Annual Report 2020

Corangamite Financial Services Limited

Community Bank Anglesea & District, Lorne and Winchelsea & District

ABN 80 105 703 099

Contents

Chairperson's report

For year ending 30 June 2020

In a year which has seen unprecedented change from June 2019 to June 2020, I have much pleasure in presenting my Chairperson report, outlining another successful year in the continued growth of our banking business.

In what will always be referred to as 'The year of the COVID', it's obvious outcomes had a major effect on our region that relies so heavily on tourism and hospitality business to create employment, opportunity and general community strength.

The proposed downward trend on our business, however, has been significantly overcome due to a committed, motivated banking staff led by Senior Managers Jeremy Morris and Matilda Pink, along with Assistant Branch Manager Julie Dunkley. Their passion and drive with great support from Bendigo and Adelaide Bank Limited, along with existing and new customers in our communities, has allowed us to once again post an impressive financial result for the year.

The growth has enabled us to continue our investment back in to our communities with a total of $130,000 paid to local groups and another $185,000 contributed to the Community Enterprise Foundation™, bringing our total held to $840,000 in 2020 for future community investment.

Most community groups have been detrimentally impacted over the coronavirus period, and we look forward to reconnecting with them and keeping our relationship with the Surf Coast Shire through Nicki Angus and councillors to assist our communities to thrive as we adapt to the 'new normal'.

Throughout the year we have seen major changing trends in the Banking business – the change from cash to card (therefore reducing ATM usage), a surge in online banking, reducing interest rates and other regulatory responsibilities have all created challenges for us and our major partner Bendigo and Adelaide Bank Limited. As stated before, our Community Bank model is significantly linked to the reputation, trust, strategies and outcomes our banking partner provides.

On behalf of our Board, I thank Bendigo and Adelaide Bank Limited management staff for the communication, direction and advice given both to our staff and Board to assist in guiding us through this difficult period. Special thanks to our Regional Manager Shae Campbell for her personal involvement with us.

I would like to personally thank our volunteer Board members for their support, time and effort in the continued growth of the business.

John Knuckey
Chairperson

Management report

For year ending 30 June 2020

In March we encountered the unforeseen as the Coronavirus worldwide pandemic hit our shores and changed the way in which we live and do business. We found ourselves in unchartered territory, not knowing what to expect and like everybody, initially reactive and looking for guidance and support from our government leaders and health experts.

Our team sat in an indeterminate state with the community while we didn't know what to expect or what was ahead, whether our branches would be closed like so many of our customers businesses within our communities. In the face of uncertainty our entire team rallied and supported each other, our customers and our communities. We were initially inundated with customers who were placed in immediate financial hardship. Business owners who had to close their doors and stop trading, or employees of these businesses who were not working and didn't know if or when they would get their next pay cheque. The scale of this was obviously something that we have never been exposed to before and was extremely confronting for all of us as we questioned the personal health and financial uncertainty for ourselves and our loved ones. I'm very proud of the way our team have acted and demonstrated leadership and support in these continuing trying times.

Due to a strong start prior to March, our business and financial performance over this financial year was exceptional. All our branches had great business growth with a combined increase of over $25 million (7.3%) to bring our total holdings to $365 million at year end. Our business activity in all fields was strong and we exceeded our overall growth target by nearly $10 million. This is an outstanding performance in any normal year, let alone one as extraordinary as the one we've had.

Our continued business growth in what has no doubt been the most challenging year we have encountered professionally and personally is a credit to the reputation our team have developed as trusted relationship bankers and a community provider. Our customers and community members are advocates for us due to the unique business model by which we assist people achieve their financial goals and in turn assist in building stronger communities.

Despite the tightening income margins due to reducing interest rates, we maintained a consistent revenue line which was complemented by our business growth. Our general expense fields were largely comparable to our past few years. An exception is the increased depreciation expense which is largely associated with impending cease of leasehold occupancy (30 June 2021) at our current Anglesea site which writes off the leasehold value sooner, rather than spreading over the optional next five-year term. Also included in the deprecation expenses is some initial fit out work to our new Anglesea freehold site.

Our pre-tax profit was in line with our forecasted budget at $164,000, after community related investment of approximately $315,000. Our overall contributions back to our communities now exceed $2.5 million generated from the support of our customers with their banking business held at our branches.

We're extremely proud and privileged to work with a passionate Board of voluntary Directors who have dedicated countless hours for no other reason than the betterment of their communities, some of whom have done so since the establishment of our Community Bank company over 18 years ago.

We would like to thank our staff for their commitment and contribution in a year like no other, in which we have extended additional needed support to our customers and community, maintained and grown a professional and successful business. We look forward to what 2021 will bring to us and look forward to re-connecting and reinvigorating our community together.

Jeremy Morris & Matilda Pink
Corangamite Financial Services Limited Management

Our community

Winchelsea Primary School students.

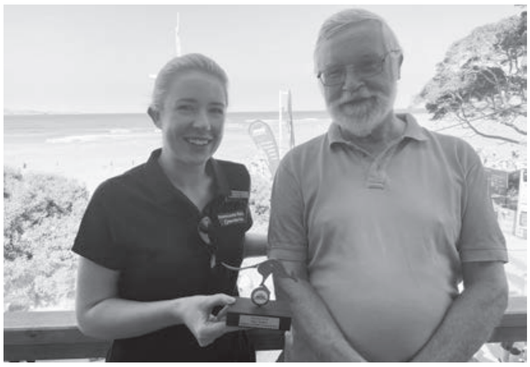
Anglesea staff members Kim, Kathy, Julie, Caitlyn and Bec.

Support for bushfire devastation.

Representatives from our Community Bank, Lions Club of Winchelsea, local farmers, organisers and contributors of the hay drive.

Anglesea Bowls Club Triples for Triers 2020.

Friends of the Barwon Lach Gordon, CFS Director Vaughan Lamb and Friends of the Barwon Peter Greig.



Branch Manager Matilda Pink and CFS Director Andrew Jones at Anglesea Roo Run.

Winchelsea Bowls Club.

Lions Club of Winchelsea.


School banking.

Neighbourhood Watch.

Surfcoast Mountain Bike.


Winchelsea Youth and Leisure Drop in.

Barwon Valley Pony Club.

Winchelsea Globe Theatre.

Winchelsea Uniting Church.


Winchelsea Primary School.

Directors' report

For the financial year ended 30 June 2020

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

Directors

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

John McKenzie Knuckey

Chair

Occupation: Business Proprietor - Engineering

Qualifications, experience and expertise: Self employed in the agricultural retail and manufacturing industry for 40 years. Past executive of local sporting clubs. Long time local resident.

Special responsibilities: Assets & Finance Committee, Executive Committee, Governance Committee, Marketing and Community Investment Committee.

Interest in shares: 4,700 ordinary shares

Robert John Earl

Non-executive director

Occupation: Civil Contactor

Qualifications, experience and expertise: Qualified Diesel Fitter and holds a Diploma of Occupational Health and Safety. Managed own business and staff since May 1988, ten years in heavy construction and mining. Former president of the Civil Contractors Federation for ten years, founding member of the Winchelsea Tourist and Traders, former member of the SES and Landcare and former mentor at the Winchelsea Primary School.

Special responsibilities: Marketing and Community Investment Committee.

Interest in shares: 28,200 ordinary shares

Kenneth Ian McDonald

Non-executive director

Occupation: Real Estate Agent/Grain Consultant

Qualifications, experience and expertise: Self employed Real Estate Agent/Grain Consultant. Long time local resident and community volunteer.

Special responsibilities: Assets & Finance Committee.

Interest in shares: 1,800 ordinary shares

John Hubert Tebbutt

Non-executive director

Occupation: Retired Barrister at Law

Qualifications, experience and expertise: Barrister at Law for 43 years. Licensed Legal Practitioner and Accredited Mediator (Bond University). Past President of the Torquay Golf Club. Part time Farmer.

Special responsibilities: Governance Committee.

Interest in shares: nil share interest held

Directors (continued)

Pamela Margaret Sandlant

Non-executive director

Occupation: Retired School Principal

Qualifications, experience and expertise: Diploma of Teaching, Bachelor of Education. Teacher and School Principal 40 years (Management and Education). Director of family business (Farming). Account management, various community involvement in sporting groups and voluntary community groups. Member/minute secretary Committee of management of Anglesea Community House (14 years).

Special responsibilities: Governance Committee.

Interest in shares: nil share interest held

Raylene Margaret Fordham

Non-executive director

Occupation: Business Owner

Qualifications, experience and expertise: Managing Director of a national mystery shopping company. Business Owner of a local accommodation facility. Raylene is a goal-oriented professional with solid managerial and people skills. Highly organised and able to manage multiple tasks. Strong work ethic coupled with the deepest commitment to achieving successful outcomes. Highly adaptable to change. Decisive, possessing a keen understanding of commercial realities.

Special responsibilities: Deputy Chair, Chair of the Governance Committee.

Interest in shares: nil share interest held

Andrew Lindsay Jones

Non-executive director

Occupation: Management Consultant

Qualifications, experience and expertise: Bachelor of Science, Graduate Diploma of Polymer Science & Graduate Diploma of Marketing. Founder and chair of a national business advisory business. Twenty years experience as General Manager of large manufacturing businesses on glass, packaging and building products industries. Director of Rotary Club of Belmont and APCO Foundation.

Special responsibilities: Chair of Marketing and Community Investment Committees.

Interest in shares: nil share interest held

Garrick Charles Fenton

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Farmer, member of Lorne Hospital Board, Lorne Men's Shed Committee and Ballarat Sports Museum.

Special responsibilities: Nil

Interest in shares: 14,400 ordinary shares

Gerard William Kelly

Non-executive director (appointed 12 November 2019)

Occupation: Retired Accountant

Qualifications, experience and expertise: Bachelor of Commerce, 8 years with a major international accounting firm in Melbourne followed by 30 years in public practice in Colac, specialising in rural and small business. 30 years involvement with scouting in Colac. Strong family connections with Winchelsea and district.

Special responsibilities: Asset and Finance Committee

Interest in shares: nil share interest held

Directors (continued)

Paul Leonard Nigro

Non-executive director (appointed 25 August 2020)

Occupation: Business Owner

Qualifications, experience and expertise: Former Lending and Corporate Services Manager in a financial institution. 20 years as a self-employed business owner. Currently the Senior Coach of the Anglesea Football Netball Club senior football team. Has been actively involved as a coach of local football since 2000.

Special responsibilities: Nil

Interest in shares: nil share interest held

Vaughan Mervyn Lamb

Non-executive director (resigned 12 November 2019)

Occupation: Retired

Qualifications, experience and expertise: Practicing Solicitor from 1978 to 2018. Qualifications include B.A/LLB (Melbourne). Paul Harris Fellow (Rotary) 1998. Former Chair and board member at Bethany Family Support (1985 to 1996) and Geelong Disabled Peoples Industries. Vaughan is also former board member at Kalkee, Grace McKellar and Geelong Leisure Network.

Special responsibilities: Governance Committee, Executive 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 Raylene Margaret Fordham. Raylene was appointed to the position of secretary on 2 December 2015.

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 $
	123,425	147,880

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
John McKenzie Knuckey	4,700	-	4,700
Robert John Earl	28,200	-	28,200
Kenneth Ian McDonald	1,800	-	1,800
John Hubert Tebbutt	-	-	-
Pamela Margaret Sandlant	-	-	-
Raylene Margaret Fordham	-	-	-
Andrew Lindsay Jones	-	-	-
Garrick Charles Fenton	14,400	-	14,400
Gerard William Kelly	-	-	-
Paul Leonard Nigro	-	-	-
Vaughan Mervyn Lamb	-	-	-

Dividends

During the financial year, the following dividends were provided for and paid.

	Cents per share	Total amount $
Final fully franked dividend	6.00	85,272
Total amount	6.00	85,272

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended							
			Marketing & Community Investment		Assets & Finance		Governance		Executive	
	E	A	E	A	E	A	E	A	E	A
John McKenzie Knuckey	11	11	12	3	12	4	-	-	12	5
Robert John Earl	11	7	12	3	-	-	-	-	12	1
Kenneth Ian McDonald	11	10	-	-	12	5	-	-	12	4
John Hubert Tebbutt	11	9	-	-	-	-	12	2	12	5
Pamela Margaret Sandlant	11	7	-	-	-	-	12	2	-	-
Raylene Margaret Fordham	11	10	-	-	-	-	12	2	12	4
Andrew Lindsay Jones	11	11	12	7	-	-	-	-	12	4
Garrick Charles Fenton	11	7	12	1	-	-	-	-	12	4
Gerard William Kelly	11	9	-	-	12	4	-	-	12	5
Paul Leonard Nigro	-	-	-	-	-	-	-	-	-	-
Vaughan Mervyn Lamb	-	-	-	-	-	-	-	-	-	-

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 30 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 Assets and Finance 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 Assets and Finance 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 12.

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

John McKenzie Knuckey,
Chair

Dated this 22nd day of September 2020

Auditor’s independence declaration

Partners in success

Chartered Accountants

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 22 September 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	2,345,728	2,346,494
Other revenue	9	150,476	93,594
Finance income	10	45	5,041
Employee benefit expenses	11d)	(1,248,545)	(1,187,257)
Marketing, sponsorship, advertising and promotion		(333,334)	(343,152)
Occupancy and associated costs		(67,566)	(228,040)
Systems costs		(103,741)	(103,108)
Depreciation and amortisation expense	11a)	(286,765)	(110,955)
Impairment losses	11b)	(12,466)	-
Finance costs	11c)	(53,147)	(1,588)
General administration expenses		(226,496)	(262,973)
Profit before income tax expense		**164,189**	**208,056**
Income tax expense	12a)	(40,764)	(60,176)
Profit after income tax expense		**123,425**	**147,880**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**123,425**	**147,880**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	33a)	8.68	10.41

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	93,999	173,972
Trade and other receivables	15a)	192,837	192,231
Total current assets		**286,836**	**366,203**
Non-current assets			
Investment property	14a)	4,711	-
Property, plant and equipment	16a)	1,834,269	1,926,640
Right-of-use assets	17a)	544,348	-
Intangible assets	18a)	108,669	164,603
Deferred tax asset	19b)	15,115	-
Total non-current assets		**2,507,112**	**2,091,243**
Total assets		**2,793,948**	**2,457,446**
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	116,939	239,604
Current tax liabilities	19a)	22,734	23,771
Loans and borrowings	21a)	63,564	72,272
Lease liabilities	22b)	117,320	-
Employee benefits	24a)	101,547	92,957
Total current liabilities		**422,104**	**428,604**
Non-current liabilities			
Trade and other payables	20b)	41,012	82,025
Loans and borrowings	21b)	388,420	440,689
Lease liabilities	22c)	462,413	-
Employee benefits	24b)	39,486	34,661
Provisions	23a)	7,839	-
Deferred tax liability	19b)	-	20,129
Total non-current liabilities		**939,170**	**577,504**
Total liabilities		**1,361,274**	**1,006,108**
Net assets		**1,432,674**	**1,451,338**
EQUITY			
Issued capital	25a)	966,000	966,000
Reserves	26a)	111,818	111,818
Retained earnings	27	354,856	373,520
Total equity		**1,432,674**	**1,451,338**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 July 2018		966,000	111,818	310,912	1,388,730
Total comprehensive income for the year		-	-	147,880	147,880
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	32a)	-	-	(85,272)	(85,272)
Balance at 30 June 2019		**966,000**	**111,818**	**373,520**	**1,451,338**
Balance at 1 July 2019		966,000	111,818	373,520	1,451,338
Effect of AASB 16: Leases	3d)	-	-	(56,817)	(56,817)
Restated balance at 1 July 2019		966,000	111,818	316,703	1,394,521
Total comprehensive income for the year		-	-	123,425	123,425
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	32a)	-	-	(85,272)	(85,272)
Balance at 30 June 2020		**966,000**	**111,818**	**354,856**	**1,432,674**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		2,687,014	2,652,868
Payments to suppliers and employees		(2,242,427)	(2,205,472)
Interest received		45	5,041
Interest paid		(27,626)	(1,588)
Lease payments (interest component)	11c)	(25,185)	-
Lease payments not included in the measurement of lease liabilities	11e)	(42,505)	-
Income taxes paid		(55,494)	(43,918)
Net cash provided by operating activities	**28**	**293,822**	**406,931**
Cash flows from investing activities			
Payments for property, plant and equipment		(96,942)	(824,432)
Proceeds from sale of property, plant and equipment		42,727	-
Payments for intangible assets		(37,284)	(37,284)
Payments for right-of-use assets		(142,653)	-
Net cash used in investing activities		**(234,152)**	**(861,716)**
Cash flows from financing activities			
Proceeds from lease arrangements		103,700	-
Proceeds from loans and borrowings		-	504,000
Repayment of loans and borrowings		(60,977)	(73,124)
Lease payments (principal component)	22a)	(97,094)	-
Dividends paid	32	(85,272)	(85,272)
Net cash provided by/(used in) financing activities		**(139,643)**	**345,604**
Net cash decrease in cash held		**(79,973)**	**(109,181)**
Cash and cash equivalents at the beginning of the financial year		173,972	283,153
Cash and cash equivalents at the end of the financial year	**13a)**	**93,999**	**173,972**

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

Registered Office	**Principal Place of Business**
11 Main Street Winchelsea VIC 3241	11 Main Street Winchelsea VIC 3241
	97 Great Ocean Road Anglesea VIC 3230
	1/32 Mountjoy Parade Lorne VIC 3232

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 31.

Note 2. Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 22 September 2020.

Note 3. Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

a) Definition of a lease (continued)

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

Leases classified as finance leases under AASB 117

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

c) As a lessor

The company leases out its investment property, including own property and right-of-use assets. The company has classified these leases as operating leases.

The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor, except for a sub-leasing arrangement.

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

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

d) Impact on financial statements

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

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

d) Impact on financial statements (continued)

	Note	1 July 2019 $
Impact on equity presented as decrease		
Asset		
Right-of-use assets - land and buildings	17b)	492,201
Right-of-use assets - investment property	14b)	10,061
Deferred tax asset	19b)	21,551
Liability		
Lease liabilities	22a)	(573,127)
Provision for make-good	23b)	(7,503)
Equity		
Retained earnings		**(56,817)**

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 4.39%.

Lease liabilities reconciliation on transition	
Operating lease disclosure as at June 2019	259,170
Add: additional options now expected to be exercised	1,220,853
Less: AASB 117 lease commitments reconciliation	(774,603)
Less: present value discounting	(132,293)
Lease liability as at 1 July 2019	**573,127**

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

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

Note 4. Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

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 stream	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.

Note 4. Summary of significant accounting policies (continued)

b) Other revenue (continued)

Revenue stream	Revenue recognition policy
Sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
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).

<u>Discretionary financial contributions</u>

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.

<u>Cash flow boost</u>

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.

Note 4. Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

Note 4. Summary of significant accounting policies (continued)

e) Taxes (continued)

Deferred tax (continued)

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss. 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
Building	Straight-line	40 years
Leasehold improvements	Straight-line	5 to 15 years
Furniture, fixtures and fittings	Straight-line	4 to 40 years
Motor vehicles	Straight-line	3 to 5 years

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

Note 4. Summary of significant accounting policies (continued)

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise. The company has also acquired an agency list from Bendigo Bank.

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Goodwill on purchase of agency	Assessed for impairment	Finite

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, borrowings and leases.

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets (continued)

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

Note 4. Summary of significant accounting policies (continued)

j) Impairment

Non-derivative financial assets

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

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

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

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 14 days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

Non-financial assets

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

k) Issued capital

Ordinary shares

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

l) Provisions

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

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

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

The company is required to restore the leased premises to their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

m) Leases

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

Policy applicable from 1 July 2019

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

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

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the 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

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

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

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessor (continued)

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

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

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

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

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

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

Policy applicable before 1 July 2019

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

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

As a lessee

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

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

As a lessor

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

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

Note 4. Summary of significant accounting policies (continued)

n) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, then the company uses valuation techniques that maximise the use of relevant observable inputs and maximise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a property on initial recognition is the transaction price - i.e. the fair value of the consideration given or received.

o) Standards issued but not yet effective

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

Note 5. Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

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

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 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 28 - fair value	determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs;

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

b) Assumptions and estimation uncertainties (continued)

Note	Assumptions
- Note 11b) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 24 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 23 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

c) Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The company recognises transfers between levels of the fair value hierarchy at the end of each reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 28 - financial instruments;

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 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	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	451,984	63,564	388,420	-
Lease liabilities	579,733	139,854	276,607	281,250
Trade payables	20,377	20,377	-	-
	1,052,094	**223,795**	**665,027**	**281,250**
30 June 2019 Non-derivative financial liability	**Contractual cash flows**			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	488,109	63,156	424,953	-
Chattel Mortgage	24,852	9,116	15,736	-
Trade payables	141,568	141,568	-	-
	654,529	**222,956**	**440,689**	**-**

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.

Cash flow and fair value interest rate risk (continued)

The company held cash and cash equivalents of $93,999 at 30 June 2020 (2019: $173,972). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7. Capital management

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

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

Note 7. Capital management (continued)

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. Marketing sponsorships paid for the year ended 30 June 2020 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8. Revenue from contracts with customers

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

	2020 $	2019 $
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	2,345,728	2,346,494
	2,345,728	**2,346,494**
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	1,938,764	1,939,706
- Fee income	184,333	180,376
- Commission income	222,631	226,412
	2,345,728	**2,346,494**

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

Note 9. Other revenue

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

	2020 $	2019 $
Other revenue		
Revenue:		
- Sub-leasing income	21,666	24,083
- Market development fund income	63,750	67,500
- Cash flow boost	62,500	-
- Sale of property, plant and equipment	856	-
- Other income	1,704	2,011
	150,476	**93,594**

Note 10. Finance income

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

	2020 $	2019 $
Finance income		
At amortised cost:		
- Cash at bank	45	5,041
	45	**5,041**

Note 11. Expenses

	Note	2020 $	2019 $
a) Depreciation and amortisation expense			
Depreciation of non-current assets:			
- Buildings		10,625	14,048
- Leasehold improvements		102,697	25,120
- Furniture and fittings		22,314	11,585
- Motor vehicles		11,805	25,376
		147,441	**76,129**
Depreciation of right-of-use assets			
- Leased land and buildings		84,864	-
- Leased motor vehicles		10,992	-
		95,856	**-**
Amortisation of intangible assets:			
- Franchise fee		22,036	15,798
- Franchise renewal process fee		21,432	19,028
		43,468	**34,826**
Total depreciation and amortisation expense		**286,765**	**110,955**

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

	Note	2020 $	2019 $
b) Impairment losses			
Impairment of intangible assets:			
- Other intangible assets		12,466	-
		12,466	**-**

See note 18c) for detail of this impairment.

	Note	2020 $	2019 $
c) Finance costs			
Finance costs:			
- Bank loan interest paid or accrued		27,318	1,588
- Lease interest expense	22a)	25,493	-
- Unwinding of make-good provision		336	-
		53,147	**1,588**

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

Note 11. Expenses (continued)

	2020 $	2019 $
d) Employee benefit expenses		
Wages and salaries	1,075,894	1,024,026
Non-cash benefits	41	-
Contributions to defined contribution plans	99,590	92,251
Expenses related to long service leave	3,518	5,100
Other expenses	69,502	65,880
	1,248,545	**1,187,257**
e) Recognition exemption		
The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.		
Expenses relating to low-value leases	42,505	-
	42,505	**-**

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

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

Note 12. Income tax expense

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

	2020 $	2019 $
a) Amounts recognised in profit or loss		
Current tax expense		
- Current tax	54,457	54,295
- Movement in deferred tax	(36,116)	5,881
- Adjustment to deferred tax on AASB 16 retrospective application	21,551	-
- Reduction in company tax rate	872	-
	40,764	**60,176**

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $872 related to the remeasurement of deferred tax assets and liabilities of the company.

	2020 $	2019 $
b) Prima facie income tax reconciliation		
Operating profit before taxation	164,189	208,056
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	45,152	57,216
Tax effect of:		
- Non-deductible expenses	8,491	2,960
- Temporary differences	14,564	(5,881)
- Other assessable income	(13,750)	-
- Movement in deferred tax	(36,116)	5,881
- Leases initial recognition	21,551	-
- Reduction in company tax rate	872	-
	40,764	**60,176**

Note 13. Cash and cash equivalents

	2020 $	2019 $
a) Cash and cash equivalents		
Cash at bank and on hand	93,999	173,972
	93,999	**173,972**

Note 14. Investment property

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

	Note	2020 $	2019 $
a) Carrying amounts			
Investment properties - sub-lease			
At cost		19,167	-
Less: accumulated depreciation		(14,456)	-
Total written down amount		**4,711**	**-**
b) Reconciliation of carrying amounts			
Investment properties - sub-lease			
Initial recognition on transition - at cost	3d)	19,167	-
Initial recognition on transition - accumulated depreciation		(9,106)	-
Depreciation		(5,350)	-
Total written down amount		**4,711**	**-**

Note 15. Trade and other receivables

	2020 $	2019 $
a) Current assets		
Trade receivables	176,233	173,994
Prepayments	16,604	18,237
	192,837	**192,231**

Note 16. Property, plant and equipment

	2020 $	2019 $
a) Carrying amounts		
Land		
At cost - Anglesea	284,597	284,597
At fair value - Winchelsea	100,000	100,000
	384,597	**384,597**
Buildings - Winchelsea		
At fair value	412,500	412,500
Less: accumulated depreciation	(31,104)	(20,479)
	381,396	**392,021**

Note 16. Property, plant and equipment (continued)

	2020 $	2019 $
a) Carrying amounts (continued)		
Buildings - Anglesea		
At cost	553,000	478,000
Less: accumulated depreciation	(3,569)	(3,569)
	549,431	**474,431**
Leasehold improvements		
At cost	410,662	400,977
Less: accumulated depreciation	(169,723)	(66,396)
	240,939	**334,581**
Fit out - Winchelsea		
At cost	288,839	288,839
Less: accumulated depreciation	(83,870)	(74,275)
	204,969	**214,564**
Plant and equipment		
At cost	13,377	13,377
Less: accumulated depreciation	(13,377)	(13,377)
	-	**-**
Furniture and fittings		
At cost	178,786	166,530
Less: accumulated depreciation	(133,128)	(121,039)
	45,658	**45,491**
Motor vehicles		
At cost	85,808	205,207
Less: accumulated depreciation	(58,529)	(124,252)
	27,279	**80,955**
Total written down amount	**1,834,269**	**1,926,640**

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 $
Land		
Carrying amount at beginning	384,597	100,000
Additions	-	284,597
Carrying amount at end	**384,597**	**384,597**
Buildings - Winchelsea		
Carrying amount at beginning	392,021	390,000
Additions	-	12,500
Depreciation	(10,625)	(10,479)
Carrying amount at end	**381,396**	**392,021**
Buildings - Anglesea		
Carrying amount at beginning	474,431	478,000
Additions	75,000	-
Depreciation	-	(3,569)
Carrying amount at end	**549,431**	**474,431**

Note 16. Property, plant and equipment (continued)

	Note	2020 $	2019 $
b) Reconciliation of carrying amounts (continued)			
Leasehold improvements			
Carrying amount at beginning		334,581	312,459
Additions		9,685	35,364
Depreciation		(103,327)	(13,242)
Carrying amount at end		**240,939**	**334,581**
Fit out - Winchelsea			
Carrying amount at beginning		214,564	226,442
Depreciation		(9,595)	(11,878)
Carrying amount at end		**204,969**	**214,564**
Furniture and fittings			
Carrying amount at beginning		45,491	43,105
Additions		12,256	13,971
Depreciation		(12,089)	(11,585)
Carrying amount at end		**45,658**	**45,491**
Motor vehicles			
Carrying amount at beginning		80,955	106,331
Lease asset transferred out - at cost	17b)	(153,645)	-
Lease asset transferred out - accumulated depreciation	17b)	10,992	-
Additions		142,653	-
Disposals		(41,871)	-
Depreciation		(11,805)	(25,376)
Carrying amount at end		**27,279**	**80,955**
Total written down amount		**1,834,269**	**1,926,640**

Following the adoption of AASB 16, the company now groups its leased assets in 'right-of-use assets'. As at 30 June 2020 the Motor Vehicles grouped above were no longer leased and as such are grouped within 'property, plant and equipment'. The new Motor Vehicle purchased during the period is grouped in 'right-of-use assets' whilst it is still under a finance lease.

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.

The company's review of estimates resulted in changes in the useful life. The useful life of the Anglesea Leasehold improvements had previously been assessed as 40 years. This is now expected to be fully written off by 2021.

d) Fair value

The company's land and buildings at Winchelsea (excluding fit out) were independently valued by Hendrey Consulting Pty Ltd in June 2017.

The directors do not believe there has been a significant change in the assumptions as at balance date. The directors therefore believe the carrying amount of the investment properties reflects its fair value as at 30 June 2020.

The fair value measurement for applicable land and buildings has been categorised as a Level 2 fair value based on the valuation technique used. The directors have reviewed the values and noted the carrying amount is not materially different.

Note 17. Right-of-use assets

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

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

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

	Note	2020 $	2019 $
a) Carrying amounts			
Leased land and buildings			
At cost		1,076,547	-
Less: accumulated depreciation		(663,860)	-
		412,687	**-**
Leased motor vehicles			
At cost		142,653	-
Less: accumulated depreciation		(10,992)	-
		131,661	**-**
Total written down amount		**544,348**	**-**
b) Reconciliation of carrying amounts			
Leased land and buildings			
Initial recognition on transition	3d)	1,085,654	-
Accumulated depreciation on adoption	3d)	(593,453)	-
Depreciation		(79,514)	-
Carrying amount at end		**412,687**	**-**
Leased motor vehicles			
Additional right-of-use assets recognised		142,653	-
Depreciation		(10,992)	-
Carrying amount at end		**131,661**	**-**
Total written down amount		**544,348**	**-**

Note 18. Intangible assets

	2020 $	2019 $
a) Carrying amounts		
Franchise fee		
At cost	256,058	256,059
Less: accumulated amortisation	(200,970)	(178,935)
	55,088	**77,124**
Franchise renewal process fee		
At cost	169,616	169,616
Less: accumulated amortisation	(116,035)	(94,603)
	53,581	**75,013**

Note 18. Intangible assets (continued)

	2020 $	2019 $
a) Carrying amounts (continued)		
Other intangible assets		
At cost	12,466	12,466
Less: impairment	(12,466)	-
	-	**12,466**
Total written down amount	**108,669**	**164,603**
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	77,124	92,922
Amortisation	(22,036)	(15,798)
Carrying amount at end	**55,088**	**77,124**
Franchise renewal process fee		
Carrying amount at beginning	75,013	94,041
Amortisation	(21,432)	(19,028)
Carrying amount at end	**53,581**	**75,013**
Other intangible assets		
Carrying amount at beginning	12,466	12,466
Impairment	(12,466)	-
Carrying amount at end	**-**	**12,466**
Total written down amount	**108,669**	**164,603**

c) Changes in estimates

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

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

As a result of the reassessment, the carrying amount was found to exceed the recoverable amount indicating the asset is now fully impaired. As such, an impairment loss of $12,466 has been recognised for the financial year ending 30 June 2020.

Note 19. Tax assets and liabilities

	2020 $	2019 $
a) Current tax		
Income tax payable	**22,734**	**23,771**

Note 19. Tax assets and liabilities (continued)

b) Deferred tax

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in equity $	30 June 2020 $
Deferred tax assets				
· expense accruals	853	(853)	-	-
· employee provisions	35,096	1,573	-	36,669
· make-good provision	-	(25)	2,063	2,038
· lease liability	-	(32,640)	157,610	124,970
Total deferred tax assets	**35,949**	**(31,945)**	**159,673**	**163,677**
Deferred tax liabilities				
· property, plant and equipment	56,078	(16,039)	-	40,039
· right-of-use assets	-	(29,599)	138,122	108,523
Total deferred tax liabilities	**56,078**	**(45,638)**	**138,122**	**148,562**
Net deferred tax assets (liabilities)	**(20,129)**	**13,693**	**21,551**	**15,115**

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

	30 June 2018 $	Recognised in profit or loss $	Recognised in equity $	30 June 2019 $
Deferred tax assets				
· expense accruals	908	(55)	-	853
· employee provisions	36,345	(1,249)	-	35,096
Total deferred tax assets	**37,253**	**(1,304)**	**-**	**35,949**
Deferred tax liabilities				
· property, plant and equipment	51,501	4,577	-	56,078
Total deferred tax liabilities	**51,501**	**4,577**	**-**	**56,078**
Net deferred tax assets (liabilities)	**(14,248)**	**(5,881)**	**-**	**(20,129)**

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 20. Trade creditors and other payables

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

	2020 $	2019 $
a) Current liabilities		
Trade creditors	20,377	141,568
Other creditors and accruals	96,562	98,036
	116,939	**239,604**

Note 20. Trade creditors and other payables (continued)

	2020 $	2019 $
b) Non-current liabilities		
Other creditors and accruals	41,012	82,025
	41,012	**82,025**

Note 21. Loans and borrowings

	2020 $	2019 $
a) Current liabilities		
Secured bank loans	63,564	63,156
Chattel mortgage	-	9,116
	63,564	**72,272**
b) Non-current liabilities		
Secured bank loans	388,420	424,953
Chattel mortgage	-	15,736
	388,420	**440,689**

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

The secured bank loan is a non-residential secured facility acquired for the purchase of 65 Great Ocean, Anglesea with a variable interest rate of 4.59% and repayments of $5,297 as at 30 June 2020.

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	4.59%	2049	451,984	451,984	488,109	488,109
Chattel mortgage	9.49%	2022	-	-	24,852	24,852

Note 22. Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition of property leases was 4.39%.

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

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

<u>Lease portfolio</u>

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

Note 22. Lease liabilities (continued)

Lease portfolio (continued)

The company's lease portfolio includes:

- Lorne Branch
  The lease agreement is a non-cancellable lease with an initial term of one year which commenced in October 2015. An extension option term of five years was exercised in October 2016. The lease has two further five year extension options available. The company is reasonably certain to exercise the final five-year lease term.
- Anglesea Branch
  The lease agreement is a non-cancellable lease with an initial term of six years which commenced in July 2010. An extension option term of five years was exercised in July 2016. The lease has two further five year extension options available. The company is not reasonably certain to exercise the final two five-year lease terms.
- Motor vehicle
  The lease agreement is a non-cancellable term of three years. The lease includes a balloon payment at which time the registered security over the motor vehicles is removed.

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

a) Lease liability measurement

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

	Note	2020 $	2019 $
Lease liabilities on transition			
Initial recognition on AASB 16 transition	3d)	573,127	-
Additional lease liabilities recognised		103,700	-
Lease payments - interest		25,185	-
Lease payments		(122,279)	-
		579,733	**-**
b) Current lease liabilities			
Property lease liabilities		128,509	-
Unexpired interest		(18,756)	-
		109,753	**-**
Motor Vehicle lease liabilities		11,345	-
Unexpired interest		(3,778)	-
		7,567	**-**
		117,320	**-**
c) Non-current lease liabilities			
Property lease liabilities		461,250	-
Unexpired interest		(90,352)	-
		370,898	**-**
Motor Vehicle lease liabilities		96,607	-
Unexpired interest		(5,092)	-
		91,515	**-**
		462,413	**-**

Note 22. Lease liabilities (continued)

	2020 $	2019 $
d) Maturity analysis		
- Not later than 12 months	139,854	-
- Between 12 months and 5 years	276,607	-
- Greater than 5 years	281,250	-
Total undiscounted lease payments	**697,711**	**-**
Unexpired interest	(117,978)	-
Present value of lease liabilities	**579,733**	**-**

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 an increase in profit after tax of $4,817.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
· Occupancy and associated costs	115,661	(115,661)	-
· Depreciation and amortisation expense	-	84,864	84,864
· Finance costs	-	24,152	24,152
Decrease in expenses - before tax	**115,661**	**(6,645)**	**109,016**
· Income tax expense / (credit) - current	(31,807)	31,807	-
· Income tax expense / (credit) - deferred	-	(29,979)	(29,979)
Decrease in expenses - after tax	**83,854**	**(4,817)**	**79,037**

Note 23. Provisions

	2020 $	2019 $
a) Non-current liabilities		
Make-good on leased premises	7,839	-
	7,839	**-**

b) Make-good provision

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

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

Note 23. Provisions (continued)

b) Make-good provision (continued)

	Note	2020 $	2019 $
Provision			
Face-value of make-good costs recognised	3d)	10,000	-
Present value discounting	3d)	(2,497)	-
Present value unwinding		336	-
		7,839	**-**

c) Changes in estimates

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

The lease is due to expire on 30 June 2021 and 30 September 2031 at which time it is expected the face-value costs to restore the premises will fall due.

Note 24. Employee benefits

	2020 $	2019 $
a) Current liabilities		
Provision for annual leave	59,254	46,040
Provision for long service leave	42,293	46,917
	101,547	**92,957**
b) Non-current liabilities		
Provision for long service leave	39,486	34,661
	39,486	**34,661**

c) Key judgement and assumptions

Employee attrition rates

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

Note 25. Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	966,000	966,000	966,000	966,000
	966,000	**966,000**	**966,000**	**966,000**

Note 25. Issued capital (continued)

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 303. As at the date of this report, the company had 465 shareholders (2019: 466 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 26. Reserves

a) Nature and purpose of reserves

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

	2020 $	2019 $
Asset revaluation reserve	**111,818**	**111,818**

Note 27. Retained earnings

	Note	2020 $	2019 $
Balance at beginning of reporting period		373,520	310,912
Adjustment for transition to AASB 16	3d)	(56,817)	-
Net profit after tax from ordinary activities		123,425	147,880
Dividends provided for or paid	32a)	(85,272)	(85,272)
Balance at end of reporting period		**354,856**	**373,520**

Note 28. Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	123,425	147,880
Adjustments for:		
- Depreciation	243,297	76,129
- Amortisation	43,468	34,826
- Impairment losses on intangible assets	12,466	-
- (Profit)/loss on disposal of non-current assets	(856)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(606)	17,733
- (Increase)/decrease in other assets	6,436	-
- Increase/(decrease) in trade and other payables	(126,393)	118,650
- Increase/(decrease) in employee benefits	13,415	(4,545)
- Increase/(decrease) in provisions	336	-
- Increase/(decrease) in tax liabilities	(21,166)	16,258
Net cash flows provided by operating activities	**293,822**	**406,931**

Note 29. Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	15	176,233	173,994
Cash and cash equivalents	13	93,999	173,972
		270,232	**347,966**

Note 29. Financial instruments (continued)

	Note	2020 $	2019 $
Financial liabilities			
Trade and other payables	20	20,377	141,568
Secured bank loans	21	451,984	488,109
Chattel Mortgage	21	-	24,852
Lease liabilities	22	579,733	-
		1,052,094	**654,529**

Note 30. 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	5,000	4,800
	5,000	**4,800**
Non audit services		
- Taxation advice and tax compliance services	1,330	1,400
- General advisory services	5,460	3,230
	6,790	**4,630**
Total auditor's remuneration	**11,790**	**9,430**

Note 31. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

John McKenzie Knuckey
John Hubert Tebbutt
Andrew Lindsay Jones
Paul Leonard Nigro
Robert John Earl
Pamela Margaret Sandlant
Garrick Charles Fenton
Vaughan Mervyn Lamb
Kenneth Ian McDonald
Raylene Margaret Fordham
Gerard William Kelly

b) Key management personnel compensation

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

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

c) Related party transactions

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

Community Bank Directors' Privileges Package

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

Note 32. Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	6.00	85,272	6.00	85,272
Total dividends provided for and paid during the financial year	**6.00**	**85,272**	**6.00**	**85,272**

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

	2020 $	2019 $
b) Franking account balance		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	259,621	248,047
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	13,047	5,203
- Franking credits from the payment of income tax instalments during the financial year	42,447	38,716
- Franking debits from the payment of franked distributions	(32,345)	(32,345)
Franking account balance at the end of the financial year	**282,770**	**259,621**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	15,873	23,770
Franking credits available for future reporting periods	**298,643**	**283,391**

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

Note 33. Earnings per share

a) Basic and diluted earnings per share

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

	2020 $	2019 $
Profit attributable to ordinary shareholders	**123,425**	**147,880**

	Number	Number
Weighted-average number of ordinary shares	**1,421,200**	**1,421,200**

	Cents	Cents
Basic and diluted earnings per share	**8.68**	**10.41**

Note 34. Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 22).

	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	-	122,085
- between 12 months and 5 years	-	137,085
Minimum lease payments payable	**-**	**259,170**
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	-	9,423
- between 12 months and 5 years	-	15,736
Minimum lease payments	**-**	**25,159**
Less future finance charges	-	(307)
Present value of minimum lease payments	**-**	**24,852**

b) Other commitments

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

Note 35. Contingencies

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

Note 36. 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 Corangamite Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

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

John McKenzie Knuckey,
Chair

Dated this 22nd day of September 2020

Independent audit report

Partners in success
Chartered Accountants

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Independent auditor's report to the members of Corangamite Financial Services Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Corangamite Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

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

What we have audited
Corangamite Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

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

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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: 22 September 2020

Joshua Griffin
Lead Auditor

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/AngleseaWinchelseaCommunityBankBranch

Bendigo Bank