Annual Report 2020

Clifroy Limited

Community Bank
Clifton Hill / North Fitzroy

ABN 31 114 604 358

Contents

Chair's report

For year ending 30 June 2020

Dear Clifroy Shareholders,

The 2019/20 financial year has been a challenging time for Clifroy and most businesses in the financial services sector. The legislative changes from the banking Royal Commission coming into full effect, a shortage of skilled staff within the sector and finally the pandemic, have all had their impacts.

Despite these disruptions our total book as at 30 June 2020 was $206.6 million – an increase of $20 million (10.7%) over the previous year's total. Branch gross revenue was $1,210,000 – a decline of $160,000 (-11.6%). This was mainly due to the changing mix of loans and deposits that make up the total book and the steep overall reduction in market interest rates which in turn has squeezed banking margins. As a result, operational expenses were tightly managed in anticipation of the reduced margin available to the business.

After several years of relative stability, the branch experienced high levels of turnover across both management and service staff, which consumed considerable amounts of time and effort on the part of your Board and relevant management in Bendigo and Adelaide Bank.

In February, the Board approved a six-month leave without pay arrangement for our much-valued Mobile Relationship Manager Michael Galante to pursue a family business interest. In June however, Michael informed the Board that due to the pandemic he would not return to Clifroy. Over his tenure Michael made a significant contribution to the development of our business, championed community and business engagement and even stepped in as Branch Manager while we struggled to attract a suitably qualified candidate. Our sincere appreciation and best wishes are extended to Michael. We wish him well, and he will always be considered part of the Clifroy family.

Happily, working closely with Bendigo and Adelaide Bank, we managed to end the year with the appointment of Ms Jodie Draffin as our new Branch Manager. Jodie brings over twenty years

L-R: Jodie Draffin (Branch Manager) and Jenny Farrar (Chair).

of experience both in corporate banking and more recently as the Branch/Business Development Manager of a Community Bank in South East Queensland. Originally from Melbourne, Jodie has hit the ground running with a keen focus on streamlining business operations and building a top-performing branch team. I encourage shareholders to proactively introduce yourselves to Jodie who can be contacted on email at Jodie.Draffin@bendigoadelaide.com.au or by mobile 0449 877 748.

I'd like to thank our franchise partner Bendigo and Adelaide Bank and the Community Bank network for their support during our periods of staff and management shortage. In particular, considerable thanks are owed to Community Bank Windsor who were willing to second their Customer Relationship Manager Natalie Sansovini for three months while new Clifroy staff were recruited and trained.

Supporting Michael and Natalie throughout the year, Alahna Desiato and James Butler stepped up when necessary to cover a range of roles within the branch and I thank them for their commitment. James joined us in 2019 as a Senior Customer Relationship Officer (CRO), however he willingly assumed greater responsibilities when necessary and was promoted to Customer Relationship Manager (CRM) in June. The CRM supports the Branch Manager as second in charge, manages their own loan portfolio and also oversees branch customer service and process efficiency.

Chairman's report (continued)

Alahna, who is already our branch champion on all things to do with insurance, successfully applied for the role of Customer Relationship Officer (CRO) during the year, which is focussed on assisting customers with their borrowing needs.

Outside of the branch, the hard work of our Community Liaison Officer Lee Chia has not gone unnoticed. Lee works closely with both the Community Engagement Committee (CEC) and the Business Development and Marketing Committee (BDM) to manage the sponsorship and granting activities of Clifroy and implement our social media and outdoor marketing strategies.

I'm pleased to report that throughout these unprecedented times, Clifroy's commitment to investment in our community has not faltered. We have continued our bi-annual sponsorship program and in the March 2020 round, additional funds were provided for COVID-19 Rapid Response grants.

In total for the financial year 2019/20, the company has invested $405,000 back into our community through almost 50 separate awards (see full list of community grants and sponsorships on page 6). Our major initiatives have included $50,000 towards the redevelopment of the community sports facilities at the Brunswick St Oval (in partnership with City of Yarra and State Government), and $50,000 of ongoing funding for our flagship program Jobs For Youth which is split between Vocational Mentoring Exchange and Youth Enterprise Hub.

We provided $90,000 to assist our partners the Inner North Community Foundation provide for families in need as a result of the coronavirus pandemic and $30,000 to enable the Asylum Seeker Resource Centre to buy a delivery van to expand the reach of their catering business.

The North Carlton Railway Neighbourhood House was able to establish a community garden with a $30,000 sponsorship and our much-loved Books in Homes program at three disadvantaged inner city primary schools received a further $13,874 in funding.

Throughout the year, your volunteer Directors have committed significant amounts of their time to engaging with our community partners to strengthen relationships and create banking business opportunities.

In particular, Peter Hille our Deputy Chair has continued his integrated community approach by being directly involved in a number of community organisations. Peter Chairs the Vocational Mentoring Exchange and Youth Enterprise Hubs auspiced by the Inner North Local Learning and Education Network (INLLEN). Director Ben Hubbard deserves special thanks for his direction and leadership as Chair of the Community Engagement Committee and his proactive insights into crisis management.

Committee Chairs Andy Minogue (Finance, Governance and Audit and also our Treasurer) and Katherine Kennedy (Business Development and Marketing) have worked hard to manage their committees and contribute to the company's overall success, while our Secretary Adrian Nelson ensures our compliance with our many legal and regulatory obligations. Finally, sincere thanks to remaining Directors Lauren Zoric, Ro Roberts, Daisy Chiumburu and Amelia Collins for their contributions.

With Director succession planning and renewal in mind, Clifroy operates a Board Associate program which enables potential future Directors to become involved with the business, attend Board Meetings as observers and contribute to the work of the committees. I would like to thank Board Associates James Sinclair and Elizabeth McCallum for their contributions in supporting the work of the Board.

The last year has been the most challenging of our 14-year journey, however I am confident that with the changes in our staffing profile and the appointment of Jodie Draffin as our Branch Manager, we will continue to build and grow the business to the benefit of our community.

Finally, I thank all shareholders for staying the journey and trust that our efforts to be 'Bigger than a Bank' inspire you to learn more about our community investment, engage with our Branch Manager and share our Community Bank story with friends and relatives.

Your Sincerely

Jenny Farrar GAICD
Chair
M: 0415 995 745

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 a 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.

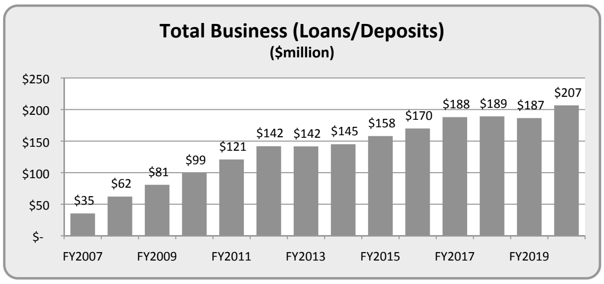
On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company Directors and shareholders and your branch staff and customers for your continued support throughout the year.

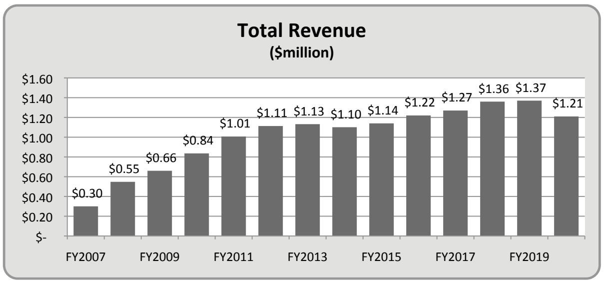
Mark Cunneen

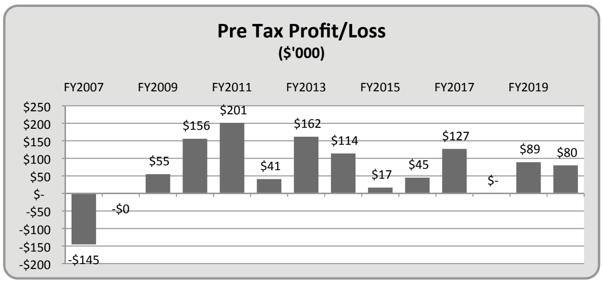
Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

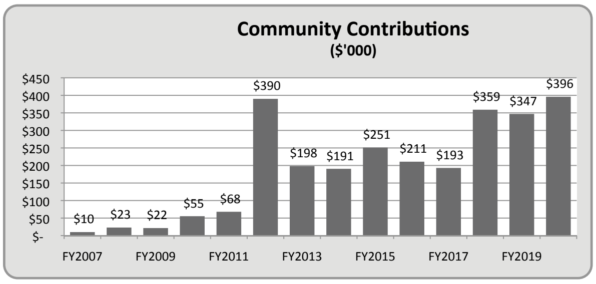
Performance summary

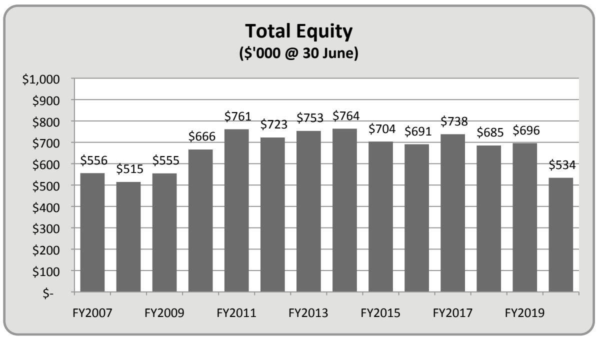
1 July 2006 to 30 June 2020

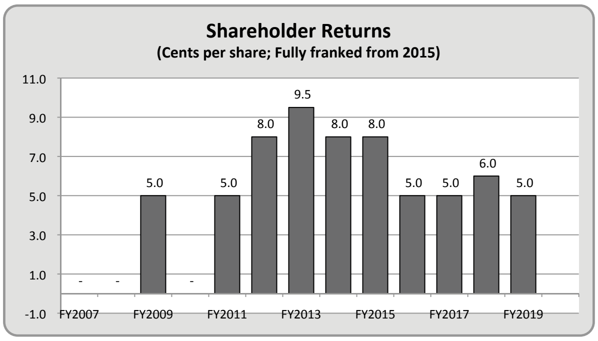












Community support funding

COMMUNITY
$405,206
2019/20 Total
SUPPORT

Sponsorships and Grants supporting local community organisations in 2019/20

Organisation	Amount
Arts, Culture & Heritage	
High Street Bells Choir	$2,664
Islamic Museum of Australia	$2,500
Summer Dreaming	$3,000
The Boite Vic Inc	$10,000
The Fitzroy Collective Pty Ltd	$3,000
The Gertrude Street Association / Centre for Projection Art Inc	$5,000
The Social Studio	$6,000
Children and youth	
Fitzroy Learning Network	$9,917
GR8M8S Foundation	$10,000
Rotary Club of Richmond	$10,000
Community Facilities & Infrastructure	
2nd Clifton Hill Scout Group	$2,862
Alphington Community Centre	$2,500
Belgium Avenue & Collingwood Neighbourhood Houses	$10,000
City of Yarra	$50,000
Condell Growers and Sharers	$600
Inner North Community Foundation	$20,000
Jika Jika Commuity Centre Inc	$6,000
Melbourne Farmers Markets	$3,500
North Carlton Railway Station Neighbourhood House	$33,000
Northcote Unit VIC SES	$3,500
Rotary Club of Fitzroy	$1,200
The Willow Tree Foundation	$1,000
Community Support Services	
Asylum Seeker Resource Centre Catering Group	$30,000
Banyule Community Health	$3,600
Just Believe Fit	$500
Noah's Bark Dog Rescue Inc	$1,000
Open Table	$3,040
Rinkydink Pty Ltd	$950

Organisation	Amount
Education and Research	
Books in Homes Program	$13,874
Collingwood Toy Library	$6,500
Inner Northern Local Learning & Network Inc	$50,000
No Lights No Lycra	$10,000
Our Ladys School Parents Group	$949
Scared Heart School	$3,000
St John's Primary School	$5,000
St Mary's House of Welcome	$5,000
U3A - University of the Third Age	$500
Yarra Youth Services	$2,250
Sports and Recreation	
Clifton Hill Cricket Club Inc	$13,500
Collingwood Little Athletics Centre	$1,000
Crusaders Cricket Australia Inc	$2,000
Edinburgh Cricket Club Inc	$10,000
Fitzroy Football Club	$16,800
Fitzroy Junior Football Club Inc	$5,000
Fitzroy Lions Soccer Club	$8,500
Northcote Cricket Club	$5,000
Northcote Junior Football Club	$2,000
Thornbury Turf Strokers Cricket Club	$1,000
University High School Old Boys' Amateur Football Club	$5,000
Youlden Parkville Cricket Club	$3,000
Total	**$405,206**

Directors' report

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

Directors

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

Jenny Maree Farrar
Chair
Occupation: Education Manager
Board member since 3 June 2005.
Why I chose to become a Community Bank Director:
As an active community member and a former Mayor and Councillor of the City of Yarra I believe that communities can shape their own future. When I was introduced to the concept of the Community Bank Model in 2003 by a local resident in North Fitzroy, Mr Jeffrey Bates, I knew that this model would work within our passionate and committed community. The opportunity to initiate a campiagn to launch a prospectus and be a Founding member of Clifroy was too good to miss. I have been a director since inception and it has been a terrific journey. My experience, coupled with my strong communication and understanding of the Clifton Hill and North Fitzroy community contribute to the growth of our community enterprise.
What experience I bring to this role:
I have a great range of skills and experience in community engagement, campaigning, education and strategic planning. As a former Councillor and Mayor of the City of Yarra I was involved and developed solid relationships within our community, many not for profits, small and larger businesses. One of my legacies was the establishment of Business Advisory Group(s) for the purpose of engaging with SME's to large corporates.
Skills I bring include: Marketing, communications and engagement, organising, planning, OHS and sound knowledge in industrail relations. Previously a member of the Council of Australasian Tribunals in my roles as a Panel member for the Victorian Government, Graduate of the Australian Institute of Company Directors (GAICD) and work within the financial services industry. BA - Mass Communications - Monash University.
My general philosophy:
I have a strong commitment to social justice, my local community(s), environmental sustainability, family, cooking and the North
Special responsibilities: Chair, Structures & Resource Committee, Finance, Governance & Audit Committee and Sponsorship Assessment Committee
Interest in shares: 2,001 ordinary shares

Peter Raymond Hille
Deputy Chair
Occupation: Community Connector
Board member since 3 August 2011. Chair 2003 - 2007.
Why I chose to become a Community Bank Director:
I was invited to join the Board in 2011 because of my broad and long-standing community networks and community engagement. I was also aware from the start what the Community Bank model meant, as I supported the original steering committee (which founded the Clifroy Ltd Branch) through my networking and advocacy. Several years down the track that model has made a significant difference in the local community and I considered I could add value to the Board as it pursued business growth to underpin its community investment.
Experience I bring to this role:
As a resident of Clifton Hill for 27 years I bring local knowledge and substantive networks. As a leader and Board Member at a range of local community organisations, I bring an understanding of corporate governance as well as an awareness of community needs and how such needs might be addressed. I am currently Chairman of the Reds Foundation, a Director of the Rotary Club of Fitzroy, Bowls Development Manager of Fitzroy Victoria Bowls Club, Chair of Youth Enterprise Hub (Inner North Youth Employment Network). My professional background includes educational leadership, public speaking, a managerial role in financial services and HR Consultancy – each of these informs and supports my role as a Director of Clifroy Limited.
My general philosophy:
Special responsibilities: Special responsibilities: Deputy Board Chair; Chair Structures & Resources Committee, Member Business Development & Marketing Committee, key contact with Inner Northern Local Learning & Employment Network
Interest in shares: 2,000 ordinary shares

Directors *(continued)*

Andrew Blair Minogue
Treasurer
Occupation: Financial & Commercial Consultant
Board member since 17 April 2013.
Why I chose to become a Community Bank Director:
The opportunity to serve as a Director on a Community Bank Board interested me greatly. I saw my experience and skills as well suited for this important role and felt I could add value to the Board in my area of expertise. I believe the support provided by the bank across the broader community is invaluable and absolutely critical for the provision of important and vital services and opportunities. The long term healthy viability of the Community Bank is imperative to this cause and I believe and wish to play a part in this endeavour.
Experience I bring to this role:
I have over 20 years experience working in various senior commercial and finance roles across multiple industry sectors. I hold a Bachelor of Business (Monash University) and as a CPA bring to the Board experience in all matters commercial, including financial reporting, budgeting, business planning, and corporate governance.
My general philosophy:
I believe those who CAN should dedicate some of their time to a cause they are passionate about, get involved, make a difference to a life, organisation or community. Hopefully this will provide satisfaction and pride knowing you have played a part in something positive and may inspire peers and generations that follow.
Special responsibilities: Treasurer; Chair of Finance, Governance & Audit Committee
Interest in shares: nil share interest held

Adrian Howard Nelson
Company Secretary
Occupation: Executive Director
Board member since 3 June 2005.
Why I chose to become a Community Bank Director:
How many people get to run their own bank? I was coming to the end of my long-term corporate career just as the Clifroy Steering Committee was seeking new volunteers back in 2005. The challenge of establishing a business from scratch, particularly one with such a unique business model – and making a positive contribution to the local community at the same time – was irresistible. 11 years on it's hard to believe what we have achieved, and it still gives me a buzz.
Experience I bring to this role:
My 15 years with the Dulux Group and almost 20 with Tattersall's were all about sales, marketing and in the latter years strategic business development – both locally and overseas. I was exposed to the workings of Boards as a Director of two of Tattersall's overseas subsidiaries and really enjoyed the balance between a Director's governance role and the business strategy and development role. I successfully completed the AICD Graduate Diploma course in 2004, and retain a keen interest in the continually changing environment in which Directors of public companies are required to operate.
My general philosophy:
Treat others as you would wish to be treated yourself and look out for those less able to cope with today's challenges. Take responsibility for your own actions and hold others accountable for theirs.
Special responsibilities: Company Secretary; Member: Finance, Governance & Audit and Structure & Resources Committees
Interest in shares: 15,002 ordinary shares

Directors *(continued)*

Lauren Mary Zoric
Non-executive director
Occupation: Associate Director, Tolarno Galleries
Board member since 24 January 2013.
Why I chose to become a Community Bank Director:
I think community banking is a brilliant idea and I was excited by the bank's unique business model. I was intrigued by the strategic challenge of continuing to develop new business and find better ways to tell the community banking story. I also saw the opportunity to become a Director as a way of having a deeper involvement in my community, meeting people and finding ways to make new connections.
Experience I bring to this role:
Strategic business development, sales, communications and operations management. Previously Marketing and Communications Manager at Melbourne International Film Festival, where the role encompasses marketing and sponsorship, audience development, branding and communications. Background in publicity and marketing roles in arts, music, media and film industries in Australia and UK. Skills in integrated marketing and communications, campaign strategy, copywriting. Tertiary qualifications: University of Melbourne, Melbourne Business School – Graduate Certificate in Communication and Customer Strategy (2013), RMIT – Certificate II Print Design 1997, RMIT – Bachelor of Arts (Media) 1994, MAICD. Completed AICD Company Directors Course 2019.
My general philosophy:
I believe in social justice, the strength of local community and being a good neighbour. I also believe that good PR and clever marketing can transform excellent, but niche, ideas to more widely accepted mainstream propositions.
Special responsibilities: Member of Community Engagement and Finance, Governance & Audit Committees
Interest in shares: nil share interest held

Katherine Esther Kennedy
Non-executive director
Occupation: Head of Insights and Impact, Social Traders Ltd
Board member since 24 January 2013.
Why I chose to become a Community Bank Director:
I am interested in ensuring that banking choice exists, as it is in decline in Australia. The Community Bank offers real choice for consumers & business, as well as investing in grass roots community organisations. I want to ensure that this level of choice continues and also that community organisations continue to strengthen our community.
Experience I bring to this role:
I am a Clifton Hill resident living a stone's throw from the branch, with 25+ year's experience in senior management, business analysis, business strategy and planning, coaching, workshop facilitation, technology commercialisation and consulting across a broad range of industries in Australia and overseas, working from brands such as Digital, Coles Myer, Telstra, The Woolmark Company and University of Melbourne. I currently work in the social enterprise sector; with a focus on strategic planning, impact measurement and new opportunity assessment and development for Social Traders Limited. Social Traders is a specialist social enterprise development organisation focused on connecting social enterprises to business and government procurement opportunities. I also manage a specialist medical practice currently servicing the northern suburbs of Melbourne. I hold a Bachelor of Science in Applied Mathematics (University of Limerick) , a Masters of Management Technology (Melbourne Business School) and I am a graduate of the Australian Institute of Company Directors, and for seven years I was a non-executive director of an non-government organisation, focusing on the prevention of child sexual abuse.
My general philosophy:
A vibrant and inclusive community requires its members to get involved. By joining the Clifroy Ltd Board I hope I can continue to
Special responsibilities: Chair of Business Development & Marketing Committee, Member of Structure & Resources Committee
Interest in shares: nil share interest held

Directors *(continued)*

Benjamin David Hubbard
Non-executive director
Occupation: Self Employed Consultant
Board member since 4 June 2014.
Why I chose to become a Community Bank Director:
My wife and I have been long term customers of the Community Bank and I had also been looking to be part of something local that was giving back to our community. To be invited on the Board was an ideal opportunity.
Experience I bring to this role:
Ben Hubbard is a self employed consultant, specialising in public affairs, public policy, public administration, governance and risk. Ben has worked in some of the most challenging and complex policy and political environments of recent times. As chief of Staff to the Prime Minister, CEO of the Victorian Bushfire Reconstruction and Recovery Authority, Chief of Staff to the Deputy PM and Minister for Education and Workplace Relations and Senior Political Adviser to the Victorian Premier. More recently, he was Chief Strategy Officer at Maurice Blackburn Lawyers. Ben led the firm's work across public policy, advocacy, strategy, risk and innovation. He holds graduate (BCom) and postgraduate qualifications (MPubPol) from the University of Melbourne and has completed the AICD Company Directors Course. Ben is a Victorian Councillor for the AICD and a Fellow (FAICD), a Director and Vice President of YMCA Australia and is a distinguished Visiting Scholar and Senior Fellow of the Melbourne School of Government at the University of Melbourne.
My general philosophy:
I have had some great opportunities in my short life. I'd like to help others get plenty in theirs too.
Special responsibilities: Chair, Community Engagement Committee
Interest in shares: 5,000 ordinary shares

Amelia Jane Collins
Non-executive director
Occupation: Head of Brand, Marketing, Communications, Programmed Skilled Workforce
Board member since 5 August 2015.
Why I chose to become a Community Bank Director:
Like many, I've long had the desire to make a meaningful contribution to my community but struggled to find the best way to do that in a way that makes a real difference. I think the Community Bank model speaks directly to the fabric of Australian culture - support your mates and they will support you. I was instantly drawn to the opportunity to join a Community Bank Board, first with the Murrumbeena Branch and more recently with Clifroy. I believe the Community Bank model is full of opportunity for those who work in it, the customers that choose it and the communities who benefit from it.
Experience I bring to this role:
Having worked for more than twenty years in various brand, marketing and professional communications roles in competitive service and retail markets, Amelia brings deep understanding of the importance of a customer-centric brand and culture with a strong commercial and growth mindset. Her experience includes: B2B and B2C marketing and communication, brand design, development and management, internal and external communications including crisis management and employer brand marketing and engagement. Before joining the Clifroy Board, I served as a Director on the Murrumbeena Community Bank Branch Board for two years. Is a current resident of Alphinton and loves where she lives. This community continues to surprise and delight her. Her son happily attends the local primary school and bikes around the Parklands, Amelia is also a fitness coach with two Inner North fitness studios both called Hustle & Thrive and her husband can often be seen running the area to keep fit.
My general philosophy:
People run businesses. If you can create meaningful connections with people, you'll make meaningful progress in business.
Special responsibilities: Member of Structure & Resources and Business Development & Marketing Committees
Interest in shares: 3,501 ordinary shares

Directors *(continued)*

Rosalyn Mary Roberts
Non-executive director
Occupation:
Board member since 5 September 2018.
Why I chose to become a Community Bank Director:
After leaving 21 years of service at the City of Yarra in early 2017, I wanted to do more to be part of the local community's capacity to share its financial resources and benefit community well-being. Finding a community bank that represents these values was a great delight. The Clifroy catchment is an area of great cultural and socio-economic diversity, and I am committed to applying my extensive knowledge of diversity planning for a more inclusive and accessible community to the role of Director.
Experience I bring to this role:
Qualifications: BA(Hons)/DipSoc Stud, MSW DSW. Occupations: University Lecturer, Coordinator in Local Government, Researcher/Policy Officer. Membership of several local community groups: community choirs, neighbourhood houses. Employment skills: research, operational management, teaching and coaching, policy planning, project management.
My general philosophy:
Social justice, inclusion, a strong community which is supportive and shares resources, integrated planning where social, financial, cultural and environmental sectors work together. And last but not least - the power of innovation.
Special responsibilities: Member of Community Engagement Committee
Interest in shares: nil share interest held

Daisy Chiumburu
Non-executive director
Occupation: Product Development Manager
Board member since 5 June 2019.
Why I chose to become a Community Bank Director:
Through my studies at Deakin University, an opportunity arose where Bendigo Bank sought students to become engaged as non-executive directors on community boards. I have always been intrigued about the community bank model and how it delivers both financial and non-financial benefits to the community, so I jumped on the opportunity. I applied and was placed on the Clifroy Board.
Experience I bring to this role:
Daisy became a director in June 2019, she has a Masters of Business Administration, Bachelor of Commerce (Finance, Financial Planning and Marketing). She has over 8 years' experience in the superannuation industry and currently manages the Product Development, strategic and operation planning and the retention of industry SuperFund. Daisy is passionate about ensuring people are educated and engaged with their superannuation options.
My general philosophy:
The best difference I can make is to create an opportunity for someone else.
Special responsibilities: Business Development and Marketing Committee
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

The company secretary is Adrian Howard Nelson. Adrian was appointed to the position of secretary on 3 July 2013.

Qualifications, experience and expertise: Adrian has experience in sales, marketing and strategic business management.

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 $
65,660	62,831

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Jenny Maree Farrar	2,001	-	2,001
Peter Raymond Hille	2,000	-	2,000
Andrew Blair Minogue	-	-	-
Adrian Howard Nelson	15,002	-	15,002
Lauren Mary Zoric	-	-	-
Katherine Esther Kennedy	-	-	-
Benjamin David Hubbard	5,000	-	5,000
Amelia Jane Collins	3,500	1	3,501
Rosalyn Mary Roberts	-	-	-
Daisy Chiumburu	-	-	-

No debentures or rights have been granted or options over such instruments in previous financial years or during the current financial year.

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	5	43,350
Total amount	5	43,350

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.

Directors' report (continued)

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 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Finance, Governance & Audit		Attendance Business Development & Marketing		Sponsorship Assessment Subcommittee		Community Engagement		Structure & Resources	
	E	A	E	A	E	A	E	A	E	A	E	A
Jenny Maree Farrar	11	11	3	3	-	-	2	1	2	2	6	5
Peter Raymond Hille	11	6	-	-	6	3	-	-	1	1	6	4
Andrew Blair Minogue	11	11	3	3	-	-	-	-	-	-	-	-
Adrian Howard Nelson	11	9	3	2	-	-	-	-	-	-	6	5
Lauren Mary Zoric	11	11	3	3	-	-	2	2	11	11	-	-
Katherine Esther Kennedy	11	9	-	-	6	6	-	-	-	-	6	4
Benjamin David Hubbard	11	8	-	-	-	-	2	2	11	10	-	-
Amelia Jane Collins	11	8	-	-	6	5	-	-	-	-	6	3
Rosalyn Mary Roberts	11	11	-	-	-	-	2	2	11	10	-	-
Daisy Chiumburu	11	10	-	-	6	4	-	-	-	-	-	-

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 27 to the accounts.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15

Signed in accordance with a resolution of the directors at Clifton Hill, Victoria.

Jenny Maree Farrar, Chair

Dated this 3rd day of August 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 Clifroy Limited

As lead auditor for the audit of Clifroy 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: 3 August 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Financial statements

Clifroy Limited
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	1,213,429	1,370,578
Other revenue	9	48,073	10,000
Finance income	10	5,984	3,693
Employee benefit expenses	11e)	(469,157)	(512,276)
Charitable donations, sponsorship, advertising and promotion	11d)	(390,314)	(427,181)
Occupancy and associated costs		(46,208)	(144,774)
Systems costs		(33,014)	(34,024)
Depreciation and amortisation expense	11a)	(95,471)	(38,947)
Finance costs	11b)	(28,117)	(38)
General administration expenses		(124,804)	(138,141)
Profit before income tax expense		80,401	88,890
Income tax expense	12a)	(14,741)	(26,059)
Profit after income tax expense		65,660	62,831
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		65,660	62,831
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	7.57	7.25

The accompanying notes form part of these financial statements

Clifroy Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	555,580	504,814
Trade and other receivables	14a)	91,633	102,578
Current tax assets	18a)	3,459	-
Total current assets		650,672	607,392
Non-current assets			
Property, plant and equipment	15a)	184,365	203,172
Right-of-use assets	16a)	311,761	-
Intangible assets	17a)	7,908	21,464
Deferred tax asset	18b)	43,031	-
Total non-current assets		547,065	224,636
Total assets		1,197,737	832,028
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	97,459	86,369
Current tax liabilities	18a)	-	15,503
Lease liabilities	20b)	84,031	-
Employee benefits	22a)	17,876	14,873
Total current liabilities		199,366	116,745
Non-current liabilities			
Lease liabilities	20c)	440,675	-
Employee benefits	22b)	4,736	7,372
Provisions	21a)	19,144	-
Deferred tax liability	18b)	-	12,127
Total non-current liabilities		464,555	19,499
Total liabilities		663,921	136,244
Net assets		533,816	695,784
EQUITY			
Issued capital	23a)	753,928	753,928
Accumulated losses	24	(220,112)	(58,144)
Total equity		533,816	695,784

The accompanying notes form part of these financial statements

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		753,928	(68,954)	684,974
Total comprehensive income for the year		-	62,831	62,831
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(52,021)	(52,021)
Balance at 30 June 2019		753,928	(58,144)	695,784
Balance at 1 July 2019		753,928	(58,144)	695,784
Effect of AASB 16: Leases	3d)	-	(184,278)	(184,278)
Restated balance at 1 July 2019		753,928	(242,422)	511,506
Total comprehensive income for the year		-	65,660	65,660
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(43,350)	(43,350)
Balance at 30 June 2020		753,928	(220,112)	533,816

The accompanying notes form part of these financial statements

Clifroy Limited
Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,409,724	1,536,672
Payments to suppliers and employees		(1,175,455)	(1,514,942)
Interest received		5,984	4,290
Interest paid		(14)	(38)
Lease payments (interest component)	11b)	(27,209)	-
Lease payments not included in the measurement of lease liabilities	11f)	(13,864)	-
Income taxes paid		(18,962)	587
Net cash provided by operating activities	25	**180,204**	**26,569**
Cash flows from investing activities			
Payments for property, plant and equipment		(7,270)	(3,649)
Net cash used in investing activities		**(7,270)**	**(3,649)**
Cash flows from financing activities			
Lease payments (principal component)	20a)	(78,818)	-
Dividends paid	29a)	(43,350)	(52,021)
Net cash used in financing activities		**(122,168)**	**(52,021)**
Net cash increase/(decrease) in cash held		**50,766**	**(29,101)**
Cash and cash equivalents at the beginning of the financial year		504,814	533,915
Cash and cash equivalents at the end of the financial year	13a)	**555,580**	**504,814**

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 Clifroy 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
101-103 Queens Parade Clifton Hill VIC 3068	101-103 Queens Parade Clifton Hill VIC 3068

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

Note 2	Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 3 August 2020.

Note 3	Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

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

b) As a lessee

As a lessee, the company leases 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.

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

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

d) Impact on financial statements

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

Impact on equity presented as increase (decrease)	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	16b)	367,598
Deferred tax asset	18b)	69,898
Liability		
Lease liabilities	20a)	(603,524)
Provision for make-good	21b)	(18,250)
Equity		
Accumulated losses		(184,278)

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.79%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	104,717
Add: additional options now expected to be exercised	593,400
Less: present value discounting	(101,575)
Less: other adjustments to present value on transition	6,982
Lease liability as at 1 July 2019	603,524

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

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

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

b) Other revenue *(continued)*

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.

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

c) Economic dependency - Bendigo Bank *(continued)*

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

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

d) Employee benefits

Short-term employee benefits

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

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 reliable 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.

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

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on the company either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

e) Taxes *(continued)*

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 40 years
Plant and equipment	Straight-line	4 to 40 years
Computers and software	Straight-line	2 to 4 years
Motor vehicles	Straight-line	4 years

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

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

h) Intangible assets

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

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)
Franchise renewal process 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 or one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, leases.

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

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

Recognition and initial measurement

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

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

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

i) Financial instruments *(continued)*

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

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

i) Financial instruments *(continued)*

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

- financial assets that are measured at FVTOCI;
- lease receivables;
- loan commitments that are not measured at FVTPL; and
- financial guarantee contracts that are not measured at FVTPL.

Loss allowance is not recognised for:

- financial assets measured at FVTPL; or
- equity instruments measured at FVTOCI.

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, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime ECL at all times.

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

j) Impairment *(continued)*

Non-derivative financial assets (continued)

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

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 its 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 directors have assessed the ECL and noted it is not material.

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to its 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.

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

<u>As a lessee</u>

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

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

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

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.

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

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee *(continued)*

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.

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

m) Leases *(continued)*

Policy applicable before 1 July 2019 (continued)

As a lessee

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

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

As a lessor

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

n) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

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

b) Assumptions and estimation uncertainties

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

Note	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 22 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

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

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

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.

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Contractual cash flows: Between 12 months and five years	Contractual cash flows: Greater than five years
Lease liabilities	524,706	107,336	429,342	62,612
Trade payables	79,533	79,533	-	-
	604,239	186,869	429,342	62,612

30 June 2019

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Contractual cash flows: Between 12 months and five years	Contractual cash flows: Greater than five years
Trade payables	62,287	62,287	-	-
	62,287	62,287	-	-

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $555,580 at 30 June 2020 (2019: $504,814). 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.

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	1,213,429	1,370,578
	1,213,429	1,370,578

Disaggregation of revenue from contracts with customers

At a point in time:		
- Margin income	1,111,554	1,251,663
- Fee income	68,471	82,833
- Commission income	33,404	36,082
	1,213,429	1,370,578

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

Note 9 Other revenue

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

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	10,000	10,000
- Cash flow boost	38,073	-
	48,073	10,000

Note 10 Finance income

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

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

Finance income	2020 $	2019 $
At amortised cost:		
- Term deposits	5,984	3,693
	5,984	3,693

Note 11 Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	10,902	10,639
- Plant and equipment	7,928	7,655
- Computers and software	151	1
- Motor vehicles	7,096	7,096
	26,077	25,391
Depreciation of right-of-use assets		
- Leased land and buildings	55,838	-
	55,838	-
Amortisation of intangible assets:		
- Franchise fee	2,259	2,259
- Franchise renewal process fee	11,297	11,297
	13,556	13,556
Total depreciation and amortisation expense	95,471	38,947

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

Note 11 Expenses *(continued)*

b) Finance costs	Note	2020 $	2019 $
Finance costs:			
- Lease interest expense	20a)	27,209	-
- Unwinding of make-good provision		894	-
- Other		14	38
		28,117	38

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

c) Impairment loss on trade receivables and contract assets

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of 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 the Bendigo Bank receivable as at 30 June 2020.

d) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

	2020 $	2019 $
- Direct sponsorship, advertising, and promotion payments	390,314	427,181
	390,314	427,181

e) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	392,337	433,128
Non-cash benefits	4,148	6,477
Contributions to defined contribution plans	34,350	40,773
Expenses related to long service leave	10,075	1,815
Other expenses	28,247	30,083
	469,157	512,276

Note 11 Expenses *(continued)*

f) Recognition exemption

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

	2020 $	2019 $
Expenses relating to low-value leases	13,864	-
	13,864	-

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

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

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss	2020 $	2019 $
Current tax expense/(credit)		
- Current tax	-	23,486
- Future income tax benefit attributable to losses	(239)	-
- Movement in deferred tax	(57,401)	2,573
- Adjustment to deferred tax on AASB 16 retrospective application	69,898	-
- Reduction in company tax rate	2,483	-
	14,741	26,059

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 gain of $2,483 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation	2020 $	2019 $
Operating profit before taxation	80,401	88,890
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	22,110	24,446
Tax effect of:		
- Non-deductible expenses	617	1,613
- Temporary differences	(12,496)	(2,573)
- Other assessable income	(10,470)	-
- Movement in deferred tax	(57,401)	2,573
- Leases initial recognition	69,898	-
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	2,483	-
	14,741	26,059

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	283,686	238,901
- Term deposits	271,894	265,913
	555,580	504,814

Note 14 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	68,349	91,631
Prepayments	11,135	10,947
Other receivables and accruals	12,149	-
	91,633	102,578

Note 15 Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Leasehold improvements		
At cost	310,402	303,812
Less: accumulated depreciation and impairment	(156,943)	(146,041)
	153,459	157,771
Plant and equipment		
At cost	98,174	97,494
Less: accumulated depreciation and impairment	(73,901)	(65,973)
	24,273	31,521
Motor vehicles		
At cost	28,385	28,385
Less: accumulated depreciation and impairment	(22,202)	(15,106)
	6,183	13,279

Note 15 Property, plant and equipment *(continued)*

a) Carrying amounts *(continued)*

	2020 $	2019 $
Computer and software		
At cost	15,602	15,602
Less: accumulated depreciation and impairment	(15,152)	(15,001)
	450	601
Total written down amount	184,365	203,172

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

b) Reconciliation of carrying amounts

	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	157,771	168,410
Additions	6,590	-
Depreciation	(10,902)	(10,639)
Carrying amount at end	153,459	157,771
Plant and equipment		
Carrying amount at beginning	31,521	36,129
Additions	680	3,047
Depreciation	(7,928)	(7,655)
Carrying amount at end	24,273	31,521
Motor vehicles		
Carrying amount at beginning	13,279	20,375
Depreciation	(7,096)	(7,096)
Carrying amount at end	6,183	13,279
Computer and software		
Carrying amount at beginning	601	-
Additions	-	602
Depreciation	(151)	(1)
Carrying amount at end	450	601
Total written down amount	184,365	203,172

c) Changes in estimates

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

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

Note 16 Right-of-use assets

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

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

a) Carrying amounts	Note	2020 $	2019 $
Leased land and buildings			
At cost		1,116,755	-
Less: accumulated depreciation and impairment		(804,994)	-
Total written down amount		311,761	-

b) Reconciliation of carrying amounts	Note	2020 $	2019 $
Leased land and buildings			
Initial recognition on transition	3d)	1,116,755	-
Accumulated depreciation on adoption	3d)	(749,156)	-
Depreciation		(55,838)	-
Carrying amount at end		311,761	-
Total written down amount		311,761	-

Note 17 Intangible assets

a) Carrying amounts	2020 $	2019 $
Franchise fee		
At cost	32,867	32,867
Less: accumulated amortisation and impairment	(31,548)	(29,289)
	1,319	3,578
Franchise renewal process fee		
At cost	114,337	114,337
Less: accumulated amortisation and impairment	(107,748)	(96,451)
	6,589	17,886

Note 17 Intangible assets *(continued)*

a) Carrying amounts *(continued)*

	2020 $	2019 $
Other intangible assets		
At cost	1,130	1,130
Less: accumulated amortisation and impairment	(1,130)	(1,130)
	-	-
Total written down amount	7,908	21,464

b) Reconciliation of carrying amounts

Franchise fee		
Carrying amount at beginning	3,578	5,837
Amortisation	(2,259)	(2,259)
Carrying amount at end	1,319	3,578
Franchise renewal process fee		
Carrying amount at beginning	17,886	29,183
Amortisation	(11,297)	(11,297)
Carrying amount at end	6,589	17,886
Total written down amount	7,908	21,464

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

	2020 $	2019 $
Income tax payable/(refundable)	(3,459)	15,503

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 other comprehensive income	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$	$
- expense accruals	1,925	(580)	-	-	1,345
- employee provisions	6,117	(238)	-	-	5,879
- make-good provision	-	(42)	-	5,019	4,977
- lease liability	-	(29,545)	-	165,969	136,424
- carried-forward tax losses	-	226	-	-	226
Total deferred tax assets	8,042	(30,179)	-	170,988	148,851
Deferred tax liabilities					
- property, plant and equipment	20,169	4,593	-	-	24,762
- right-of-use assets	-	(20,031)	-	101,089	81,058
Total deferred tax liabilities	20,169	(15,438)	-	101,089	105,820
Net deferred tax assets (liabilities)	(12,127)	(14,740)	-	69,898	43,031

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 other comprehensive income	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$	$
- expense accruals	1,100	825	-	-	1,925
- employee provisions	10,331	(4,214)	-	-	6,117
Total deferred tax assets	11,431	(3,389)	-	-	8,042
Deferred tax liabilities					
- income accruals	164	(164)	-	-	-
- property, plant and equipment	20,821	(652)	-	-	20,169
Total deferred tax liabilities	20,985	(816)	-	-	20,169
Net deferred tax assets (liabilities)	(9,554)	(2,573)	-	-	(12,127)

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.

a) Current liabilities	2020 $	2019 $
Trade creditors	79,533	62,287
Other creditors and accruals	17,926	24,082
	97,459	86,369

Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The company has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

Lease portfolio

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.

The company's lease portfolio includes:

- Clifton Hill Branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in February 2006. An extension option term of five years was exercised in February 2011 and February 2016. The lease has two further five year extension options available. The company is reasonably certain to exercise both five-year lease terms.

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

Note 20 Lease liabilities *(continued)*

a) Lease liability measurement

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

Lease liabilities on transition	Note	2020 $	2019 $
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	603,524	-
Lease payments - interest		27,209	-
Lease payments		(106,027)	-
		524,706	-

b) Current lease liabilities

Property lease liabilities	107,336	-
Unexpired interest	(23,305)	-
	84,031	-

c) Non-current lease liabilities

Property lease liabilities	491,955	-
Unexpired interest	(51,280)	-
	440,675	-

d) Maturity analysis

- Not later than 12 months	107,336	-
- Between 12 months and 5 years	429,342	-
- Greater than 5 years	62,612	-
Total undiscounted lease payments	599,290	-
Unexpired interest	(74,584)	-
Present value of lease liabilities	524,706	-

Note 20 Lease liabilities *(continued)*

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a increase in profit after tax of $16,013.

Profit or loss - increase (decrease) in expenses	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
- Occupancy and associated costs	106,027	(106,027)	-
- Depreciation and amortisation expense	-	55,838	55,838
- Finance costs	-	28,103	28,103
Decrease in expenses - before tax	106,027	(22,086)	83,941
- Income tax expense / (credit) - current	(29,157)	29,157	-
- Income tax expense / (credit) - deferred	-	(23,084)	(23,084)
Decrease in expenses - after tax	76,870	(16,013)	60,857

Note 21 Provisions

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

a) Non-current liabilities	2020 $	2019 $
Make-good on leased premises	19,144	-
	19,144	-

Note 21 Provisions *(continued)*

b) Make-good provision

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

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

Provision	Note	2020 $	2019 $
Balance at the beginning			-
Face-value of make-good costs recognised	3d)	25,000	-
Present value discounting	3d)	(6,750)	-
Present value unwinding		894	-
		19,144	-

c) Changes in estimates

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

The lease is due to expire on 31 January 2026 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:

Profit or loss	2020	2021	2022	2023	2024+
Expense:					
- Finance costs	894	937	983	1,031	2,904
Statement of financial position					
Liability:					
- Make-good provision	19,144	20,081	21,064	22,096	25,000

Note 22 Employee benefits

a) Current liabilities

	2020 $	2019 $
Provision for annual leave	14,606	14,873
Provision for long service leave	3,270	-
	17,876	14,873

Note 22 Employee benefits *(continued)*

b) Non-current liabilities	2020 $	2019 $
Provision for long service leave	4,736	7,372
	4,736	7,372

c) Key judgement and assumptions

Employee attrition rates

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

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

Note 23 Issued capital

a) Issued capital	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	867,013	867,013	867,013	867,013
Less: equity raising costs	-	(26,384)	-	(26,384)
Less: return of capital (2008)	-	(43,351)	-	(43,351)
Less: return of capital (2010)	-	(43,350)	-	(43,350)
	867,013	753,928	867,013	753,928

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 23 Issued capital *(continued)*

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 276. As at the date of this report, the company had 294 shareholders (2019: 294 shareholders).

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

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

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

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

Note 24 Accumulated losses

	Note	2020 $	2019 $
Balance at beginning of reporting period		(58,144)	(68,954)
Adjustment for transition to AASB 16	3d)	(184,278)	-
Net profit after tax from ordinary activities		65,660	62,831
Dividends provided for or paid		(43,350)	(52,021)
Balance at end of reporting period		(220,112)	(58,144)

Note 25 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	65,660	62,831
Adjustments for:		
- Depreciation	81,915	25,391
- Amortisation	13,556	13,556
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	10,944	25,978
- (Increase)/decrease in other assets	23,408	8,570
- Increase/(decrease) in trade and other payables	11,090	(112,511)
- Increase/(decrease) in employee benefits	367	-
- Increase/(decrease) in provisions	894	(15,322)
- Increase/(decrease) in tax liabilities	(27,630)	18,076
Net cash flows provided by operating activities	180,204	26,569

Note 26 Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14	80,498	91,631
Cash and cash equivalents	13	283,686	238,901
Term deposits	13	271,894	265,913
		636,078	596,445
Financial liabilities			
Trade and other payables	19	79,533	62,287
Lease liabilities	20	524,706	-
		604,239	62,287

Note 27 Auditor's remuneration

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

	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	4,800	5,700
	4,800	5,700
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,970	2,710
	3,570	3,310
Total auditor's remuneration	8,370	9,010

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Jenny Maree Farrar
Peter Raymond Hille
Andrew Blair Minogue
Adrian Howard Nelson
Lauren Mary Zoric
Katherine Esther Kennedy
Benjamin David Hubbard
Amelia Jane Collins
Rosalyn Mary Roberts
Daisy Chiumburu

b) Key management personnel compensation

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

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

Note 28 Related parties *(continued)*

c) Related party transactions

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

Transactions with related parties	2020 $	2019 $
- Peter Raymond Hille is the Chair of Youth Enterprise Hub (sub-committee of the Inner North Local Learning and Employment Network). The company contributes sponsorships towards program. The total benefit received was:	-	110,000
Total transactions with related parties	-	110,000

Community bank Directors' Privileges Package

The board has adopted the Community bank Directors’ Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community bank branch at BRANCH. 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 $420 for the year ended 30 June 2020 (2019: $nil).

Note 29 Dividends provided for or paid

a) Dividends provided for or paid

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of cash flows.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	5.00	43,350	6.00	52,021
Total dividends paid during the financial year	5.00	43,350	6.00	52,021

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

Note 29 Dividends provided for or paid *(continued)*

b) Franking account balance

	2020 $	2019 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	13,248	33,567
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	15,503	(16,779)
- Franking credits from the payment of income tax instalments during the financial year	3,459	16,192
- Franking debits from the payment of franked distributions	(16,443)	(19,732)
Franking account balance at the end of the financial year	15,767	13,248
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(3,459)	(16,192)
Franking credits available for future reporting periods	12,308	(2,944)

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

Note 30 Earnings per share

a) Based 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	65,660	62,831
	Number	Number
Weighted-average number of ordinary shares	867,013	867,013
	Cents	Cents
Basic and diluted earnings per share	7.57	7.25

Note 31 Commitments

a) Lease commitments

Following adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can now be found in 'Lease liabilities' (Note 20).

	2020	2019
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	104,717
- between 12 months and 5 years	-	87,265
Minimum lease payments payable	-	191,982

b) Other commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Clifroy 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.

Jenny Maree Farrar, Chair

Dated this 3rd day of August 2020

Independent audit report

Partners in success

Chartered Accountants

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PO Box 454, Bendigo 3552
03 5443 0344
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Independent auditor's report to the members of Clifroy Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Clifroy 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.

What we have audited

Clifroy 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
61 Bull Street, Bendigo, 3550
Dated: 3 August 2020

Joshua Griffin
Lead Auditor

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Bendigo Bank