Annual Report 2020

Chittering Financial Services Limited

Community Bank
Bullsbrook, Bindoon and Ellenbrook

ABN 77 096 017 506

Contents

Chair's report

For year ending 30 June 2020

Dear Shareholders,

During a year of worldwide economic upheaval and health crisis Chittering Financial Services Limited (CFS) has still achieved a Net Profit of $84,204 against June 2019 of $68,746. The Board has worked with the Branch Managers to monitor expenses, improve efficiency and driving productivity across the region.

Our business was not immediately affected by the COVID-19 quarantine restrictions as we remained an essential service to our local communities. We commend our staff for swiftly implementing hygiene and social distancing requirements into branch operations to ensure the protection of our valued customers. As restrictions lift, along with the National and State stimulus programs, we have seen increased lending enquiry which is a relief to all.

My sincerest thanks to the Board of Directors - Fred Hasson, Graham Dore, Jeff Hollands, John Williams and Kylie Hughes – for their valuable time and dedication this past year. In addition, our Branch Managers Allen Amor, Josef Gowran and David Blyton for facing so much adversity since February 2020.

I am also grateful to our partners in the Bendigo and Adelaide Bank Limited office, Regional Manager Alex Dickson and Community Business Manager Anne-Marie Archer, for their ongoing support and counsel.

None of the work we do would be possible without the dedication of our staff. Because of their commitment we are transforming into a more dynamic, flexible, and innovative business. This has been evident as individuals team members or our branches being recognised within the region for achieving sales targets or receiving service awards.

Community investment

Whilst reducing costs we have also reviewed our community contribution over the past twelve months. Our Managers have been working to engage in a more meaningful way with local sporting and not-for-profit groups through establishment of 'Referral Partnerships' whereby both parties work together and benefit.

We are also working with the Shire of Chittering on annual events and future projects, e.g. Taste of Chittering and the Muchea Community Hall redevelopment.

Director changes

We have three potential new Directors being interviewed and invited to meet the Board. Having new Directors ensures good succession planning for the future and strong leadership with vital experience is key to improving governance and continued management of a business like CFS.

We welcome Kylie Hughes who was interview by two Directors during the lockdown period prior to being appointed on 27 May 2020. Kylie brings a wealth of business management experience and local community knowledge to the Board.

Looking forward to 2021

The Board are excited by the prospect continued profitability holds and looks forward to contributing regularly to local projects and community engagement.

Regardless of ongoing profitability CFS will still need to remain relevant within our communities, and sustainable into the future. It will be necessary that we reshape our business, review marketing plans and continually upskill and develop our people in the face of economic change and industry competition. We have an obligation to provide returns to our shareholders, services to customers and investment in our communities whilst being an efficient, resilient, and relevant business.

This year we anticipate the continued payment of 2c per share to shareholders.

Nicolette Ward
Chair

Bullsbrook Manager's report

For year ending 30 June 2020

As you can imagine the last few months of the financial year saw, and continues to see, some extremely challenging times for not only our Community Bank and customers, but the wider community of Bullsbrook as we deal with COVID-19. Notwithstanding these challenges, we have been committed to continue to support our community.

I would like to acknowledge the Bullsbrook branch team for their resilience during these times and thank, Stacey Teti, Anne Teti, Kathleen Atkinson and Catherine Choules for their continuous dedication, collaboration and enthusiasm shown over the last year – you should all be very proud of yourselves.

Our Community Bank model offers a great alternative to the major banks and with Bendigo Bank improving their products and services on offer at all touch points, be it in the branch, the mobile app or our online banking, we are a real competitor to the bigger banks and the most trusted of them all.

Unfortunately, the annual Bullsbrook Country fair was cancelled, along with many more fairs and events. The year ahead will no doubt continue to be interesting and will throw us further challenges, but with these new opportunities will be created for us to continue to build and grow our business and promote the great work that we do in helping our community.

It goes without saying, our shareholders are extremely important to our success and we need your help to get our message further out into the community. Banking with the local Community Bank makes a difference in the community, because with every new customer and account opening, we are a step closer to supporting community projects. So, I would like to ask you all and make it known to your family members, friends, work colleagues and business associates why it is so important to support their local Community Bank and let them know about the great range of financial services and products we offer.

My commitment is to continue to lead and develop my team to help us grow the business, create stronger connections with our customers and local community, and have meaningful and relevant conversations to help them grow and protect their financial wellbeing.

May I also, thank the teams based at the Bindoon and Ellenbrook branches, along with the Board of Directors for their continued support.

Allen Amor
Bullsbrook Branch Manager

Bindoon Manager's report

For year ending 30 June 2020

This year has a been a time of change for Community Bank Bindoon. We have had several changes in the branches with the departure of Josef Gowran and the appointment of David Blyton, not to mention the unsettling times for us all with COVID-19. An unprecedented event that was experienced around the world. Restrictions to business and lifestyle impacted the fabric of our society and forced us to re-think many of our traditional routines.

Within the context of these restrictions banking remained an essential service for our local and wider communities. During this period of uncertainty, the branches focus was on providing a safe environment for our staff and customers whilst ensuring the continuity of local banking services.

I am pleased to report that this has not seen a material impact to the performance of the our Community Bank in this 2019/20 financial year with us seeing our Total Business Portfolio grow by approximately $4.2 million.

I would like to thank all the staff for their continuous dedication, teamwork and enthusiasm over the last year. I look forward to putting into place some new strategies, with the team, to grow our business and expand our lending portfolio.

Today, the banking and finance sector is more competitive than it has ever been before with record low interest rates. We are a real alternative to the major banks with our Community Bank model the "fifth largest retail bank – but number one in your hearts".

As shareholders we need your help to get our message out into the community. Tell your friends and family how banking with the local Community Bank makes a difference in the community. With every new customer and account opening, we are a step closer to supporting community projects.

Thank you to our partners at Bendigo and Adelaide Bank Limited, particularly Alex Dickson, Lauren Smillie and Dennis Teale for their support over the past year and for all the hard work they put into my business.

Thank you to Nicky Ward and the Board of Directors who continue to provide excellent guidance for the branch teams. The direction they have set will see Community Bank Bindoon's continuing to maintain a strong community focus and ensure we remain a relevant banking choice in our community.

Most of all I would like to thank our local shareholders, our individual customers and the local businesses and community members that choose to do their banking with Community Bank Bindoon.

Thanks to this continued support, we can assist local groups and support community events and projects. Our success is directly linked to the success of our communities, which is ultimately good for all of us. Please feel to contact our branch or call one of our Managers across the Chittering Financial Services Limited Group if we can assist in anyway.

On behalf of the branch staff we look forward to another year of servicing our current, new and potential customers, growing our business and continuing to support our communities.

Thank you

Josef Gowran
Bindoon Branch Manager

Ellenbrook Manager's report

For year ending 30 June 2020

It is with great pleasure that I write this report, and endeavour to somehow summarise the 2019/20 Financial Year for the Ellenbrook branch, part of the Chittering Financial Services Limited family. And what a year it has been.

In the half year to December 2019, our focus was multi-faceted, covering New Business Acquisition in what at that time seemed to be a recovering local property market. We were working on increasing our profile in our local area through targeted community engagement, and of course building and developing the skillsets of our most valuable assets - our staff.

In the area of New Business Acquisition, confidence in the local economy was buoyant, and with the confirmation of the train line, and completion of the Northlink Project, plus Bendigo Bank's continued advertising campaigns, we were starting to achieve some positive business growth.

Enter 2020.

Horrendous bushfires on the East Coast decimated communities, and some of our staff had family directly impacted. In a true demonstration of living our Community Bank values, the team at Ellenbrook, along with our colleagues at Bindoon and Bullsbrook held several cake stalls, raising much needed funds that were then donated to Bendigo Bank's Bushfire Appeal.

Initial impacts of the COVID-19 Pandemic effected many within our community. Bendigo Bank have provided support to those of our clients impacted financially, but instead of waiting for our customers to ask for help, we at the branch proactively contacted clients, simply to ascertain how they were coping. This caring approach was welcomed, which in turn further strengthened our relationship with our customers, and our brand within the local community.

Angie, Rachel, Rula and Emily (our dedicated staff), continue to strive for excellence, providing our customers with high quality personal service. They continue to embrace the challenge of growing our business, providing quality results for our customers and our shareholders. I would like to thank each and every one for their continued dedication and support.

I would encourage you all to spread the word to family members, friends or business associates. Let them know why it's so important to support their local branch. The success and sustainability of our branch relies on the advocacy from the community, and especially from our valued shareholders.

My heartfelt gratitude extends to our Board of Directors, for their continued support of myself and my staff. With their ongoing support we can go from strength to strength in the year ahead.

In closing, I'm proud of the achievements we have seen in the last 12 months, during what continues to be termed as 'unprecedented times' and I am excited about the year ahead. I look forward to seeing you in our branch soon.

Dave Blyton
Ellenbrook 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

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors’ report

For the financial year ended 30 June 2020

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

Directors

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

Nicolette Joy Ward

Non-executive director

Occupation: Executive Administrator

Qualifications, experience and expertise: Over a period of 22 years Nicolette has developed a range of business knowledge and skills which she adapts and applies to her role as Chair. Working closely with the Finance Committee and Branch Managers she has continued to focus on increased profits, reduced costs and annual shareholder returns. Nicolette also has over 8 years of mortgage experience within banking and broker markets, over 4 years experience in large and small domestic construction industries, and been involved in community service projects, volunteering, and leadership programs within the Swan Valley region.

Special responsibilities: Finance, Audit and Marketing Committee

Interest in shares: nil share interest held

John Trevor Williams

Non-executive director

Occupation: Retired Accountant

Qualifications, experience and expertise: B.Bus at W.A.I.T and member of the Institute of Chartered Accountants in Australia and New Zealand. Previously employed in a local abattoir, in local and interstate farms, as a shearer and shedhand in the wool industry, as a fettler on the Central Australian Railways and as an accountant for 35 years. John is also Treasurer of the Chittering Incident Support Brigade and Treasurer of the Bindoon Men’s Shed Incorporated. As well as a Member of the Chittering Cancer Support Group and a Board Member of Edmund Rice College.

Special responsibilities: Finance Committee

Interest in shares: nil share interest held

Graham Dore

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Prior to retiring to Australia Graham formed and ran a Self-Drive Vehicle Rental Company in 1989 in the UK (which is still operating). From 1980 to 1989 Graham was Managing Director of one of the largest motor parts distributors in the UK. Throughout his career he has always been included in finance and human resources. Graham is currently Treasurer of Swan Valley Community Centre, Chequers Golf Club.

Special responsibilities: Human Resources Committee

Interest in shares: nil share interest held

Jeffrey Robert Hollands

Non-executive director

Occupation: Retired Insurance Broker

Qualifications, experience and expertise: Owner and Managing Director of Westcourt General Insurance Brokers, approximately 35 years. Former Rotarian. Has a diploma in Financial Services. Is a citizen of Western Australia and hold a centenary medal and Australian sports medal. Independent of Community Broker Network Pty Ltd owned by ASX Listed Steadfast Ltd.

Special responsibilities: Company Secretary

Interest in shares: nil share interest held

Directors (continued)

Kylie Michelle Hughes

Non-executive director (appointed 10 June 2020)

Occupation: Councillor, Shire of Chittering

Qualifications, experience and expertise: Kylie is a Shire of Chittering Councillor allocated the Natural Environment portfolio. Kylie is a committee member for a number of Local Council, Community, Sporting and Special interest groups in the local area including the following; Muchea Netball Club, Muchea Progress Recreation and Sporting Association, Chittering Valley Land Conservation District Committee (T/A Chittering Landcare), Ellen Brockman Integrated Catchment Committee, Chittering Health Advisory Group, Chittering Community Planning Advisory Group, Muchea Hall Users Group, Shire of Chittering Audit and Risk Committee, Rural Water Council of WA, Chittering Mining Advisory Group, Mid-West. Wheatbelt JDAP, Chittering Community Complex Advisory Group, member of Chittering Tourist Association and Chittering Chamber of Commerce. Previous Employment/ Experience includes News Corporation Australia P/Ltd - Purchasing, Stores and Facilities Manager, Contractor Manager, WorkSafe HSR - Perth Print, Canning Vale Print, Publishing and Distribution Site: 5 Years. BlueScope P/Ltd - PreDespatch Manager, Purchasing Officer, QA Administrator, Retail Products Scheduler, Health and Safety Representative, Contractor Manager, DuPont Certified Safety Supervisor - Formerly Highline Production and Despatch Site, Welshpool WA: 5 Years. Rabbit Photo, Kevron & Halse Photo graphics - Retail Store Manager, Print Lab Manager & Technician, Freeland Photographer: 18 years.

Special responsibilities: Nil

Interest in shares: nil share interest held

Frederick Edmund Hasson

Non-executive director (resigned 1 August 2020)

Occupation: Retired

Qualifications, experience and expertise: Frederick has worked in management positions in the transport industry and owned and operated a small business. He has a Diploma in Training Management and has attended the Advanced Management Program conducted by the University of WA Graduate School of Management.

Special responsibilities: Sponsorship & Grants Committee

Interest in shares: nil share interest held

Carolyn Frances Cover

Non-executive director (resigned 1 April 2020)

Occupation: Home Duties

Qualifications, experience and expertise: Senior Bookkeeping with approximately 16 years experience. Member of the CWA (The Country Women's Association of WA) State Finance Committee for 2 years. Is an active member of the Chittering Bindoon CWA and held the positions of Branch President for 3 years and Branch Treasurer for 3 years. Has a Certificate in Business Studies. During working career she was involved in all aspects of accounts and payroll, including monthly and quarterly reports to trial balance. Carolyn has used nine different accounting packages of which she was involved in implementing and training staff for four of them. In 2016 she was involved in investigating the cost and procedure to implement an accounting computer package for 142 Branches for the CWA.

Special responsibilities: Nil

Interest in shares: nil share interest held

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:

- Stephanie Pascoe was appointed company secretary on 5 September 2016 and ceased on 10 March 2020.
- Jeffrey Hollands was appointed company secretary on 10 March 2020.

Qualifications, experience and expertise: Owner and Managing Director of Westcourt General Insurance Brokers, approximately 35 years. Former Rotarian. Has a diploma in Financial Services. Is a citizen of Western Australia and hold a centenary medal and Australian sports medal. Jeffrey is also currently a director at Independent of Community Broker Network Pty Ltd owned by ASX Listed Steadfast Ltd.

Principal activity

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

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

Operating results

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

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	84,204	68,746

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Nicolette Joy Ward	-	-	-
Frederick Edmund Hasson	-	-	-
John Trevor Williams	-	-	-
Carolyn Frances Cover	-	-	-
Graham Dore	-	-	-
Jeffrey Robert Hollands	-	-	-
Kylie Michelle Hughes	-	-	-

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	2.00	9,974
Total amount	**2.00**	**9,974**

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest 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 managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or managers of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' meetings

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

	Board Meetings Attended	
	E	A
Nicolette Joy Ward	12	10
John Trevor Williams	12	11
Graham Dore	12	12
Jeffrey Robert Hollands	12	10
Kylie Michelle Hughes	2	2
Frederick Edmund Hasson	12	12
Carolyn Frances Cover	10	8

E - eligible to attend
A - number attended

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 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 12.

Signed in accordance with a resolution of the directors at Bullsbrook, Western Australia.

Nicolette Joy Ward,
Chair

Dated this 16th day of September 2020

Auditor’s independence declaration

Partners in success

Chartered Accountants

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

Lead auditor’s independence declaration under section 307C of the *Corporations Act 2001* to the directors of Chittering Financial Services Limited

As lead auditor for the audit of Chittering Financial Services 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: 16 September 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	1,328,938	1,366,683
Other revenue	9	204,758	149,731
Finance income	10	2,549	729
Employee benefit expenses	11c)	(971,432)	(941,128)
Charitable donations, sponsorship, advertising and promotion		(17,792)	(32,409)
Occupancy and associated costs		(43,672)	(125,289)
Systems costs		(83,183)	(80,978)
Depreciation and amortisation expense	11a)	(107,463)	(42,476)
Finance costs	11b)	(31,793)	(1,289)
General administration expenses		(183,361)	(198,752)
Profit before income tax expense		**97,549**	**94,822**
Income tax expense	12a)	(13,345)	(26,076)
Profit after income tax expense		**84,204**	**68,746**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**84,204**	**68,746**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	31a)	16.88	13.78

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	368,038	260,909
Trade and other receivables	14a)	116,785	128,063
Current tax assets	18a)	2,184	-
Total current assets		**487,007**	**388,972**
Non-current assets			
Property, plant and equipment	15a)	8,296	59,932
Right-of-use assets	16a)	413,792	-
Intangible assets	17a)	73,936	110,810
Deferred tax asset	18b)	54,521	28,086
Total non-current assets		**550,545**	**198,828**
Total assets		**1,037,552**	**587,800**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	119,909	116,489
Loans and borrowings	20a)	-	11,631
Lease liabilities	21b)	78,142	-
Employee benefits	23a)	74,513	65,272
Total current liabilities		**272,564**	**193,392**
Non-current liabilities			
Trade and other payables	19b)	38,853	77,705
Loans and borrowings	20b)	-	45,340
Lease liabilities	21c)	422,865	-
Employee benefits	23b)	14,246	19,501
Provisions	22a)	67,809	-
Total non-current liabilities		**543,773**	**142,546**
Total liabilities		**816,337**	**335,938**
Net assets		**221,215**	**251,862**
EQUITY			
Issued capital	24a)	495,209	495,209
Accumulated losses	25	(273,994)	(243,347)
Total equity		**221,215**	**251,862**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		495,209	(302,119)	193,090
Total comprehensive income for the year		-	68,746	68,746
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(9,974)	(9,974)
Balance at 30 June 2019		**495,209**	**(243,347)**	**251,862**
Balance at 1 July 2019		495,209	(243,347)	251,862
Effect of AASB 16: Leases	3d)	-	(104,877)	(104,877)
Restated balance at 1 July 2019		495,209	(348,224)	146,985
Total comprehensive income for the year		-	84,204	84,204
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(9,974)	(9,974)
Balance at 30 June 2020		**495,209**	**(273,994)**	**221,215**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,687,929	1,667,965
Payments to suppliers and employees		(1,407,020)	(1,487,547)
Interest received		2,614	242
Interest paid		-	(1,289)
Lease payments (interest component)	11b)	(28,243)	-
Lease payments not included in the measurement of lease liabilities	11d)	(33,927)	-
Income taxes paid		(2,184)	-
Net cash provided by operating activities	**26**	**219,169**	**179,371**
Cash flows from investing activities			
Payments for property, plant and equipment		(4,544)	(35,870)
Payments for intangible assets		(35,320)	(35,320)
Net cash used in investing activities		**(39,864)**	**(71,190)**
Cash flows from financing activities			
Proceeds from loans and borrowings		-	33,837
Repayment of loans and borrowings		-	(8,841)
Lease payments (principal component)	21a)	(64,564)	-
Dividends paid	30a)	(7,612)	(9,974)
Net cash provided by/(used in) financing activities		**(72,176)**	**15,022**
Net cash increase in cash held		**107,129**	**123,203**
Cash and cash equivalents at the beginning of the financial year		260,909	137,706
Cash and cash equivalents at the end of the financial year	**13a)**	**368,038**	**260,909**

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 Chittering Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	**Principal Place of Business**
1/2543 Great Northern Highway Bullsbrook WA 6084	1/2543 Great Northern Highway Bullsbrook WA 6084
	13 Binda Place Bindoon WA 6502
	6/38 Main Street Ellenbrook WA 6069

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

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 16 September 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

b) As a lessee

As a lessee, the company leases many assets including property, motor vehicles, office equipment 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).

The company recognises lease and non-lease components such as outgoings separately.

Leases classified as operating leases under AASB 117

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

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

b) As a lessee (continued)

Right-of-use assets are measured at either:

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

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

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

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

Leases classified as finance leases under AASB 117

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

c) As a lessor

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

d) Impact on financial statements

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

	Note	1 July 2019 $
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	16b)	428,201
Deferred tax asset	18b)	39,781
Liability		
Lease liabilities	21a)	(508,600)
Provision for make-good	22b)	(64,259)
Equity		
Accumulated losses		**(104,877)**

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	321,989
Add: additional options now expected to be exercised	352,312
Less: AASB 117 lease commitments reconciliation	(37,485)
Less: present value discounting	(128,216)
Lease liability as at 1 July 2019	**508,600**

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).

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers

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

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

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

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

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

<u>Revenue calculation</u>

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.

<u>Margin</u>

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.

<u>Commission</u>

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.

<u>Fee income</u>

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.

<u>Core banking products</u>

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.

<u>Ability to change financial return</u>

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.

Note 4 Summary of significant accounting policies (continued)

b) Other revenue

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

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

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

Note 4 Summary of significant accounting policies (continued)

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

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

Note 4 Summary of significant accounting policies (continued)

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Plant and equipment	Straight-line	5 years
Furniture, fixtures and fittings	Straight-line	5 years
Motor vehicles	Straight-line	4 years

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

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)

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

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:

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

Note 4 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

Note 4 Summary of significant accounting policies (continued)

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 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.

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 to separate lease and non-lease components.

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.

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

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 group is reasonably certain to exercise that option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Policy applicable before 1 July 2019

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

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

As a lessee

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

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

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable before 1 July 2019 (continued)

As a lessor

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.

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 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: - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 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 though 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.

a) Credit risk

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

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

b) Liquidity risk

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

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

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

30 June 2020 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	501,007	102,837	304,510	198,464
Trade payables	10,335	10,335	-	-
	511,342	**113,172**	**304,510**	**198,464**

30 June 2019 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Chattel Mortgage	56,971	11,631	-	-
Trade payables	8,752	8,752	-	-
	65,723	**32,014**	**-**	**-**

c) Market risk

<u>Market risk</u>

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.

<u>Price risk</u>

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.

<u>Cash flow and fair value interest rate risk</u>

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

The company held cash and cash equivalents of $368,038 at 30 June 2020 (2019: $260,909). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 8 Revenue from contracts with customers

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

	2020 $	2019 $
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	1,328,938	1,366,683
	1,328,938	**1,366,683**
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	1,127,522	1,151,797
- Fee income	125,610	131,935
- Commission income	75,806	82,951
	1,328,938	**1,366,683**

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

Note 9 Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor, income under an arrangement with the Department of Transport income and the cash flow boost from the Australian Government.

	2020 $	2019 $
Other revenue		
Revenue:		
- Market development fund income	112,917	115,000
- Cash flow boost	62,500	-
- Department of transport	29,341	34,731
	204,758	**149,731**

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.

Note 10 Finance income (continued)

	Note	2020 $	2019 $
Finance income			
At amortised cost:			
- Term deposits		2,549	729
		2,549	**729**

Note 11 Expenses

a) Depreciation and amortisation expense

Depreciation of non-current assets:			
- Leasehold improvements		-	586
- Plant and equipment		2,096	1,694
- Motor vehicles		-	7,720
		2,096	**10,000**
Depreciation of right-of-use assets			
- Leased land and buildings		52,709	-
- Leased motor vehicles		15,784	-
		68,493	**-**
Amortisation of intangible assets:			
- Franchise renewal process fee		36,874	32,476
		36,874	**32,476**
Total depreciation and amortisation expense		**107,463**	**42,476**

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

b) Finance costs

Finance costs:			
- Bank loan interest paid or accrued		-	1,289
- Lease interest expense	21a)	28,243	-
- Unwinding of make-good provision		3,550	-
		31,793	**1,289**

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

c) Employee benefit expenses

Wages and salaries		835,067	820,663
Non-cash benefits		3,954	14,018
Contributions to defined contribution plans		77,209	73,306
Expenses related to long service leave		9,169	5,802
Other expenses		46,033	27,339
		971,432	**941,128**

d) Recognition exemption

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

Expenses relating to low-value leases		33,927	-
		33,927	**-**

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

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

Note 12 Income tax expense

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

	2020 $	2019 $
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Recoupment of prior year tax losses	989	34,608
- Movement in deferred tax	(30,570)	(8,532)
- Adjustment to deferred tax on AASB 16 retrospective application	39,781	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	3,145	-
	13,345	**26,076**

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 $3,145 related to the remeasurement of deferred tax assets and liabilities of the company.

	2020 $	2019 $
b) Prima facie income tax reconciliation		
Operating profit before taxation	97,549	94,822
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	26,826	26,076
Tax effect of:		
- Non-deductible expenses	562	-
- Temporary differences	(9,211)	8,532
- Other assessable income	(17,188)	-
- Movement in deferred tax	(30,570)	(8,532)
- Leases initial recognition	39,781	-
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	3,145	-
	13,345	**26,076**

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	356,538	249,409
- Term deposits	11,500	11,500
	368,038	**260,909**

Note 14 Trade and other receivables

	2020 $	2019 $
a) Current assets		
Trade receivables	112,473	117,737
Prepayments	3,946	9,839
Other receivables and accruals	366	487
	116,785	**128,063**

Note 15 Property, plant and equipment

	Note	2020 $	2019 $
a) Carrying amounts			
Leasehold improvements			
At cost		239,702	239,702
Less: accumulated depreciation		(239,702)	(239,702)
		-	**-**
Plant and equipment			
At cost		312,568	308,024
Less: accumulated depreciation		(304,272)	(302,176)
		8,296	**5,848**
Motor vehicles			
At cost		-	63,138
Less: accumulated depreciation		-	(9,054)
		-	**54,084**
Total written down amount		**8,296**	**59,932**

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.

	Note	2020 $	2019 $
b) Reconciliation of carrying amounts			
Leasehold improvements			
Carrying amount at beginning		-	586
Depreciation		-	(586)
Carrying amount at end		**-**	**-**
Plant and equipment			
Carrying amount at beginning		5,848	2,855
Additions		4,544	4,687
Depreciation		(2,096)	(1,694)
Carrying amount at end		**8,296**	**5,848**
Motor vehicles			
Carrying amount at beginning		54,084	30,623
Lease asset transferred out - at cost	16b)	(63,139)	-
Lease asset transferred out - accumulated depreciation	16b)	9,055	-
Additions		-	31,181
Depreciation		-	(7,720)
Carrying amount at end		**-**	**54,084**
Total written down amount		**8,296**	**59,932**

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

c) Changes in estimates

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

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

Note 16 Right-of-use assets

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

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

Note 16 Right-of-use assets (continued)

	Note	2020 $	2019 $
a) Carrying amounts			
Leased land and buildings			
At cost		840,151	-
Less: accumulated depreciation		(464,659)	-
		375,492	**-**
Leased motor vehicles			
At cost		63,138	-
Less: accumulated depreciation		(24,838)	-
		38,300	**-**
Total written down amount		**413,792**	**-**
b) Reconciliation of carrying amounts			
Leased land and buildings			
Initial recognition on transition	3d)	840,151	-
Accumulated depreciation on adoption	3d)	(411,950)	-
Depreciation		(52,709)	-
Carrying amount at end		**375,492**	**-**
Leased motor vehicles			
Lease asset transferred in - at cost	15b)	63,139	-
Lease asset transferred in - accumulated depreciation	15b)	(9,055)	-
Depreciation		(15,784)	-
Carrying amount at end		**38,300**	**-**
Total written down amount		**413,792**	**-**

Note 17 Intangible assets

a) Carrying amounts		
Franchise renewal process fee		
At cost	345,213	366,708
Less: accumulated amortisation and impairment	(271,277)	(255,898)
Total written down amount	**73,936**	**110,810**
b) Reconciliation of carrying amounts		
Franchise renewal process fee		
Carrying amount at beginning	110,810	143,286
Amortisation	(36,874)	(32,476)
Carrying amount at end	**73,936**	**110,810**

c) Changes in estimates

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

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

Note 18 Tax assets and liabilities

a) Current tax		
Income tax payable/(refundable)	**(2,184)**	**-**

Note 18 Tax assets and liabilities (continued)

b) Deferred tax

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in equity $	30 June 2020 $
Deferred tax assets				
· expense accruals	6,594	(397)	-	6,197
· employee provisions	23,314	(237)	-	23,077
· make-good provision	-	(41)	17,671	17,630
· lease liability	-	(21,398)	139,865	118,467
· carried-forward tax losses	1,018	(990)	-	28
Total deferred tax assets	**30,926**	**(23,063)**	**157,536**	**165,399**
Deferred tax liabilities				
· income accruals	134	(25)	-	109
· deductible prepayments	2,706	(1,680)	-	1,026
· property, plant and equipment	-	12,115	-	12,115
· right-of-use assets	-	(20,127)	117,755	97,628
Total deferred tax liabilities	**2,840**	**(9,717)**	**117,755**	**110,878**
Net deferred tax assets (liabilities)	**28,086**	**(13,346)**	**39,781**	**54,521**

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

	30 June 2018 $	Recognised in profit or loss $	Recognised in equity $	30 June 2019 $
Deferred tax assets				
· expense accruals	4,127	2,467	-	6,594
· employee provisions	16,850	6,464	-	23,314
· carried-forward tax losses	35,627	(34,609)	-	1,018
Total deferred tax assets	**56,604**	**(25,678)**	**-**	**30,926**
Deferred tax liabilities				
· income accruals	-	134	-	134
· deductible prepayments	2,442	264	-	2,706
Total deferred tax liabilities	**2,442**	**398**	**-**	**2,840**
Net deferred tax assets (liabilities)	**54,162**	**(26,076)**	**-**	**28,086**

c) Uncertainty over income tax treatments

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

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

Note 19 Trade creditors and other payables

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

Note 19 Trade creditors and other payables (continued)

	Note	2020 $	2019 $
a) Current liabilities			
Trade creditors		10,335	8,752
Other creditors and accruals		109,574	107,737
		119,909	**116,489**
b) Non-current liabilities			
Other creditors and accruals		38,853	77,705
		38,853	**77,705**

Note 20 Loans and borrowings

		2020 $	2019 $
a) Current liabilities			
Chattel mortgage		-	11,631
		-	**11,631**
b) Non-current liabilities			
Chattel mortgage		-	45,340
		-	**45,340**

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

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Chattel mortgage	3.9%	2023	-	-	56,971	56,971

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 of property leases was 5.39%.

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.

<u>Lease portfolio</u>

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

The company's lease portfolio includes:

- Bindoon branch
  The lease agreement is a non-cancellable lease with an initial term of five years which commenced in February 2002. An extension option term of five years was exercised in February 2007, in 2012 for five years five months and 2017 for a further five years. The lease has no further extension options available.
- Bullsbrook branch
  The lease agreement is a non-cancellable lease with an initial term of five years which commenced in October 2017. The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term.
- Ellenbrook branch
  The lease agreement is a non-cancellable lease with an initial term of five years which commenced in October 2009. An extension option term of four years one month was exercised in October 2014 and then for a further five years in October 2018. The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term.

Note 21 Lease liabilities (continued)

Lease portfolio (continued)

- Motor vehicles
  The lease agreement is a non-cancellable term of three and four years ending May 2021 and May 2023. The lease's include balloon payments at which time the registered security over the motor vehicles is removed.

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

a) Lease liability measurement

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

	Note	2020 $	2019 $
Lease liabilities on transition			
Balance at the beginning (finance lease liabilities)		56,971	-
Initial recognition on AASB 16 transition	3d)	508,600	-
Lease payments - interest		28,243	-
Lease payments		(92,807)	-
		501,007	**-**
b) Current lease liabilities			
Property lease liabilities		79,255	-
Unexpired interest		(23,188)	-
		56,067	**-**
Motor Vehicle lease liabilities		23,582	-
Unexpired interest		(1,507)	-
		22,075	**-**
		78,142	**-**
c) Non-current lease liabilities			
Property lease liabilities		478,484	-
Unexpired interest		(78,907)	-
		399,577	**-**
Motor Vehicle lease liabilities		24,490	-
Unexpired interest		(1,202)	-
		23,288	**-**
		422,865	**-**
d) Maturity analysis			
- Not later than 12 months		102,837	-
- Between 12 months and 5 years		304,510	-
- Greater than 5 years		198,464	-
Total undiscounted lease payments		**605,811**	**-**
Unexpired interest		(104,804)	-
Present value of lease liabilities		**501,007**	**-**

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of $2,394.

Note 21 Lease liabilities (continued)

e) Impact on the current reporting period (continued)

Comparison under current AASB 16 and former AASB 117 (continued)

	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	79,078	(79,078)	-
· Depreciation and amortisation expense	-	52,709	52,709
· Finance costs	-	29,672	29,672
Increase in expenses - before tax	**79,078**	**3,303**	**82,381**
· Income tax expense / (credit) - current	(21,746)	21,746	-
· Income tax expense / (credit) - deferred	-	(22,655)	(22,655)
Increase in expenses - after tax	**57,332**	**2,394**	**59,726**

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.

	2020 $	2019 $
a) Non-current liabilities		
Make-good on leased premises	67,809	-
	67,809	**-**

b) Make-good provision

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

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

	Note	2020 $	2019 $
Provision			
Balance at the beginning		-	-
Face-value of make-good costs recognised	3d)	94,260	-
Present value discounting	3d)	(30,001)	-
Present value unwinding		3,550	-
		67,809	**-**

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 leases are due to expire on 30 June 2020, 30 September 2027 and 31 October 2028 at which time it is expected the face-value costs to restore the premises will fall due.

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

Note 22 Provisions (continued)

c) Changes in estimates (continued)

Profit or loss	2020	2021	2022	2023	2024+
Expense:					
- Finance costs	3,550	3,747	3,954	2,791	15,959
Liability:					
- Make-good provision	67,809	71,556	75,510	78,300	94,260

Note 23 Employee benefits

	2020 $	2019 $
a) Current liabilities		
Provision for annual leave	44,486	47,579
Provision for long service leave	30,027	17,693
	74,513	**65,272**
b) Non-current liabilities		
Provision for long service leave	14,246	19,501
	14,246	**19,501**

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	498,709	498,709	498,709	498,709
Less: equity raising costs	-	(3,500)	-	(3,500)
	498,709	**495,209**	**498,709**	**495,209**

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.

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").

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		(243,347)	(302,119)
Adjustment for transition to AASB 16	3d)	(104,877)	-
Net profit after tax from ordinary activities		84,204	68,746
Dividends provided for or paid	30a)	(9,974)	(9,974)
Balance at end of reporting period		**(273,994)**	**(243,347)**

Note 26 Reconciliation of cash flows from operating activities

Net profit after tax from ordinary activities	84,204	68,746
Adjustments for:		
- Depreciation	70,589	10,000
- Amortisation	36,874	32,476
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	11,279	(2,103)
- (Increase)/decrease in other assets	11,161	26,076
- Increase/(decrease) in trade and other payables	(2,474)	20,675
- Increase/(decrease) in employee benefits	3,986	23,501
- Increase/(decrease) in provisions	3,550	-
Net cash flows provided by operating activities	**219,169**	**179,371**

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	112,839	118,224
Cash and cash equivalents	13	356,538	249,409
Term deposits	13	11,500	11,500
		480,877	**379,133**
Financial liabilities			
Trade and other payables	19	10,335	8,752
Chattel Mortgage	20	-	56,971
Lease liabilities	21	501,007	-
		511,342	**65,723**

Note 28 Auditor's remuneration

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

	2020	2019
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	**4,600**
Non audit services		
- Taxation advice and tax compliance services	700	-
- General advisory services	3,850	1,400
	4,550	**1,400**
Total auditor's remuneration	**9,350**	**6,000**

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Nicolette Joy Ward
Graham Dore
Kylie Michelle Hughes
Carolyn Frances Cover
John Trevor Williams
Jeffrey Robert Hollands
Frederick Edmund Hasson

b) Key management personnel compensation

Key management personnel compensation comprised the following.

	2020	2019
Employee benefits	860	-
	860	**-**

Compensation of the company's key management personnel includes salaries and superannuation.

Nicolette Ward is remunerated for her role as Executive Administrator.

c) Related party transactions

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

Community Bank Directors' Privileges Package

The board has adopted the Community Bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders. The total benefits received by the directors from the Directors' Privilege Package are $100 for the year ended 30 June 2020 (2019: $nil).

Note 30 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	2.00	9,974	2.00	9,974
Total dividends paid during the financial year	**2.00**	**9,974**	**2.00**	**9,974**

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

Note 30 Dividends provided for or paid (continued)

		2020 $	2019 $
b) Franking account balance			
Franking credits available for subsequent reporting periods			
Franking account balance at the beginning of the financial year		27,758	31,541
Franking transactions during the financial year:			
- Franking credits (debits) arising from income taxes paid (refunded)	2,867	-	
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return		(683)	-
- Franking debits from the payment of franked distributions		(2,887)	(3,783)
Franking account balance at the end of the financial year		**27,055**	**27,758**
Franking transactions that will arise subsequent to the financial year end:			
- Franking credits (debits) that will arise from payment (refund) of income tax	(2,184)	-	
Franking credits available for future reporting periods		**24,871**	**27,758**

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

Note 31 Earnings per share

a) Basic and diluted earnings per share

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

	2020 $	2019 $
Profit attributable to ordinary shareholders	**84,204**	**68,746**

	Number	Number
Weighted-average number of ordinary shares	**498,709**	**498,709**

	Cents	Cents
Basic and diluted earnings per share	**16.88**	**13.78**

Note 32 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	-	82,554
- between 12 months and 5 years	-	239,435
Minimum lease payments payable	**-**	**321,989**
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	-	13,729
- between 12 months and 5 years	-	48,088
Minimum lease payments	**-**	**61,817**
Less future finance charges	-	(4,846)
Present value of minimum lease payments	**-**	**56,971**

b) Other commitments

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

Note 33 Contingencies

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

Note 34 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 Chittering Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

Nicolette Joy Ward,
Chair

Dated this 16th day of September 2020

Partners in success
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 Chittering Financial Services Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Chittering Financial Services 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
Chittering Financial Services 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 *APE*S 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart	**Joshua Griffin**
61 Bull Street, Bendigo, 3550	**Lead Auditor**
Dated: 16 September 2020	

Community Bank · Bullsbrook
1/2543 Great Northern Highway, Bullsbrook WA 6084
Phone: 08 9571 2355 Fax: 08 9571 3925
Web: bendigobank.com.au/bullsbrook

Community Bank · Bindoon
1/13 Binda Place, Bindoon WA 6502
Phone: 08 9576 0333 Fax: 08 9576 0400
Web: bendigobank.com.au/bindoon

Ellenbrook
6/38 Main Street, Ellenbrook WA 6069
Phone: 08 6296 6319 Fax: 08 6296 6372
Web: bendigobank.com.au/ellenbrook

Franchisee: Chittering Financial Services Limited
ABN: 77 096 017 506
1/2543 Great Northern Highway, Bullsbrook WA 6084
PO Box 300, Bullsbrook WA 6084
Phone: 08 9571 2355 Fax: 08 9571 3925

/BullsbrookCommunityBankBranch

Bendigo Bank