend was appointed company secretary on 27 February 2020.
- Peter William Clark was appointed company secretary on 28 September 2015 and ceased on 27 February 2020.

Please refer above for qualifications, experience and expertise.

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
\$	\$
(120,578)	(130,103)

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Janine Pamela Rockliff	2,501	-	2,501
Michael Andrew Townsend	-	-	-
Terry Robert Watkins	5,001	-	5,001
Leslie John Fortescue	2,001	-	2,001
Leanne Kay Angel	2,000	-	2,000
Christine Mary Watkins	501	4,499	5,000
Stephen Craven	-	-	-
Fiona Lorraine Davidson	1	-	1
Peter William Clark	1,250	-	1,250
Leigh Dawn Bartlett	251	-	251

Directors' report (continued)

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.

On 16 March 2020, Canungra & District Community Financial Group Limited opened up the Beaudesert Customer Service Centre.

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 other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 29 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Board Meetings Attended	
	<i>Eligible</i>	<i>Attended</i>
Janine Pamela Rockliff	11	9
Michael Andrew Townsend	9	9
Terry Robert Watkins	11	10
Leslie John Fortescue	11	9
Leanne Kay Angel	11	9
Christine Mary Watkins	11	7
Stephen Craven	7	7
Fiona Lorraine Davidson	9	5
Peter William Clark	7	5
Leigh Dawn Bartlett	-	-

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28 to the accounts.

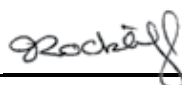
The board of directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the directors at Canungra, Queensland.



Janine Pamela Rockliff, Chair

Dated this 30th day of September 2020

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Canungra & District Community Financial Group Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 30 September 2020

Joshua Griffin
Lead Auditor

Financial statements

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

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	338,796	279,025
Other revenue	9	85,147	39,999
Finance income	10	701	2,985
Employee benefit expenses	11c)	(384,924)	(314,911)
Charitable donations, sponsorship, advertising and promotion		(25,810)	(40,041)
Occupancy and associated costs		(2,379)	(27,634)
Systems costs		(18,921)	(16,781)
Depreciation and amortisation expense	11a)	(66,967)	(39,516)
Finance costs	11b)	(16,146)	-
General administration expenses		(70,832)	(59,327)
Loss before income tax credit		(161,335)	(176,201)
Income tax credit	12a)	40,757	46,098
Loss after income tax credit		(120,578)	(130,103)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(120,578)	(130,103)
Earnings per share		¢	¢
- Basic and diluted loss per share:	30a)	(14.48)	(15.62)

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	420	130,074
Trade and other receivables	14a)	40,814	31,676
Total current assets		41,234	161,750
Non-current assets			
Property, plant and equipment	15a)	156,879	135,424
Right-of-use assets	16a)	375,814	-
Intangible assets	17a)	39,029	63,554
Deferred tax asset	18a)	182,360	135,595
Total non-current assets		754,082	334,573
Total assets		795,316	496,323
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	14,129	29,083
Loans and borrowings	20a)	43,321	-
Lease liabilities	21b)	23,812	-
Employee benefits	23a)	13,088	13,088
Total current liabilities		94,350	42,171
Non-current liabilities			
Lease liabilities	21c)	366,984	-
Employee benefits	23b)	5,372	2,773
Provisions	22a)	13,651	-
Total non-current liabilities		386,007	2,773
Total liabilities		480,357	44,944
Net assets		314,959	451,379
EQUITY			
Issued capital	24a)	801,863	801,863
Accumulated losses	25	(486,904)	(350,484)
Total equity		314,959	451,379

The accompanying notes form part of these financial statements

Financial statements (continued)

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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018		801,863	(220,381)	581,482
Total comprehensive income for the year		-	(130,103)	(130,103)
Balance at 30 June 2019		801,863	(350,484)	451,379
Balance at 1 July 2019		801,863	(350,484)	451,379
Effect of AASB 16: Leases	3d)	-	(15,842)	(15,842)
Restated balance at 1 July 2019		801,863	(366,326)	435,537
Total comprehensive income for the year		-	(120,578)	(120,578)
Balance at 30 June 2020		801,863	(486,904)	314,959

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		456,270	350,691
Payments to suppliers and employees		(552,225)	(476,179)
Interest received		701	4,063
Interest paid		(65)	(32)
Lease payments (interest component)	11b)	(15,366)	-
Lease payments not included in the measurement of lease liabilities	11d)	(4,459)	-
Net cash used in operating activities	26	(115,144)	(121,457)
Cash flows from investing activities			
Payments for property, plant and equipment		(39,662)	(19,453)
Net cash used in investing activities		(39,662)	(19,453)
Cash flows from financing activities			
Proceeds from loans and borrowings		32,021	-
Lease payments (principal component)	21a)	(18,168)	-
Net cash provided by financing activities		13,853	-
Net cash decrease in cash held		(140,953)	(140,910)
Cash and cash equivalents at the beginning of the financial year		130,074	270,984
Cash and cash equivalents at the end of the financial year	13b)	(10,879)	130,074

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 Canungra & District Community Financial Group 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
Shop 1, 44 Christie Street Canungra QLD 4275	Shop 1, 44 Christie Street Canungra QLD 4275
	17 William Street Beaudesert QLD 4275

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

Note 2 Basis of preparation and statement of compliance

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 30 September 2020.

Going concern

The financial statements for the financial year ended 30 June 2020 have been prepared on the basis that the company is a going concern and it would continue its operations for a foreseeable future.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. As disclosed in the financial statements, the company's financial position is as follows:

	2020 \$	2019 \$	Percentage change
Current assets	41,234	161,750	(74.51%)
Current liabilities	94,350	42,171	123.73%
Working capital (deficiency)	(53,116)	119,579	(144.42%)
Total assets	795,316	496,323	60.24%
Total liabilities	480,357	44,944	968.79%
Net assets/(liabilities)	314,959	451,379	(30.22%)
Accumulated losses	(486,904)	(350,484)	38.92%
Loss before tax	(161,335)	(176,201)	(8.44%)
Loss after tax	(120,578)	(130,103)	(7.32%)
Operating cash inflows (outflows)	(115,144)	(121,457)	(5.20%)
Cash and cash equivalents	(10,879)	130,074	(108.36%)
Available overdraft and borrowing facilities	87,225	-	100.00%

Notes to the financial statements (continued)

Note 2 Basis of preparation and statement of compliance (continued)

Going concern (continued)

The company meets its day to day working capital requirements through an overdraft facility. The overdraft has an approved limit of \$100,000 and was drawn to \$12,775 as at 30 June 2020.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be required to seek an increase in its overdraft facility to meet its current obligations.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company has also obtained an undertaking of support from Bendigo Bank that it will continue to support the company and its operations for the next 12 months. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo Bank to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

b) As a lessee

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

Leases classified as operating leases under AASB 117

Previously, the company classified property 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.

Notes to the financial statements (continued)

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

b) As a lessee (continued)

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

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

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

c) As a lessor

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

d) Impact on financial statements

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

<i>Impact on equity presented as decrease</i>	Note	1 July 2019 \$
Asset		
Right-of-use assets - land and buildings	16b)	225,673
Deferred tax asset	18a)	6,009
Liability		
Lease liabilities	21a)	(234,588)
Provision for make-good	22b)	(12,936)
Equity		
Accumulated losses		<u>(15,842)</u>

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.39%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	59,411
Add: variable market review / index based increase	1,527
Less: AASB 117 lease commitments reconciliation	(2,122)
Less: additional options now not expected to be exercised	262,255
Less: present value discounting	(86,483)
Lease liability as at 1 July 2019	<u>234,588</u>

Notes to the financial statements (continued)

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:

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

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

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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.

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

Current income tax

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

Deferred tax

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

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

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

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

Notes to the financial statements (continued)

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 or diminishing value 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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	15 years
Furniture, fixtures and fittings	Diminishing value	3 to 15 years

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

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 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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise fee	Straight-line	Over the franchise term (5 years)
Other intangible asset	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 of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, borrowings and leases.

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

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

Recognition and initial measurement

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

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

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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.

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/their 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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is 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 a lease that, at commencement date, has a lease term of 12 months or less.

As a lessor

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable before 1 July 2019

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

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

As a lessee

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

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

As a lessor

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

n) Standards issued but not yet effective

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

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.

Notes to the financial statements (continued)

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

a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: <ul style="list-style-type: none">- the amount;- the lease term;- economic environment; and- other relevant factors.
- Note 2 - going concern	whether management's assessment of uncertainties about the company's ability to continue as a going concern are appropriate.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

<u>Note</u>	<u>Assumptions</u>
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 11a) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 22 - 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.

Notes to the financial statements (continued)

Note 6 Financial risk management (continued)

a) Credit risk

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

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

b) Liquidity risk

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

The company maintains the following lines of credit with Bendigo Bank:

- \$100,000 overdraft facility that is unsecured with available facility of \$87,225. Interest is payable at a rate of 0.00% (2019: n/a).

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

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	11,299	11,299	-	-
Bank loans	32,022	32,022	-	-
Lease liabilities	390,796	41,226	164,902	306,410
	<u>434,117</u>	<u>84,547</u>	<u>164,902</u>	<u>306,410</u>

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

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$420 at 30 June 2020 (2019: \$130,074). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Notes to the financial statements (continued)

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 8 Revenue from contracts with customers

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

<i>Revenue from contracts with customers</i>	2020	2019
	\$	\$
Revenue:		
- Revenue from contracts with customers	338,796	279,025
	<u>338,796</u>	<u>279,025</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	268,059	219,601
- Fee income	37,565	27,413
- Commission income	33,172	32,011
	<u>338,796</u>	<u>279,025</u>

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

<i>Other revenue</i>	2020	2019
	\$	\$
Revenue:		
- Market development fund income	40,000	39,999
- Cash flow boost	41,233	-
- Other income	3,914	-
	<u>85,147</u>	<u>39,999</u>

Notes to the financial statements (continued)

Note 10 Finance income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

<i>Finance income</i>	2020	2019
	\$	\$
At amortised cost:		
- Term deposits	701	2,985
	<u>701</u>	<u>2,985</u>

Note 11 Expenses

a) Depreciation and amortisation expense	2020	2019
	\$	\$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	8,436	8,166
- Furniture and fittings	9,771	9,350
	<u>18,207</u>	<u>17,516</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	24,235	-
	<u>24,235</u>	<u>-</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	22,000	22,000
- Other intangible asset	2,525	-
	<u>24,525</u>	<u>22,000</u>
Total depreciation and amortisation expense	<u>66,967</u>	<u>39,516</u>

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

b) Finance costs	Note	2020	2019
		\$	\$
<i>Finance costs:</i>			
- Bank overdraft interest paid or accrued		65	-
- Lease interest expense	21a)	15,366	-
- Unwinding of make-good provision		715	-
		<u>16,146</u>	<u>-</u>

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

c) Employee benefit expenses	2020	2019
	\$	\$
Wages and salaries	328,053	265,351
Contributions to defined contribution plans	43,761	37,745
Expenses related to long service leave	2,599	(3,775)
Other expenses	10,511	15,590
	<u>384,924</u>	<u>314,911</u>

Notes to the financial statements (continued)

Note 11 Expenses (continued)

d) Recognition exemption

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

	2020 \$	2019 \$
Expenses relating to low-value leases	4,459	-
	<u>4,459</u>	<u>-</u>

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 \$
<i>Current tax credit</i>		
- Future income tax benefit attributable to losses	(49,570)	(41,822)
- Movement in deferred tax	(7,717)	(2,144)
- Adjustment to deferred tax on AASB 16 retrospective application	6,009	-
- Reduction in company tax rate	10,521	-
- Under/Over provision of tax in the prior period	-	(2,132)
	<u>(40,757)</u>	<u>(46,098)</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of \$10,521 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	(161,335)	(176,201)
Prima facie tax on loss from ordinary activities at 27.5% (2019: 27.5%)	(44,367)	(48,455)
Tax effect of:		
- Non-deductible expenses	6,122	6,184
- Other deductible expenses	(1,693)	(1,693)
- Temporary differences	1,707	2,143
- Other assessable income	(11,339)	-
- Movement in deferred tax	(7,717)	(2,145)
- Reduction in company tax rate	10,521	-
- Leases initial recognition	6,009	-
- Under/(over) provision of income tax in the prior year	-	(2,132)
	<u>(40,757)</u>	<u>(46,098)</u>

Notes to the financial statements (continued)

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	420	68,090
- Term deposits	-	61,984
	<u>420</u>	<u>130,074</u>

b) Reconciliation to statement of cash flows

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

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

	Note	2020 \$	2019 \$
- Cash at bank and on hand		420	68,090
- Term deposits		-	61,984
- Bank overdraft	20a)	(11,299)	-
		<u>(10,879)</u>	<u>130,074</u>

Note 14 Trade and other receivables

a) Current assets

	2020 \$	2019 \$
Trade receivables	32,742	26,876
Prepayments	8,072	4,800
	<u>40,814</u>	<u>31,676</u>

Note 15 Property, plant and equipment

a) Carrying amounts

	2020 \$	2019 \$
<i>Leasehold improvements</i>		
At cost	139,109	124,368
Less: accumulated depreciation	(28,424)	(19,988)
	<u>110,685</u>	<u>104,380</u>
<i>Furniture and fittings</i>		
At cost	91,039	66,118
Less: accumulated depreciation	(44,845)	(35,074)
	<u>46,194</u>	<u>31,044</u>
Total written down amount	<u>156,879</u>	<u>135,424</u>

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.

Notes to the financial statements (continued)

Note 15 Property, plant and equipment (continued)

b) Reconciliation of carrying amounts	2020	2019
	\$	\$
<i>Leasehold improvements</i>		
Carrying amount at beginning	104,380	93,460
Additions	14,741	19,086
Depreciation	(8,436)	(8,166)
Carrying amount at end	<u>110,685</u>	<u>104,380</u>
<i>Furniture and fittings</i>		
Carrying amount at beginning	31,044	40,027
Additions	24,921	367
Depreciation	(9,771)	(9,350)
Carrying amount at end	<u>46,194</u>	<u>31,044</u>
Total written down amount	<u>156,879</u>	<u>135,424</u>

c) Changes in estimates

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

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

Note 16 Right-of-use assets

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

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

a) Carrying amounts	Note	2020	2019
		\$	\$
<i>Leased land and buildings</i>			
At cost		450,710	-
Less: accumulated depreciation		(74,896)	-
Total written down amount		<u>375,814</u>	<u>-</u>
b) Reconciliation of carrying amounts			
<i>Leased land and buildings</i>			
Initial recognition on transition	3d)	276,334	-
Accumulated depreciation on adoption	3d)	(50,661)	-
Additional right-of-use assets recognised		174,376	-
Depreciation		(24,235)	-
Total written down amount		<u>375,814</u>	<u>-</u>

Notes to the financial statements (continued)

Note 17 Intangible assets

a) Carrying amounts	2020	2019
	\$	\$
<i>Franchise fee</i>		
At cost	110,000	110,000
Less: accumulated amortisation	(81,069)	(59,069)
	<u>28,931</u>	<u>50,931</u>
<i>Goodwill on purchase of agency</i>		
At cost	12,623	12,623
Less: accumulated amortisation	(2,525)	-
	<u>10,098</u>	<u>12,623</u>
Total written down amount	<u>39,029</u>	<u>63,554</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	50,931	72,931
Amortisation	(22,000)	(22,000)
Carrying amount at end	<u>28,931</u>	<u>50,931</u>
<i>Goodwill on purchase of agency</i>		
Carrying amount at beginning	12,623	12,623
Amortisation	(2,525)	-
Carrying amount at end	<u>10,098</u>	<u>12,623</u>
Total written down amount	<u>39,029</u>	<u>63,554</u>

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 intangible asset has a finite useful life from 1 July 2019 of 5 years.

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

	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$
Increase in amortisation expense	2,525	2,525	2,525	2,525	2,523

Notes to the financial statements (continued)

Note 18 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
	\$	\$	\$	\$
<i>Deferred tax assets</i>				
- expense accruals	798	(18)	-	780
- employee provisions	4,362	438	-	4,800
- make-good provision	-	(8)	3,557	3,549
- lease liability	-	37,095	64,512	101,607
- carried-forward tax losses	135,387	39,481	-	174,868
Total deferred tax assets	140,547	76,988	68,069	285,604
<i>Deferred tax liabilities</i>				
- property, plant and equipment	1,320	2,114	-	3,434
- right-of-use assets	-	35,652	62,060	97,712
- other	3,632	(1,534)	-	2,098
Total deferred tax liabilities	4,952	36,232	62,060	103,244
Net deferred tax assets (liabilities)	135,595	40,756	6,009	182,360

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
	\$	\$	\$	\$
<i>Deferred tax assets</i>				
- expense accruals	1,375	(577)	-	798
- employee provisions	4,214	148	-	4,362
- carried-forward tax losses	93,542	41,845	-	135,387
Total deferred tax assets	99,131	41,416	-	140,547
<i>Deferred tax liabilities</i>				
- income accruals	3,632	(3,632)	-	-
- property, plant and equipment	6,003	(4,683)	-	1,320
- other	-	3,632	-	3,632
Total deferred tax liabilities	9,635	(4,683)	-	4,952
Net deferred tax assets (liabilities)	89,496	46,099	-	135,595

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.

Notes to the financial statements (continued)

Note 19 Trade creditors and other payables

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

a) Current liabilities	2020 \$	2019 \$
Other creditors and accruals	14,129	29,083
	<u>14,129</u>	<u>29,083</u>

Note 20 Loans and borrowings

a) Current liabilities	2020 \$	2019 \$
Bank overdraft	11,299	-
Secured bank loans	32,022	-
	<u>43,321</u>	<u>-</u>

Bank overdraft

The company has an approved overdraft limit of \$100,000 which was drawn down to \$12,775. The company has \$87,225 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 0.00% whilst the company is in an interest free period (2019: n/a).

b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	0.0%	Floating	11,299	11,299	-	-
Secured bank loans	4.4%	2032	32,022	32,022	-	-

Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%. Subsequent lease arrangements entered into were discounted at 3.54%.

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.

Notes to the financial statements (continued)

Note 21 Lease liabilities (continued)

Lease portfolio

The company's lease portfolio includes:

- Canungra Branch The lease agreement is a non-cancellable lease with an initial term of five years which commenced on 1 October 2016. The lease has two further five year extension options available. The company is reasonably certain to exercise the final five-year lease term.
- Beaudesert Customer Service Centre The lease agreement is a non-cancellable lease with an initial term of 5 years which commenced in January 2020. The lease has two further five year extension options available. The company is reasonably certain to exercise the final lease terms.

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

a) Lease liability measurement

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

<i>Lease liabilities on transition</i>	Note	2020 \$	2019 \$
Initial recognition on AASB 16 transition	3d)	234,588	-
Additional lease liabilities recognised		174,376	-
Lease payments - interest		15,366	-
Lease payments		(33,534)	-
		<u>390,796</u>	<u>-</u>
b) Current lease liabilities			
Property lease liabilities		41,226	-
Unexpired interest		(17,414)	-
		<u>23,812</u>	<u>-</u>
c) Non-current lease liabilities			
Property lease liabilities		471,312	-
Unexpired interest		(104,328)	-
		<u>366,984</u>	<u>-</u>
d) Maturity analysis			
- Not later than 12 months		41,226	-
- Between 12 months and 5 years		164,902	-
- Greater than 5 years		306,410	-
Total undiscounted lease payments		<u>512,538</u>	<u>-</u>
Unexpired interest		(121,742)	-
Present value of lease liabilities		<u>390,796</u>	<u>-</u>

Notes to the financial statements (continued)

Note 21 Lease liabilities (continued)

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of \$4,917.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	33,534	(33,534)	-
- Depreciation and amortisation expense	-	24,235	24,235
- Finance costs	-	16,081	16,081
Increase in expenses - before tax	<u>33,534</u>	<u>6,782</u>	<u>40,316</u>
- Income tax expense / (credit) - current	(9,222)	9,222	-
- Income tax expense / (credit) - deferred	-	(11,087)	(11,087)
Increase in expenses - after tax	<u>24,312</u>	<u>4,917</u>	<u>29,229</u>

Note 22 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	13,651	-
	<u>13,651</u>	<u>-</u>

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)	25,000	-
Present value discounting	3d)	(12,064)	-
Present value unwinding		715	-
		<u>13,651</u>	<u>-</u>

Notes to the financial statements (continued)

Note 22 Provisions (continued)

c) Changes in estimates

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

The lease is due to expire on 30 September 2031 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23 Employee benefits

a) Current liabilities

	2020 \$	2019 \$
Provision for annual leave	13,088	13,088
	<u>13,088</u>	<u>13,088</u>

b) Non-current liabilities

Provision for long service leave	5,372	2,773
	<u>5,372</u>	<u>2,773</u>

c) Key judgement and assumptions

Employee attrition rates

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

Note 24 Issued capital

a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	832,660	832,660	832,660	832,660
Less: equity raising costs	-	(30,797)	-	(30,797)
	<u>832,660</u>	<u>801,863</u>	<u>832,660</u>	<u>801,863</u>

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Notes to the financial statements (continued)

Note 24 Issued capital (continued)

b) Rights attached to issued capital (continued)

Ordinary shares (continued)

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 160. As at the date of this report, the company had 285 shareholders (2019: 284 shareholders).

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

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

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

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

Note 25 Accumulated losses

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		(350,484)	(220,381)
Adjustment for transition to AASB 16	3d)	(15,842)	-
Net loss after tax from ordinary activities		(120,578)	(130,103)
Balance at end of reporting period		<u>(486,904)</u>	<u>(350,484)</u>

Notes to the financial statements (continued)

Note 26 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net loss after tax from ordinary activities	(120,578)	(130,103)
Adjustments for:		
- Depreciation	42,442	17,516
- Amortisation	24,525	22,000
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(9,137)	8,656
- (Increase)/decrease in other assets	(40,756)	(46,098)
- Increase/(decrease) in trade and other payables	(14,954)	6,036
- Increase/(decrease) in employee benefits	2,599	536
- Increase/(decrease) in provisions	715	-
Net cash flows used in operating activities	<u>(115,144)</u>	<u>(121,457)</u>

Note 27 Financial instruments

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

	Note	2020 \$	2019 \$
Financial assets			
Trade and other receivables	14	32,742	26,876
Cash and cash equivalents	13	420	68,090
Term deposits	13	-	61,984
		<u>33,162</u>	<u>156,950</u>
Financial liabilities			
Bank overdrafts	20	11,299	-
Secured bank loans	20	32,022	-
Lease liabilities	21	390,796	-
		<u>434,117</u>	<u>-</u>

Note 28 Auditor's remuneration

	2020 \$	2019 \$
Amount received or due and receivable by the auditor of the company for the financial year.		
<i>Audit and review services</i>		
- Audit and review of financial statements	4,800	1,800
	<u>4,800</u>	<u>1,800</u>
<i>Non audit services</i>		
- General advisory services	3,350	1,575
- Share registry services	1,900	-
	<u>5,250</u>	<u>1,575</u>
Total auditor's remuneration	<u>10,050</u>	<u>3,375</u>

Notes to the financial statements (continued)

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Janine Pamela Rockliff
Peter William Clark
Fiona Lorraine Davidson
Terry Robert Watkins
Leslie John Fortescue
Leanne Kay Angel
Christine Mary Watkins
Stephen Craven
Michael Andrew Townsend
Leigh Dawn Bartlett

b) Key management personnel compensation

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

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

c) Related party transactions

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

	2020	2019
	\$	\$
<i>Transactions with related parties</i>		
- Kaylex Constructions completed the fitout of the Beaudesert Customer Service Centre. Janine Pamela Rockliff is a director of the company.	16,215	-
- The company has signed a non-cancellable 5 year lease with The Covino Family Superannuation Fund for the rental premises in which the bank operates from. During the year the company also used Outpost Cafe for AGM and various nights for community events. Mr Andrew Covino is a director of the company, member of the Superannuation Fund and owner of the cafe.	-	26,776
- During the financial year, the company paid Davidson Family Trust t/a Sportys Embroidery for marketing materials. Sportys Embroidery is a business operated by Ms Fiona Davidson, who is a director of the company.	-	680
Total transactions with related parties	<u>16,215</u>	<u>27,456</u>

Notes to the financial statements (continued)

Note 30 Earnings per share

a) Basic and diluted earnings per share

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

	2020	2019
	\$	\$
Loss attributable to ordinary shareholders	(120,578)	(130,103)
	Number	Number
Weighted-average number of ordinary shares	832,660	832,660
	Cents	Cents
Basic and diluted loss per share	(14.48)	(15.62)

Note 31 Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 21).

	2020	2019
	\$	\$
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	25,462
- between 12 months and 5 years	-	33,949
Minimum lease payments payable	-	59,411

b) Other commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

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

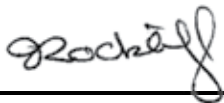
Directors' declaration

In accordance with a resolution of the directors of Canungra & District Community Financial Group 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.



Janine Pamela Rockliff, Chair

Dated this 30th day of September 2020

Independent audit report



Chartered Accountants

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

Independent auditor's report to the members of Canungra & District Community Financial Group Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Canungra & District Community Financial Group Limited, is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

Canungra & District Community Financial Group Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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.

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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.

Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss after tax of \$120,578 during the year ended 30 June 2020, further reducing the company's net assets to \$314,959. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 30 September 2020

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor

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