Annual Report 2020

Daylesford District Community Developments Limited

Community Bank Daylesford District

ABN 72 149 942 067

Contents

Chairman’s Report

For the year ended 30 June 2020

On behalf of the Board of Directors and our staff, I am delighted to deliver this Annual Report of Daylesford District Community Developments Limited (referred to as “the Company”) which operates the Community Bank Daylesford District Branch.

In a year dominated in the second half by the impact of COVID-19 we were able to maintain our level of profitability, increase community investments and continue to strengthen our balance sheet on the back of a $10.8 million increase in footings.

The Board was pleased to declare an annual unfranked dividend of 8 cents per share – unchanged from 2019 (paid in May 2020) – plus a capital return of 7 cents per share, which was paid in June 2020.

Achievements this year included;

- a profit before tax and donations of $323,995

- a profit after tax and donations of $156,707

- growth in footings (deposits and loans) of $10.8 million to over $120 million

- a 26% improvement in our equity position to $323,756.

- Sponsorships and charitable donations of $118,371

Company profit was positively impacted by $27,745 due to the automated cash flow boost as part the Federal Government’s COVID-19 stimulus measures.

The Board maintains its desire to provide ongoing support to the community that it believes will lead to increased footings which in turn will underpin profitability. The Company continues to implement its dividend policy and hopes to at least maintain dividends and community investment. The Board recognises the ability of community banks to return funds to the community as being one of the primary reasons for shareholders investing in the Company.

This year also saw the Company’s first return of capital (7 cents per share). This reflects the strengthening of our balance sheet and our desire to reduce the impact on shareholders of any future downturns in performance.

The Company supported a wide range of projects through community investment.

In 2019, $118,371 was invested through sponsorships and grants, bringing the Company total to $421,405 since our community bank commenced in 2012. Including shareholder dividends and the capital return, we have returned $643,407 to our community (2012-20).

The Company was pleased to again provide significant levels of financial support to our youth through STE(A)M projects with a significant investment at Daylesford College. Other significant grants were also made to Daylesford & District Historical Society, the Country Fire Authority, the Glenlyon & District Pony Club and the Great Dividing Trail Association.

The continuation of significant community funds being available will see the Board actively seeking suitable projects and working with community groups to develop long term growth in our community balance sheet.

Our manager Simon Robinson and his team continued to build the branch whilst controlling costs. Footings consolidated at over $120 million.

We also acknowledge the support from our franchisor - the Bendigo and Adelaide Bank (BABL). The Company is yet to take up the new BABL franchise agreement as it continues to assess the impact of any changes prior to acceptance.

Chairman's Report (continued)

Technology changes are altering the way people bank. The rate of change appears to be accelerating and the Board is working with BABL to ensure our customers have access to new innovations being rolled out, whilst being mindful of our commitment to personalised banking.

I would like to thank my fellow Directors and our Treasurer who offer their contribution on an unpaid voluntary basis and our support staff, Trevor Shard and Sandy Jennings. I also thank Simon and our branch staff for their ongoing efforts, community contributions and commitment.

Lastly, I assure all shareholders that the Board of Directors is determined to continue to build a profitable Community Bank Branch that will provide both enduring shareholder dividends and increased funds for community investment for the future, as well as ensuring that branch banking facilities remain available to the community in the Daylesford district.

Our Local Bank, Our Local Community, Thriving Together.

Marek Rak
Chair

Bendigo and Adelaide Bank Report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' Report

The Directors present their Report of Daylesford District Community Developments Limited (the 'Company') for the financial year ended 30 June 2020.

Directors

The following persons were Directors of the Company during or since the end of the financial year up to the date of this Report:

Marek Julius Rak (appointed 18 March 2011, re-elected 13 Nov 2018)	
Qualifications and experience	Bachelor of Science (Monash); Grad Dip EDP (RMIT). Founder & retired Managing Director of Trident Computer Services Pty Ltd. Chair, Daylesford Indoor Aquatic Centre Inc.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Board Chair; Chair, Recruitment & Remuneration Committee; Ex officio Member of all Board Sub-committees

Peter John Benedict Duncan AO (appointed 29 Sep 2015, re-elected 14 Nov 2017)	
Qualifications and experience	Bachelor of Chemical Engineering (Canterbury, NZ); Post-grad Diploma in Business Studies (London School of Economics); fellow of the Australian Institute of Company Directors. 36 years in finance and management positions with Royal Dutch/Shell Group, retiring as Chairman and CEO of Shell Group of Companies in Australia in 2001; former director of private and public companies, government bodies & not-for-profits.
Other current directorships	Nil
Former directorships in last 3 years	Chairman of Orica Limited and of Scania Australia Limited.
Special responsibilities	Chair, Risk Committee

Marianne Dunham (appointed 24 September 2019, elected 19 November 2019)	
Qualifications and experience	LLB University of Tasmania; Graduate Diploma Legal Practice ANU; Master of Science and Technology Commercialisation, University of Adelaide and Texas; Member of the Australian Institute of Company Directors. Non-executive director and senior commercial lawyer with extensive experience in the commercialisation of innovative products and services, the growth of start-ups and established businesses.
Other current directorships	Clene Australia Pty Ltd; Decibel Therapeutics Australia Pty Ltd; Q32 Bio Australia Pty Ltd
Former directorships in last 3 years	Nil
Special responsibilities	Member, Risk Committee

Philip Roy Gay (appointed 16 April 2012, re-elected 14 Nov 2017)	
Qualifications and experience	Bachelor of Arts (Finance & Accounting); Advanced Management Program (Harvard Business School); Fellow of CPA Australia; Fellow of Institute of Chartered Secretaries and Administrators; Fellow of the Governance Institute of Australia; Member of Australian Institute of Company Directors. Former Chief Financial Officer & Operating Group Managing Director of Pacific Dunlop Ltd. Now operates a Poll Hereford cattle stud.
Other current directorships	Chair of RG Withers Group.
Former directorships in last 3 years	7-Eleven Stores Pty Ltd

Directors (continued)

Special responsibilities	Chair, Finance & Audit Committee; Member, Risk Committee

Margaret Catherine Hodge (appointed 27 November 2018, elected 19 November 2019)	
Qualifications and experience	Diploma of Applied Science (Prosthetics and Orthotics), Lincoln Institute of Health Sciences; Bachelor of Prosthetics and Orthotics (Honours), La Trobe University; Fellow of the International Society for Prosthetics and Orthotics (ISPO); former member of the Australian Orthotics Prosthetics Association. 30 years experience in clinical practice in the public health sector, as a lecturer at La Trobe University and in leadership roles in not-for-profit organisations including 6 years on the ISPO Executive Board.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Member, Marketing Committee; Chair, Community Investments Committee

Joan Mary Janssen (appointed 19 Nov 2013, re-elected 13 Nov 2018)	
Qualifications and experience	Diploma of Teaching, Primary (ACU, Ballarat); Graduate Diploma of Student Welfare (Hawthorn); Master of Education (Melb). 31 years' experience in education, including 12 years as School Principal; former Director of the Melba Foundation.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Member, Finance & Audit Committee; Member, Community Investment Committee

Victor Szwed (appointed 13 March 2018, elected 13 November 2018)	
Qualifications and experience	Diploma of Civil Engineering and Diploma of Town Planning (RMIT). Formerly Chief Executive Officer of Hepburn Shire Council.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Chair, Marketing Committee

Carol Louise Ross (appointed 28 Oct 2014, re-elected 13 Nov 2018)	
Qualifications and experience	Diploma of Teaching-Primary, Diploma of Personal Counselling and Graduate Diploma of Educational Administration. Employed in education for 38 years including within the Department of Education head office and as Assistant Principal and Principal in Primary schools for the last 17 years, retiring in 2008.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Member, Community Investment Committee

Directors' Report (continued)

Directors (continued)

Gregory Eugene Thompson (appointed 23 September 2014, resigned 19 November 2019)	
Qualifications and experience	Former CEO and Managing Director of major recruitment companies across Australia and New Zealand for 17 years, with extensive management and leadership experience; local business proprietor with wife Jo of several businesses in Daylesford specialising in hospitality; Past President of Daylesford Rotary Club; Board Member Daylesford Hepburn Springs Business and Tourism Association; Committee Member, Daylesford Indoor Aquatic Centre Inc.
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Member, Community Investment Committee; Member, Recruitment & Remuneration Committee

David John Smith, AM, DSM (appointed 16 May 2017, resigned 28 November 2019)	
Qualifications and experience	Bachelor of Arts (Justice Studies); Master of Management (Defence Studies); Master of Leadership (Transdisciplinary); Fellow of the Centre for Defence and Strategic Studies; Fellow of the Australian Institute of Management; Graduate of the Australian Institute of Company Directors; Graduate of the Australian Command and Staff College (Joint); Graduate of the Officer Cadet School of New Zealand; Member of the Risk Management Institute of Australasia; Level 2 Certified Organisational Coach; senior Australian Army Officer, currently serving as the Director General, Integrated Soldier Systems with responsibility for the acquisition and sustainment of personal equipment and weapons, clothing and health systems for Australian Defence Force personnel.
Other current directorships	Assistant Chair-Partner Relations, Australian Defence Force Australian Rules Association.
Former directorships in last 3 years	Nil
Special responsibilities	Member, Risk Committee.

Jennifer Marion Russell (appointed 27 June 2017, resigned 19 November 2019)	
Qualifications and experience	Bachelor of Arts (Secretarial Studies with Law Major); Fellow of the Institute of Legal Executives (Vic) since 2006. Employed as a Legal Secretary for past 30 years in private practices (including 8 years as Committee Administrator of the ACT Law Society).
Other current directorships	Nil
Former directorships in last 3 years	Nil
Special responsibilities	Member, Community Investment Committee

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

No Directors have material interests in contracts or proposed contracts with the Company.

Directors' Report (continued)

Directors (continued)

Directors' meetings

Attendances by each Director during the financial year were as follows:

	Board Meetings		Finance &		Community		Risk Committee		Marketing	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Marek Julius Rak *	7	7	6	6	6	5	3	3	3	3
Peter John Benedict Duncan	7	7	-	-	-	-	3	3	-	-
Marianne Dunham	6	6	-	-	-	-	2	2	-	-
Philip Roy Gay	7	6	6	6	-	-	3	3	-	-
Margaret Catherine Hodge	7	7	-	-	6	6	3	2	3	3
Joan Mary Janssen	7	7	6	4	6	6	-	-	-	-
Carol Louise Ross	7	7	-	-	6	6	-	-	-	-
Gregory Eugene Thompson	2	1	-	-	2	1	-	-	-	-
David John Smith	7	0	-	-	-	-	-	-	-	-
Jennifer Marion Russell	3	3	-	-	2	2	-	-	-	-
Victor Szwed	7	6	-	-	6	3	-	-	3	3

A - The number of meetings eligible to attend.

B - The number of meetings attended.

** - The Board Chair is entitled to attend all Committees ex officio*

Treasurer

Jeff Bain is the Treasurer. He holds a Bachelor of Economics and is a Fellow of Chartered Accountants Australia. He was a former partner of Tregear Bain Taplin Pty. Ltd.

Company Secretary

Trevor Shard is the Company Secretary. He holds a Bachelor of Economics and a Diploma of Community Services, is a Senior Associate of the Financial Services Institute and a Fellow of the Governance Institute of Australia. He was Company Secretary of a Top 50 ASX listed company and several other listed, public unlisted and proprietary companies.

Principal activities

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

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

Review of operations

Profit after tax for the financial year was $156,707, a significant increase over the previous year's result of $78,814. Sponsorships and charitable donations for the year were $118,371, (2019: $117,198) including a contribution of $40,000 to the Bendigo and Adelaide Bank Community Enterprise Fund which will be directed to local community investments in the future.
Operating profit before tax, sponsorships and donations was $323,995, an increase of $97,776 or 43% over the previous year. Earnings included an automatic cash flow boost of $27,745 by virtue of the Federal Government's economic stimulus.
Continued strong operating cash flow enabled the Company to strengthen its balance sheet and improve its cash position, while being able to pay an 8 cents per share dividend and 7 cents per share return of capital.
Footings increased by $11.8 million, to $120.8 million at 30 June 2020.
The Company continues to operate under a franchise agreement with Bendigo and Adelaide Bank Limited, which was renewed in April 2017 for 5 years. The franchise may be renewed for a further

Directors (continued)

5 years from 2022 at the Company's request. Bendigo and Adelaide Bank Limited had proposed a new franchise agreement and new revenue share arrangements for all Community Bank® companies at the time of renewal 2017. The Company elected to remain with its existing franchise agreement and profit share arrangements. The Board continues to review carefully the impact of the new revenue share arrangements and may at its option move to the new arrangements if it considers that is in the best interests of the Company.

The Company is on a firm financial footing and notwithstanding some pressure on margins, there are good prospects to maintain the level of charitable donations and sponsorships and dividends in the year ahead.

Dividends

An unfranked dividend of 8 cents per share was paid during the financial year.

Return of Capital

A capital reduction of 7 cents per share was paid during the financial year.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

There were no subsequent events.

Likely developments

The Company will continue to provide banking services to the local community.

Environmental regulations

The Company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

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 at page 7 of this Financial Report. No Officer of the Company is or has been a partner of the Auditor of the Company.

Signed in accordance with a resolution of the Board of Directors at Daylesford on 29 September 2020.

Marek Rak	**Philip Gay**
Chair	Director

Auditor’s Independence Declaration

PPT
AUDIT

20 Lydiard Street South
Ballarat VIC 3350

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Ballarat VIC 3353

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visit ppt.com.au

Daylesford District Community Developments Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Board of Daylesford District Community Developments Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

(i) no contraventions of the auditor independence requirements as set out in 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.

PPT Audit Pty Ltd
PPT Audit Pty Ltd

Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

29th September 2020

Financial Statements

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

	Note	2020 $	2019 $
Revenue	2	977,289	881,992
Expenses			
Employee benefits expense	3	376,941	380,077
Depreciation and amortisation	3	87,026	35,904
Administration and general costs		90,656	84,164
Finance costs	3	4,815	385
Rental expense		6,886	58,929
Other occupancy expenses		35,996	36,747
IT costs		33,871	33,875
Advertising and marketing		3,033	12,498
ATM costs		6,744	5,657
Motor vehicle costs		7,326	7,537
		653,294	655,773
Operating profit / (loss) before charitable donations and sponsorships		**323,995**	**226,219**
Charitable donations and sponsorships		118,371	117,198
Profit / (loss) before income tax		**205,624**	**109,021**
Income tax expense / (benefit)	4	48,917	30,207
Profit / (loss) for the year		**156,707**	**78,814**
Other comprehensive income		-	-
Total comprehensive income for the year		**156,707**	**78,814**
Profit / (loss) attributable to members of the Company		156,707	78,814
Total comprehensive income attributable to members of the Company		**156,707**	**78,814**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (cents per share):			
- basic earnings per share	18	26.12	13.14

These Financial Statements should be read in conjunction with the accompanying notes.

Statement of Financial Position
as at 30 June 2020

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	5	125,607	91,187
Trade and other receivables	6	96,757	84,255
Financial assets	7	51,129	50,463
Prepayments	8	31,674	32,049
Total current assets		**305,167**	**257,954**
Non-current assets			
Property, plant and equipment	9	95,534	89,377
Deferred tax assets	4	18,799	62,382
Right of use assets	10	60,779	-
Total non-current assets		**175,112**	**151,759**
Total assets		**480,279**	**409,713**
Liabilities			
Current liabilities			
Current tax liabilities	4	5,334	-
Trade and other payables	11	47,406	111,128
Borrowings	12	53,300	-
Provisions	13	39,051	39,791
Total current liabilities		**145,091**	**150,919**
Non-current liabilities			
Borrowings	12	9,157	-
Provisions	13	2,275	1,745
Total non-current liabilities		**11,432**	**1,745**
Total liabilities		**156,523**	**152,664**
Net assets		**323,756**	**257,049**
Equity			
Issued capital	14	533,520	575,520
Retained earnings / (Accumulated losses)	16	(209,764)	(318,471)
Total equity		**323,756**	**257,049**

These Financial Statements should be read in conjunction with the accompanying notes.

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2018		575,520	(349,284)	226,236
Profit / (Loss) for the year		-	78,814	78,814
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**78,814**	**78,814**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	17	-	(48,001)	(48,001)
Balance at 30 June 2019		**575,520**	**(318,471)**	**257,049**
Balance at 1 July 2019		575,520	(318,471)	257,049
Profit / (Loss) for the year		-	156,707	156,707
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**156,707**	**156,707**
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Return of capital	14	(42,000)	-	(42,000)
Dividends paid or provided	17	-	(48,001)	(48,001)
Balance at 30 June 2020		**533,520**	**(209,764)**	**323,756**

These Financial Statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		972,091	873,686
Payments to suppliers and employees		(752,264)	(661,063)
Interest paid		(4,815)	(316)
Interest received		710	464
Net cash provided by / (used in) operating activities	19b	**215,722**	**212,771**
Cash flows from investing activities			
Purchase of property, plant and equipment		(52,329)	(1,625)
Proceeds from property, plant and equipment		11,818	-
Net cash flows from / (used in) investing activities		**(40,511)**	**(1,625)**
Cash flows from financing activities			
Repayment of borrowings		(50,179)	(12,608)
Repayment of capital		(42,000)	-
Dividends paid		(48,001)	(48,001)
Net cash provided by / (used in) financing activities		**(140,180)**	**(60,609)**
Net increase / (decrease) in cash held		**35,031**	**150,537**
Cash and cash equivalents at beginning of financial year		141,650	(8,887)
Cash and cash equivalents at end of financial year	19a	**176,681**	**141,650**

These Financial Statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2020

These Financial Statements and Notes represent those of Daylesford District Community Developments Limited.

Daylesford District Community Developments Limited ('the Company') is a Company limited by shares, incorporated and domiciled in Australia.

The Financial Statements were authorised for issue by the Directors on 29 September 2020.

1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Economic dependency

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Daylesford.

The Community Bank Daylesford District branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The Company manages the Community Bank branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the Company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited, other than where the Branch Manager has delegated authority to approve certain loans on a limited basis. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branch;
- Training and performance appraisal 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 on behalf of the Company;
- The formulation and implementation of advertising and promotional programs; and
- Sales techniques and best practice customer relations.

(b) Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment includes the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(c) Goods and services tax (GST)

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

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

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

(d) New and amended accounting policies adopted by the Company

Leases - adoption of AASB 16

The Company has adopted AASB 16 Leases using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 Leases and associated Accounting interpretations.

1. Summary of significant accounting policies (continued)

(d) New and amended accounting policies adopted by the Company (continued)

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below:

The Company as a lessee

Under AASB 117, the Company assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Company or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Company has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight line basis.

Practical expedients used on transition
AASB 16 includes a number of practical expedients which can be used on transition, the Company has used the following expedients:
- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Company's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- the right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset;
- excluded leases with an expiry date prior to 31 December 2019 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- used hindsight when determining the tease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

The Company has assessed its leases and has identified the impact on the amounts and disclosures in the financial statements as a result of the adoption of AASB 16 Leases. The adoption of AASB 16 for the lease agreement in relation to the premises has been initially applied as of 1 July 2019, and the corresponding right-of-use asset and lease liabilities have been recognised. The Company has recognised right-of-use assets of $112,580 and lease liabilities of $112,580 at 1 July 2019 for leases previously categorised as operating leases. The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 5.39%.
Importantly, the comparatives have been prepared using AASB 117 and related interpretations, and have not been restated. Leases for Automatic Teller Machines and IT equipment to which the Company is a party are excluded on the basis they do not contain an identifiable asset for the purposes of the standard, as the Bendigo Bank has the power to remove/replace these assets.

(e) Comparative figures

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

1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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

Employee benefits' provision

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

Income tax

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

Impairment

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

(g) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements.

2. Revenue

Revenue arises from the rendering of services through the Company's franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable and is stated net of GST.

The Company applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services
The Company generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest, dividend and other income
Interest income is recognised on an accrual basis using the effective interest rate method.

Dividend and other revenue is recognised when the right to the income has been established.

	2020 $	2019 $
Revenue		
- service commissions, margins and fees	922,963	856,529
- market development fund	25,000	25,000
	947,963	881,529
Other revenue		
- interest received	710	463
- Government subsidies and grants	27,745	-
- profit on sale of assets	871	-
Total revenue	**977,289**	**881,992**

3. Expenses

Operating expenses
Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation
The depreciable amount of all fixed assets, including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	*Rate*	*Method*
Leasehold improvements	15.75%	Straight Line
Plant and equipment	30-67%	Diminishing Value
Motor vehicles	25%	Diminishing Value

3. Expenses (continued)

Gains/losses upon disposal of non-current assets

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

	2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	331,751	314,997
- superannuation costs	25,343	30,170
- other costs	19,847	34,910
	376,941	380,077
Depreciation and amortisation		
Depreciation		
- leasehold improvements	30,289	30,289
- furniture and fittings	911	815
- motor vehicles	4,025	4,800
Amortisation		
- right of use property asset	51,801	-
	87,026	35,904
Finance costs		
- interest paid	4,815	385
Auditor's remuneration		
Remuneration of the Auditor, PPT Audit, for:		
- audit or review of the financial report	5,500	6,240
	5,500	6,240

4. Income tax

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

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

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

Deferred income tax assets relating to temporary differences and unused tax losses are recognised only to the

4. Income tax (continued)

	2020 $	2019 $
a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	5,334	-
Deferred tax expense / (income) relating to temporary differences	81	(4,662)
Recoupment of prior year tax losses	43,502	34,869
	48,917	**30,207**
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 27.5%	55,015	29,981
Add tax effect of:		
- Non-deductible expenses	-	226
- Non-assessable income	(6,099)	-
Income tax attributable to the Company	**48,917**	**30,207**
The applicable weighted average effective tax rate is	23.79%	27.71%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	-	-
Income tax paid	-	-
Current tax	5,334	-
Under / (over) provision prior years	-	-
	5,334	**-**
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Franchise fee	2,750	2,750
Accruals	4,684	4,545
Employee provisions	11,365	11,585
Unused tax losses	-	43,502
Net deferred tax asset / (liability)	18,799	62,382
Total carried forward tax losses not recognised as deferred tax assets	-	-
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	43,583	30,207
	43,583	**30,207**

5. Cash and cash equivalents

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

	2020 $	2019 $
Cash at bank and on hand	125,607	311
Bendigo operating account	-	90,876
	125,607	**91,187**

6. Trade and other receivables

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

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

	2020 $	2019 $
Current		
Trade receivables	87,872	84,255
Sundry debtors	8,885	-
	96,757	**84,255**

Credit risk

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

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

6. Trade and other receivables (continued)

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

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2020	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	87,872	87,872	-	-	-	-
Sundry debtors	8,885	8,885				
Total	**96,757**	**96,757**	**-**	**-**	**-**	**-**
2019						
Trade receivables	84,255	84,255	-	-	-	-
Total	**84,255**	**84,255**	**-**	**-**	**-**	**-**

7. Financial assets

For comparative year

Classification of financial assets

The Company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The Company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

7. Financial assets (continued)

Classification of financial assets (continued)

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Measurement of financial assets

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method.*

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

7. Financial assets (continued)

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

For current year

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

7. Financial assets (continued)

Financial assets
All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification
On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through other comprehensive income

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost
Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income
The Company has an investment in listed entity over which are they do not have significant influence nor control. The Company has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

This investment is carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI.

Impairment of financial assets
Impairment of financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

	2020 $	2019 $
Financial assets - at amortised cost		
Bendigo Term deposit	51,129	50,463
	51,129	50,463

8. Prepayments

Prepayments represent items that will provide the Company with future economic benefits controlled by the Company as a result of past transactions or other past events.

	2020 $	2019 $
Prepayments	31,674	32,049
	31,674	**32,049**

9. Property, plant and equipment

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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

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

	2020 $	2019 $
Leasehold improvements		
At cost	192,313	192,313
Less accumulated depreciation	(149,957)	(119,668)
	42,356	72,645
Furniture & fittings		
At cost	17,368	17,368
Less accumulated depreciation	(15,947)	(15,036)
	1,421	2,332
Motor vehicles		
At cost	52,329	29,523
Less accumulated depreciation	(572)	(15,123)
	51,757	14,400
Total property, plant and equipment	**95,534**	**89,377**

9. Property, plant and equipment (continued)

Movements in carrying amounts

	2020 $	**2019 $**
Leasehold improvements		
Balance at the beginning of the reporting period	72,645	102,934
Depreciation expense	(30,289)	(30,289)
Balance at the end of the reporting period	42,356	72,645
Furniture & fittings		
Balance at the beginning of the reporting period	2,332	1,522
Additions	-	1,625
Depreciation expense	(911)	(815)
Balance at the end of the reporting period	1,421	2,332
Motor vehicles		
Balance at the beginning of the reporting period	14,400	19,200
Additions	52,329	-
Disposals	(10,947)	-
Depreciation expense	(4,025)	(4,800)
Balance at the end of the reporting period	51,757	14,400
Total property, plant and equipment		
Balance at the beginning of the reporting period	89,377	123,656
Additions	52,329	1,625
Disposals	(10,947)	-
Depreciation expense	(35,225)	(35,904)
Balance at the end of the reporting period	**95,534**	**89,377**

10. Right of use assets

	2020 $	**2019 $**
Building premises		
At fair value	112,580	-
Less accumulated amortisation	(51,801)	-
	60,779	**-**

Movements in carrying amounts

	2020 $	**2019 $**
Building premises		
Balance at the beginning of the reporting period	-	-
Adjustment on adoption of AASB16	112,580	-
Amortisation expense	(51,801)	-
Balance at the end of the reporting period	60,779	-
Total right of use assets		
Balance at the beginning of the reporting period	-	-
Adjustment on adoption of AASB16	112,580	-
Amortisation expense	(51,801)	-
Balance at the end of the reporting period	**60,779**	**-**

11. Trade and other payables

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

	2020 $	2019 $
Current		
Unsecured liabilities:		
Trade creditors	21,724	79,651
Other creditors and accruals	25,682	31,477
	47,406	**111,128**

The average credit period on trade and other payables is one month.

12. Borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

	2020 $	2019 $
Current		
Unsecured liabilities		
Bank overdraft	55	-
Lease liabilities		
Lease liability - building premises	53,245	-
Non-current		
Lease liabilities		
Lease liability - building premises	9,157	-
Total borrowings	**62,457**	**-**

(a) Bank overdraft and bank loans
The Company's overdraft facility was terminated on 30 June 2019.

(b) Lease liabilities
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

13. Provisions

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

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

13. Provisions (continued)

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

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

	2020 $	2019 $
Current		
Employee benefits	39,051	39,791
Non-current		
Employee benefits	2,275	1,745
Total provisions	**41,326**	**41,536**

14. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

	2020 $	2019 $
Movements in share capital		
600,008 Ordinary shares fully paid	600,008	600,008
Less: Equity raising costs	(24,488)	(24,488)
Less: Return of capital	(42,000)	-
	533,520	**575,520**
Fully paid ordinary shares:		
At the beginning of the reporting period	600,008	600,008
Shares issued during the year	-	-
At the end of the reporting period	**600,008**	**600,008**

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

15. 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 monitors the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

15. Capital management (continued)

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

(i) the Distribution Limit is the greater of:
(a) 20% of the profit or funds of the 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, which is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%, multiplied by the average level of share capital of the Company over that 12 month period.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

16. Retained earnings / (Accumulated losses)

	2020	2019
	$	$
Balance at the beginning of the reporting period	(318,471)	(349,284)
Profit / (loss) after income tax	156,707	78,814
Dividends paid	(48,001)	(48,001)
Balance at the end of the reporting period	**(209,764)**	**(318,471)**

17. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year		
Interim and final unfranked ordinary dividends totalling 8 cents per share (2019: 8 cents per share).	48,001	48,001

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the Company on or before the end of the financial year, but not distributed at balance date.

18. Earnings per share

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

	2020	2019
	$	$
Basic earnings per share (cents)	26.12	13.14
Earnings used in calculating basic earnings per share	156,707	78,814
Weighted average number of ordinary shares used in calculating basic earnings per share.	600,008	600,008

19. Statement of cash flows

	2020 $	2019 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	125,607	91,187
Financial assets (Note 7)	51,129	50,463
Less bank overdraft (Note 12)	(55)	-
As per the Statement of Cash Flow	176,681	141,650
	-	-
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	156,707	78,814
Non-cash flows in profit		
- Depreciation	35,225	35,904
- Amortisation	51,801	-
- Profit / (loss) on sale of assets	(871)	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(12,502)	(7,765)
- (Increase) / decrease in prepayments and other assets	375	(644)
- (Increase) / decrease in deferred tax asset	43,583	30,208
- Increase / (decrease) in current tax liability	5,334	-
- Increase / (decrease) in trade and other payables	(63,721)	61,781
- Increase / (decrease) in provisions	(209)	14,474
Net cash flows from / (used in) operating activities	215,722	212,772

(c) Credit standby arrangement and loan facilities

There were none.

20. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the Company, directly or indirectly including any Director (whether executive or otherwise) of that Company is considered key management personnel. In the opinion of the Board, the only key management personnel of the Company are the Directors.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

No key management personnel or related party has entered into any contracts with the Company. No Director fees have been paid as the positions are held on a voluntary basis.

(d) Key management personnel shareholdings

The number of ordinary shares in Daylesford District Community Developments Limited held by Directors and each key management personnel of the Company, either directly or indirectly, during the financial year is as follows:

	2020	**2019**
Marek Julius Rak	23,001	23,001
Jeff Bain	2,953	2,953
Peter John Benedict Duncan	10,000	10,000
Marianne Dunham	-	-
Philip Roy Gay	2,500	2,500
Margaret Catherine Hodge	500	-
Joan Mary Janssen	500	500
Carol Louise Ross	500	500
Gregory Eugene Thompson	500	500
Trevor James Shard	2,000	-
David John Smith	-	-
Jennifer Marion Russell	-	-
Victor Szwed	5,000	5,000
	47,454	44,954

There was a small movement in key management personnel shareholdings during the year, which is represented in the above table. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

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

21. Events after the reporting period

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

22. Contingent liabilities and contingent assets

There were no contingent liabilities or assets at the date of this Report to affect the Financial Statements.

23. Operating segments

The Company operates in the financial services sector where it provides banking services to its clients. The Company operates in one area being Daylesford and surrounding district, in the State of Victoria. The Company has a franchise agreement in place with Bendigo and Adelaide Bank Limited which accounts for 100% of the Company's revenue (2019: 100%).

24. Commitments

Following the adoption of AASB16 as of 1 July 2019, all lease information and amounts for the financial year ended 30 June 2020 can be found in "Borrowings" (Note 12).

Operating lease commitments

Non-cancellable operating leases contracted for and capitalised in the Statement of Financial Position.

	2020 **$**	**2019** **$**
Payable:		
- no later than 12 months	-	54,527
- between 12 months and five years	-	80,286
Minimum lease payments	-	134,813

The property lease was renewed on the 21st November, 2016. This is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year. The option to renew the property lease for a further five year term will be available in 2021. Rent per annum will then increase by 3.5% each year after.

25. Company details

The registered office and principal place of business is: Shop 3, 97 Vincent Street, Daylesford, Victoria, 3460.

26. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Risk Committee which reports regularly to the Board. The Board and Risk Committee are assisted in the area of risk management by an internal audit function conducted by franchise partner Bendigo & Adelaide Bank Limited.

Specific financial risk exposure and management

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

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

	Note	2020 $	2019 $
Financial assets			
Cash and cash equivalents	5	125,607	91,187
Trade and other receivables	6	96,757	84,255
Financial assets	7	51,129	50,463
Total financial assets		**273,493**	**225,905**
Financial liabilities			
Trade and other payables	11	47,406	111,128
Borrowings	12	62,402	-
Bank overdraft	12	55	-
Total financial liabilities		**109,863**	**111,128**

(a) Credit risk

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

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

Credit risk exposures

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

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

26. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the Company are past due (2018: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

The Company had an overdraft facility of $100,000 (2018: $100,000) with Bendigo and Adelaide Bank Limited. The facility was terminated on 30 June 2019.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the Bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

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

Financial liability and financial asset maturity analysis:

30 June 2020	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets				
Cash and cash equivalents	125,607	125,607	-	-
Trade and other receivables	96,757	96,757	-	-
Financial assets	51,129	51,129	-	-
Total anticipated inflows	273,493	273,493	-	-
Financial liabilities				
Trade and other payables	47,406	47,406	-	-
Borrowings	62,402	53,245	9,157	-
Bank overdraft	55	55	-	-
Total expected outflows	109,863	100,706	9,157	-
Net inflow / (outflow) on financial instruments	163,630	172,787	(9,157)	-

30 June 2019	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets				
Cash and cash equivalents	91,187	91,187	-	-
Trade and other receivables	84,255	84,255	-	-
Financial assets	50,463	50,463	-	-
Total anticipated inflows	225,905	225,905	-	-

26. Financial risk management (continued)
(b) Liquidity risk (continued)

Financial liabilities				
Trade and other payables	111,128	111,128	-	-
Borrowings	-	-	-	-
Bank overdraft *	-	-	-	-
Total expected outflows	111,128	111,128	-	-
Net inflow / (outflow) on financial instruments	**114,777**	**114,777**	**-**	**-**

(c) Market risk

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

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

The financial instruments that primarily expose the Company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

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

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

	Profit	**Equity**
Year ended 30 June 2020	**$**	**$**
+/- 1% in interest rates (interest income)	1,767	1,767
+/- 1% in interest rates (interest expense)	(625)	(625)
	1,143	**1,143**
Year ended 30 June 2019		
+/- 1% in interest rates (interest income)	1,417	1,417
+/- 1% in interest rates (interest expense)	-	-
	1,417	1,417

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

The Company has no exposure to fluctuations in foreign currency.

(d) Price risk

The Company is not exposed to any material price risk.

Directors' Declaration

In accordance with a resolution of the Directors of Daylesford District Community Developments Limited, the Directors of the Company declare that:

1. The Financial Statements and Notes as set out on pages 8 to 33 are in accordance with the *Corporations Act 2001* and:

    (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the Financial Statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    (ii) give a true and fair view of the Company's financial position as at 30 June 2020 and of the performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Marek Rak
Chair

Philip Gay
Director

Signed at Daylesford on 29 September 2020.

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Independent Auditor's Report

To the Directors of Daylesford District Community Developments Ltd

Opinion

We have audited the financial report of Daylesford District Community Developments Ltd (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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.*

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. 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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Responsibilities of Directors for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determines 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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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Independent Auditor's Report
To the Directors of Daylesford District Community Developments Ltd

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PPT Audit Pty Ltd
PPT Audit Pty Ltd

Jason D. Hargreaves
Director

Signed at Ballarat
30th September 2020

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Notes

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Web: www.bendigobank.com.au/daylesford

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ABN: 72 149 942 067
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Phone: 5348 4186 Fax: 5348 1225
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www.facebook.com/DaylesfordCommunityBankBranch

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Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_1494245 09/09/2020