Annual Report 2020

Dingley Village Financial Services Limited

Community Bank · Dingley Village

ABN 27 098 041 493

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Chair's report

Welcome to our 19th annual report. As we enter our 20th year of operation we continue to move forward in challenging and trying times. This coming year, we will celebrate 20 years of operation in Dingley Village.

As as we celebrate this milestone, we are proud to continue to serve our wonderful community, and surrounding suburbs. We are also excited at the positive contribution we have made to the village in that time. We have operated for 19 full financial years having commenced operation on 22 April 2002. We have transformed into a solid and influential feature in Dingley Village. We remain a successful single branch site in the Bendigo Bank branch network: a testament to our vibrant, thriving and dedicated community.

We continue to be involved in a number of exciting projects and initiatives that we have either facilitated or participated in with other key stakeholders. While there are simply too many projects, groups and organisations that we have assisted to mention here, the following snapshot provides an insight into our contribution to the local community.

In this last financial year, we have continued to maintain our existing levels of support for local kindergartens, primary schools, secondary schools, sporting clubs, charitable organisations and organisations which support and assist vulnerable members of our community. Put simply, our community continues to thrive and grow with the support of our Community Bank.

We continue to fund new and exciting community projects, including a series of initiatives that support our youth and their wellbeing. Examples include providing fresh fruit for each of the primary schools during school term. We've support the Chairman's Scholarship – awarded to a Dingley resident to assist them with education or philanthropic activities.

The Kids Giving Back program, is another project that allows a group of Dingley primary school children to propose initiatives to our board that will help the community. We are also proud to continue with the DV Youth Foundation Project. It enables a group of teenagers from secondary schools and sporting clubs to propose to the board projects that will benefit teenagers living in our community.

Finally, the Young Achiever Award is aimed at promoting a local young entrepreneur, providing a small grant and mentoring from our board.

We have allocated funds for many community projects, which serve to strengthen our community asset balance sheet. It is heartening to see these community assets in use. These community assets represent the successful collaboration between residents, participants, stakeholders and our business.

We are on the cusp of returning $5 million to our local community. This figure will be achieved soon and the overall amount will continue to grow. We could not achieve milestones like this without your continued support. The increasing amount is a demonstration of the strength of our vibrant community and the support of our customers and stakeholders.

From our humble beginnings, with the growth we have achieved over the years, we can lay claim to being a strong financial company and an excellent local corporate citizen. We now have over $200 million in banking business and we employ eight staff.

For many organisations funding and donations have become almost non-existent in recent years. Community Bank Dingley Village has continued to strengthen its position for assisting others in the community. This has resulted in a flourishing and thriving community – which we should all feel a strong sense of pride in.

Thank you to our current and previous shareholders and board members. You put your faith in a new banking concept, contributed funds, and worked hard to start this community enterprise we now know as Community Bank Dingley Village.

We have funded a range of what we might describe as 'community assets'. These include:

- community bus
- netball courts
- football and cricket club electronic scoreboard and new cricket nets
- Rotary memorial
- electronic signage for our schools, sports uniforms and ancillary equipment, and
- many other smaller provisions to various groups.

These assets have been paid for by the profits of our branch, for the benefit of members of the community to enjoy and use for years to come.

Year in review

We have survived many economic challenges in the last decade, including the GFC in 2008, and the GFC2 in 2011. We have navigated our way through them, and maintained profits and dividends in what has become the new normal of low interest rates and a flat economy.

In 2016, the Bendigo Bank adopted and implemented the Funds Transfer Pricing Model. We have now successfully implemented this new model for over 24 months. While revenue streams are calculated differently, as a single site branch we anticipate that we shall continue to thrive and enjoy success in the years to come.

The economic environment continues to be challenging on many levels and we are not immune from operating in in turbulent financial times.

To that extent, the current COVID-19 pandemic has posed a once in a hundred-year challenge to all of us, and the bank is no exception. We have elected to not declare a dividend for the 2020 financial year, due to the unprecedented challenges and an uncertain future in the short term.

We have welcomed Penny Leonard to the role of Branch Manager and are fortunate to have had her leading the branch since May 2018. Penny has many years experience managing branches and is enjoying working with us in the Community Bank model.

I commend each of the staff members to you. The branch continues to grow and has an excellent friendly, efficient and professional team. Staff morale is always of the highest order and they remain the face of the business and the nexus between the company and the community. They never fail to have smiles on their faces and are always eager and willing to assist. You can phone the branch on 9551 6111 and speak to a real person, without having to push an extra digit.

Board

Our diverse board is a reflection of our modern society. As Chairman, I wish to personally thank all board members and their partners for their support over the years. They all give their time to this company and our community on a voluntary basis. Their commitment, dedication and support to me is measured by the success we have achieved. The board members act without remuneration, voluntarily and for the benefit of the shareholders of the community. They give selflessly and without any accolade and little, if any, recognition.

On a very sad note, Bryan Ford, a former Deputy Chair and our longest serving director passed away in 2020, succumbing to a long illness. Bryan's passion for the Community Bank and Dingley Village, was reflected in his dedication: to serve on the board, attend charitable events, and promote the business to prospective customers.

Dora Kambouras has resigned from the board and we thank her for the time and effort she invested to promote our business in Dingley Village.

I am confident the coming years will continue to be successful for Community Bank Dingley Village, our board, shareholders, and most importantly, the passionate Dingley Village community.

I wish you all a safe and prosperous year and look forward to continuing and extending our successes in 2021.

David Starvaggi
Chairman

With members of Probus Club of Dingley Central.

Branch Manager's report

In the face of COVID-19, the world has changed overnight, and our Community Bank has not been immune to this.

From early March 2020, we have been coping with this rapidly changing world and we find ourselves settling into a new operating rhythm. COVID-19 has spared few people financially and looks to be the most serious challenge we have faced in nearly a century.

As the economic fallout spreads, the government has deemed banking as an essential service which has allowed us to keep our branch open to the public. Implementing social distancing we have continued to advise and support our 5,053 customers. Bendigo Bank has worked tirelessly behind scenes to create supervisory and compliance functions to meet our customers' needs with their staff working remotely.

It has been challenging to manage revenue and customer expectations in an environment of very low interest rates and growing pressure on consumers.

We have seen an overall reduction in revenue of 15.8% from 30 June 2019 to 30 June 2020. 16.3% of this reduction in revenue came about after the sale of the financial advisory arm of the Bendigo Bank business to Bridges Financial Planning. At the close of business on the 30 June 2020 we held funds under management at $204 million in total business with deposits contributing $130 million, lending $55 million and other business $19 million.

For the first half of the year our loan approvals were growing with some good results until the last four months of the financial year of 2020, when approvals from lending activity was impacted quite dramatically as customers found themselves out of work and restrictions were put in place to reduce the spread of COVID-19.

Bendigo Bank's reduced risk appetite has also created challenges to growing our loan book. In the coming months, it is most likely that these will be eased as the economy strives to recover.

Overall, we had $15,219,000 in loans approved which was up from the previous year's approvals of $11,674,000 (an increase of $3,497,000). Our loan discharges increased on the previous year from $11,970,000 to $12,968,000 (up $996,000).

With the last four months being dramatically different to the rest of the year, Bendigo Bank responded and adapted with flexibility to a one-team approach: reassigning roles to areas to support our customers who have found themselves facing extraordinary and challenging circumstances. The bank is committed to being there for our customers, delivering essential banking services and financial support, while keeping our customers and our staff safe. Our controls and policies adjusted quickly and soundly, ensuring that risk management is embedded in the bank's processes and culture.

We have been extending customer relief and remediation to many of our customers: providing temporary relief and suspending home and small business loan repayments. Merchant facilities have had their monthly service fees waivered and many customers have had to access their funds from early release of term deposits and superannuation.

We have extended government-guaranteed business loans to some of our small business customers to help them through. It is important for us to be empathetic to our customers while still making sound business decisions. How we respond to our customers is what makes our Community Bank a key part of our community. It is pivotal to how we will be seen in the coming years.

We have reduced our staffing levels, as staff have moved onto new roles, we haven't replaced them due to the uncertainty of the current environment. Fee revenue has declined and the foot traffic in our branch has reduced.

Our focus on continuous improvement has not waivered as we adapt our training to continue to develop our staff through a virtual workplace. COVID-19 has brought with it a need to explore wellness initiatives to help our employees manage stress. We have taken a creative approach with morning yoga, the Equip Resilience program and other fun initiatives.

We have gone above and beyond to provide special servicing needs of our elderly customers; giving them extra support and delivering things to them when it has been difficult for them to access the branch. To this extent we offer unique solutions to individual customers and can develop solutions to be ensure our customers safety.

In coming months we will focus on encouraging customers to refinance their existing debt to us. Bendigo Bank has introduced an innovative new product: the Complete Home Loan which offer low rates and 100% offset.

But in every recession for at least seven decades, it's deposits that have seen positive growth. So we'll also need to manage an expanding deposit portfolio. Particularly if loan growth slows, new deposit funding could feed growth of low-duration, low-return cash.

It may seem early to be imagining a post COVID-19 world, but it's important to take the long view. The following factors will be important for us after the pandemic emergency passes.

- How our brand is judged in the future may very well be based on our current response.
- How we adapt to a new customer expectations and business models (we will need to respond to lasting social change).
- Will governments and society demand a cashless future? Will that lead to reduced bank foot traffic?
- Will consumers choose to interact with us remotely with loan interviews conducted via video? Will they prefer a mobile lender to visit them in their homes? These sort of behavioural changes may accelerate a shift in our branch away from transactions toward a more complex, high-value operation.

A crisis often brings out the best in us. Our Community Bank is in a unique position to play a vital role in restoring our Dingley Village community: whether its providing mortgages to growing families or loans to growing businesses. As a community-focussed bank we have a long history of promoting social and economic success. And we will continue to do so.

Penny Leonard
Branch Manager

At the Bendigo Bank T20 Cup in February with Dingley and Bonbeach Cricket Clubs.

Supporting the Bushfire Disaster Appeal in January.

Directors' report

The directors present their report on Dingley Village Financial Services Limited for the financial year ended 30 June 2020.

1. General information

The names of each person who has been a director during the year and to the date of this report are:

David Starvaggi (Chairman)

Qualifications: Barrister and current member of the Victorian Bar with experience in commercial, family and criminal law. Board member of the Springvale Monash Legal Service since 2004 and also former Deputy Chairman of this body. David is a member of the HR and Finance sub committees.

Bryan Ford (Vice Chairman) – *Resigned 19 December 2019*

Qualifications: 22 years director/owner of two offices in major real estate franchise. Total of 32 years experience in real estate. Past Director Governor, Zone Chairman, President and life member of Apex Australia. Past President and Director of Oakleigh Football Club (VFA). Current Managing Director of Melbourne Wide Property Advocate Services.

Kanwar Singh (Company Secretary)

Qualifications: MBA; Bachelor of Commerce (Hons); Fellow CPA Australia; Fellow IPA; Fellow NTAA. Managing Director of SS Accounting Solutions, Dingley Village. Has been involved with the Dingley Village community for over 24 years and is actively involved in local Dingley Village cricket club. Company Secretary; Finance sub committee member.

Darren Bodey

Qualifications: Qualified electrician, registered commercial building practitioner, 24 years as the managing director. Director of Dingley Village Financial Services Limited for 13 years. Darren is a member of the HR and Finance sub committee.

Stephen Duggan

Qualifications: MBA (Distinction), Grad.Dip. Trade Mark Practice, B.Business. Long term resident of Dingley Village. Over 23 years of General Management experience across a diverse range of industries, with responsibilities for domestic and international markets. Previous Board and Committee experience. Currently, President of John Monash Science School Council, HR sub committee member.

Leigh Menzel

Qualifications: B.Sc (Ma) University of Adelaide and currently a computer programmer at AppliCad Australia. Board member for 10 years and part of the Marketing sub committee.

Directors' report (continued)

Julieanne Pool

Qualifications: Extensive background in Human Resources, Training, Customer Service and Office Management and Administration. Involved in local Netball and Softball for over 49 years and has served on numerous committees. Currently Secretary of the Springvale & District Netball Association and a life member of SDNA. Marketing sub committee member.

Adam Arness

Qualifications: Bachelor of Laws LL.B. Monash University. Grad Dip. Legal Practice. Recently admitted to the Supreme Court of Victoria as an Australian Lawyer. Extensive experience on local committees, youth volunteering and education via tutoring and lecturing both secondary and tertiary students. Marketing sub committee member.

Theodora Kambouris – *Resigned 1 August 2020*

Qualifications: Principal of Ray White Dingley Village and an active member of the community. She is involved in Kingswood Primary School (as a community member on the school council), a local Rotarian and sponsors local community groups including all three primary schools, two kindergartens, Rotary Club, Dingley Football Club, the Salvation Army and Make a Difference Foundation. She also organises the Ray of Difference Fundraising event every Christmas in Dingley Village.

Greg Lawes – *Appointed 19 December 2019*

Greg had a 28 year banking career with experience in computerisation, preparing bank policy, large scale marketing campaigns, publicity, and as an executive branch manager in Collins Street. On leaving banking, Greg started a debt collection company 20 years ago which currently employs 16 staff and operates Australia-wide. Greg has been a resident of Dingley Village for 40 years and understands the banking needs of the local residents.

Vittesh Lilani (Treasurer)

Qualifications: FCPA, IPA, FNTAA, Dip of Financial Planning, MIT, BCom with 15 years of experience in the field of accounting and taxation. Director in Accounting Solutions, SS Group of Companies and Evertop Commodities (Australia) Pty Ltd. He has been involved with the in Integration of varied culture groups within the larger community. Treasurer and & Finance sub committee member.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activity of Dingley Village Financial Services Limited during the financial year were the provision of banking services to the business and residential community. No significant changes in the nature of the company's activity occurred during the financial year.

2. Operating results and review of operations for the year

Operating results

The profit of the company after providing for income tax amounted to **$133,267** (2019: $(16,659)).

3. Other items

Significant changes in 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. 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.

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Environmental matters

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Dividends paid or recommended

Dividends paid or declared since the start of the financial year are as follows:

- A fully franked dividend of $ $37,800 was paid during the year as recommended in last year's report.

Meetings of directors

During the financial year 10 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' meetings	
	Number eligible to attend	Number attended
David Starvaggi (Chairman)	10	10
Bryan Ford (Vice Chairman) – *Resigned 19 December 2019*	5	3
Kanwar Singh (Company Secretary/Treasurer)	10	7
Darren Bodey (Deputy Chairman)	10	10
Stephen Duggan	10	6
Leigh Menzel	10	9
Julieanne Pool	10	10
Adam Arness	10	8
Theodora Kambouris – *Resigned 1 August 2020*	10	6
Vittesh Lilani – (Treasurer)	10	9
Greg Lawes – *Appointed 19 December 2019*	8	8

Options

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

Indemnification and insurance of officers and auditors

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a willful breach of duty in relation to the company. The premiums for each director amounted to $475.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and can be found on page 10 of the report.

Remuneration report

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

The board's policy in respect of the Branch Manager is to maintain remuneration at parity within the Community Bank network and local market rates for comparable roles.

There are no company executives who are directly accountable and responsible for the strategic direction of the entity. This is wholly a board role (who act in a voluntary capacity).

Dingley Village Financial Services Limited has accepted 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 Dingley Village Community Bank. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to use the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Signed in accordance with a resolution of the board of directors:

David Starvaggi
Chairman

Kanwar Singh
Company Secretary

Dated 16 October 2020

Auditor's independence declaration

Ashfords Audit & Assurance Pty Ltd
ABN 52 138 965 241
Suite 5, 14 Garden Blvd, Dingley VIC 3172
PO Box 1462, Clayton South VIC 3169
(03) 9551 2822
info@ashfords.com.au

Dingley Village Financial Services Limited
ABN 27 098 041 493

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Dingley Village Financial Services 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.

Ashfords Audit and Assurance Pty Ltd

Ashfords Audit and Assurance Pty Ltd

Andrew White - C.A
Director

16 October 2020

Dingley

Liability limited under a scheme approved under professional standards legislation.

www.ashfords.com.au

Financial statements

Statement of profit or loss and other comprehensive income

For the financial year ending 30 June 2020

	Notes	2020 $	2019 $
Revenue	5	1,256,106	1,501,899
Other revenue	5	155,508	–
Employee benefits expense		(603,267)	(774,091)
Depreciation and amortisation expense	6	(109,937)	(28,011)
Sponsorship and marketing expenses		(226,366)	(347,221)
Occupancy		(98,230)	(203,797)
Computer expenses		(32,741)	(32,989)
Other expenses	6	(174,603)	(148,007)
Finance expenses	14a	(20,601)	(1)
Profit/(loss) before income tax		145,869	(32,218)
Income tax expense	7	(12,602)	15,559
Profit/(loss) for the year		**133,267**	**(16,659)**
Other comprehensive income, net of tax		–	–
Total comprehensive income/(loss) for the year		**133,267**	**(16,659)**
Earnings per share			
Basic earnings per share (cents)		21.15	(2.60)

The company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

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	9	486,412	458,934
Trade and other receivables	10	197,848	136,696
Current tax receivable	21	39,070	28,592
Total current assets		**723,330**	**624,222**
Non current assets			
Property, plant and equipment	11	681,405	230,067
Deferred tax assets	21	20,162	27,076
Intangible assets	12	11,509	23,018
Total non-current assets		**713,076**	**280,161**
Total assets		**1,436,406**	**904,383**
LIABILITIES			
Current liabilities			
Trade and other payables	13	65,059	79,804
Lease liabilities	14	72,564	–
Employee benefits	15	30,705	53,594
Total current liabilities		**168,328**	**133,398**
Non current liabilities			
Lease liabilities	14	405,396	–
Deferred tax liabilities	21	5,858	170
Employee benefits	15	3,436	5,469
Total non current liabilities		**414,690**	**5,639**
Total liabilities		**583,018**	**139,037**
Net assets		**853,388**	**765,346**
EQUITY			
Issued capital	16	567,010	567,010
Retained earnings		286,378	198,336
Total equity		**853,388**	**765,346**

The company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the financial year ending 30 June 2020

	Notes	Ordinary shares $	Retained earnings $	Total $
2020				
Balance at 1 July 2019		**567,010**	**198,336**	**765,346**
Total comprehensive Income for the year		–	133,267	133,267
Retrospective adjustment upon change in accounting policy AASB 16 *Leases*.	2	–	(7,425)	(7,425)
Dividends paid or provided for	8	–	(37,800)	(37,800)
Balance at 30 June 2020		**567,010**	**286,378**	**853,388**
2019				
Balance at 1 July 2018		**567,010**	**271,695**	**838,705**
Total comprehensive income for the year		–	(16,659)	(16,659)
Dividends paid or provided for	8	–	(56,700)	(56,700)
Balance at 30 June 2019		**567,010**	**198,336**	**765,346**

The company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

Statement of cash flows

As at 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,307,244	1,510,971
Payments to suppliers and employees		(1,226,756)	(1,529,039)
Interest received		2,794	6,333
Interest paid		(20,601)	–
Income taxes paid		(12,701)	(61,407)
Government funding		93,014	–
Net cash provided by/(used in) operating activities	25	**142,994**	**(73,142)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,228)	(1,666)
Net cash used by investing activities		**(11,228)**	**(1,666)**
Cash flows from financing activities			
Dividends paid		(36,285)	(54,902)
Payment of lease liabilities		(68,003)	–
Net cash used by financing activities		**(104,288)**	**(54,902)**
Net increase/(decrease) in cash and cash equivalents held		27,478	(129,710)
Cash and cash equivalents at beginning of year		458,934	588,644
Cash and cash equivalents at end of financial year	9	**486,412**	**458,934**

The company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2020

The financial report covers Dingley Village Financial Services Limited as an individual entity. Dingley Village Financial Services Limited is a for-profit company limited by shares, incorporated and domiciled in Australia.

The functional and presentation currency of Dingley Village Financial Services Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 16 October 2020.

Comparatives are consistent with prior years, unless otherwise stated.

Note 1. Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and associated notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements 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.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

Note 2. Change in accounting policy

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.

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below.

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.

Note 2. Change in accounting policy (continued)

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 30 June 2020 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 lease term if the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

Financial statement impact of adoption of AASB 16

The company has recognised right-of-use assets of $538,583 and lease liabilities of $545,968 at 1 July 2019, for leases previously classified as operating leases. This has resulted into an adjustment of retained earnings of $7,425.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.00%.

Note 3. Summary of significant accounting policies

(a) Income tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Note 3. Summary of significant accounting policies (continued)
(a) Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(b) Revenue and other income

All revenue is stated net of the amount of goods and services tax (GST).

Interest revenue

Interest is recognised using the effective interest method.

Revenue from contract with customers

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

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

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

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

Notes to the financial statements (continued)

Note 3. Summary of significant accounting policies (continued)
(b) Revenue and other income (continued)

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company: margin, commission and fee income. Bendigo and Adelaide Bank Limited 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.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group 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.

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 and Adelaide Bank Limited for a deposit
- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, 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 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.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited 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 and Adelaide Bank Limited 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.

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

Note 3. Summary of significant accounting policies (continued)
(b) Revenue and other income (continued)

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a 'Market Development Fund' (MDF).

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 donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time. Other income is recognised on an accruals basis when the company is entitled to it.

Cashflow boost

During the financial year, in response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide 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 the 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.

JobKeeper

The federal government introduced specific legislation to respond to the economic ramifications of the pandemic, including the wage subsidy known as 'JobKeeper'. The company projected a decline in GST turnover for the 30 June 2020 and has subsequently received the JobKeeper subsidy.

The JobKeeper scheme provides employers with a wage subsidy of $1,500 per fortnight for wages paid to eligible employees during the six month period starting from the 30th March 2020.

The company has applied AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. The grant (i.e. JobKeeper) is recognised when the employer is reasonably assured that it will comply with the conditions attached to it, that being when the associated wage payments are made.

(c) Goods and Services Tax (GST)

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

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

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

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment of losses.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Plant and equipment

Plant and equipment are measured using the revaluation model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on straight-line or deducing balance basis over the assets useful life to the company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

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

Fixed asset class	Depreciation rate
Buildings right of use	20%
Plant and equipment	7.5% to 37.5%
Leasehold improvements	2.5% to 20%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(e) 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, leases.

Sub-notes below 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

Financial assets – recognition and initial measurement

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

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

Note 3. Summary of significant accounting policies (continued)
(e) Financial instruments (continued)

Financial assets – classification and subsequent measurement

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 assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

Financial assets – business model assessment

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

Financial assets – subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit and 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.

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.

Note 3. Summary of significant accounting policies (continued)
(e) Financial instruments (continued)

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.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in the prior period statement of profit or loss and other comprehensive income resulting from the impairment of debt securities are reversed through the statement of profit or loss and other comprehensive income, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities depending on the purpose for which the liability was acquired. Although the company uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The company‘s financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

At the end of the reporting period the company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

(f) Impairment of non-financial assets

At the end of each reporting period the company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(g) Intangible Assets

Research and development

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(i) Leases

For current year

At inception of a contract, the company assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset – this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The company has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

At the lease commencement, the company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

Note 3. Summary of significant accounting policies (continued)
(i) Leases (continued)

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The company has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(j) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

(k) Economic dependence

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Dingley, Victoria.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name 'Bendigo Bank' and the logo and system of operations 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 branches 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.

All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited. Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank branch 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 in relation to:

- advice and assistance in relation to the design, layout and fit out of the Community Bank branch;
- 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; and
- sales techniques and proper customer relations.

(l) Adoption of new and revised accounting standards

During the current year, the company adopted all of the new, revised or amended accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of new and accounting standards and interpretations did not have any significant impact on the financial performance or position of the company.

Note 4. Critical accounting estimates and judgements

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

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 5 – revenue recognition	• whether revenue is recognised over time or at a point in time • 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
Note 15 – leases	• whether the company is reasonably certain to exercise extension options, termination periods, and purchase options; • 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 contract 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

Notes to the financial statements (continued)

	2020 $	2019 $

Note 5. Revenue and other income

	2020 $	2019 $
Revenue from continuing operations		
Revenue from contracts with customers		
Provision of services	1,088,829	1,271,107
Upfront product commissions	68,482	106,964
Fee Income	72,421	81,920
Market development fund	10,000	10,000
Products/services commission	13,857	18,248
	1,253,589	**1,488,239**
Finance income		
Other interest received	2,480	6,333
Finance income	**2,480**	**6,333**
Other trading revenue	36	7,327
Total revenue	**1,256,105**	**1,501,899**

(a) Other Income breakup

	2020 $	2019 $
Other Income		
Other income	1,508	–
Cashflow boost	100,000	–
JobKeeper	54,000	–
	155,508	–

Note 6. Result for the year

The result for the year includes the following specific expenses.

	2020 $	2019 $
Other expenses		
Employee benefits expense	603,267	774,091
Depreciation expense	98,428	16,502
Amortisation expense	11,509	11,509
Impairment of receivables		
Bad debts	404	765
Total impairment of receivables	**404**	**765**

Note 7. Income tax expense

(a) The major components of tax expense (income)

	2020 $	2019 $
Current tax expense		
Local income tax – current period	–	(10,833)
Deferred tax expense		
Origination and reversal of temporary differences	12,602	(1,192)
Under/(over) provision in respect of prior years	–	(3,534)
Total income tax expense	**12,602**	**(15,559)**

(b) Reconciliation of income tax to accounting profit

	2020 $	2019 $
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2019: 27.5%)	40,114	(8,860)
Add tax effect of:		
Non-deductible depreciation and amortisation	–	(3,165)
Under provision for income tax in prior year	–	(3,534)
Adjustment to retained earnings on adoption of AASB 16	(12)	–
	40,102	**(15,559)**
Less tax effect of:		
Cashflow boost	27,500	–
Income tax expense	**12,602**	**(15,559)**

Note 8. Dividends

(a) Dividends declared and paid

	2020 $	2019 $
Final franked ordinary dividend of 6 cents (2019: 9) cents per share	**37,800**	**56,700**
Franked dividends declared or paid during the year were franked at the tax rate of 27.5%.		

Franking account

	2020 $	2019 $
The franking credits available for subsequent financial years at a tax rate of 27.5%	**133,191**	**137,051**

The above available balance is based on the dividend franking account at year-end adjusted for:

- Franking credits that will arise from the payment of the current tax liabilities;
- Franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

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

	2020 $	2019 $

Note 9. Cash and cash equivalents

Cash at bank in hand	486,412	458,934
	486,412	**458,934**

Note 10. Trade and other receivables

Current		
Trade receivables	104,121	128,220
	104,121	**128,220**
Prepayments	29,955	7,858
Other receivables	303	618
Total current trade and other receivables	**134,379**	**136,696**

Note 11. Property, plant and equipment

Plant and equipment		
At cost	97,092	92,257
Accumulated depreciation	(80,193)	(75,411)
Total plant and equipment	**16,899**	**16,846**
Leasehold Improvements		
At cost	508,629	502,236
Accumulated amortisation	(298,733)	(289,015)
Total leasehold improvements	**209,896**	**213,221**
Right of use asset		
At cost	573,509	–
Accumulated depreciation	(118,898)	–
Total right of use asset	**454,611**	–
Total property, plant and equipment	**681,406**	**230,067**

Note 11. Property, plant and equipment (continued)

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and equipment $	Leasehold improvements $	Right of use asset $	Total $
Year ended 30 June 2020				
Balance at the beginning of year	**16,846**	**213,221**	**–**	**230,067**
Additions	4,835	6,393	–	11,228
Due to adoption of AASB 16	–	–	538,539	538,539
Depreciation expense	(4,782)	(9,718)	(83,928)	(98,428)
Balance at the end of the year	**16,899**	**209,896**	**454,611**	**681,406**
Year ended 30 June 2019				
Balance at the beginning of year	**21,802**	**223,101**	**–**	**244,903**
Additions	1,666	–	–	1,666
Depreciation expense	(6,622)	(9,880)	–	(16,502)
Balance at the end of the year	**16,846**	**213,221**	–	**230,067**

Note 12. Intangible assets

	2020 $	2019 $
Development costs		
Cost	720	720
Accumulated amortisation and impairment	(720)	(720)
Net carrying value	–	–
Licenses and franchises		
Cost	57,546	57,546
Accumulated amortisation and impairment	(46,037)	(34,528)
Net carrying value	**11,509**	**23,018**
Other Intangible assets		
Cost	19,758	19,758
Accumulated amortisation and impairment	(19,758)	(19,758)
Total Intangibles	**11,509**	**23,018**

Note 12. Intangible assets (continued)

(a) Movements in carrying amounts of intangible assets

	Licenses and franchises $	Total $
Year ended 30 June 2020		
Balance at the beginning of the year	23,018	23,018
Amortisation	(11,509)	(11,509)
Closing value at 30 June 2020	**23,018**	**23,018**
	11,509	**11,509**

Note 13. Trade and other payables

	2020 $	2019 $
Current		
Unsecured liabilities		
Trade payables	28,807	51,400
Other payables	21,819	15,486
	50,626	**66,886**
Secured liabilities		
Dividend payable	14,433	12,918
	65,059	**79,804**

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Note 14. Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4%.

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

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

Lease portfolio

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

	Notes	2020 $	2019 $

Note 14. Lease liabilities (continued)

The company's lease portfolio includes:

- Branch – The lease agreement is a non-cancellable lease with an initial term of five years, 5 months which commenced on the 1 July 2020.

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.

	Notes	2020 $	2019 $
Lease liabilities on transition			
Initial recognition	2	545,965	–
Interest		20,601	–
Lease payments		(88,606)	–
Total		**477,960**	**–**

(b) Lease liabilities

	Notes	2020 $	2019 $
Current			
Lease liability	17	72,564	–
Total current borrowings		**72,564**	**–**
Non-current			
Lease liability	17	405,396	–
Total non-current borrowings		**405,396**	

(c) Impact on the current reporting period

During the financial year, the company has 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.

Note 14. Lease liabilities (continued)

	AASB 117 expense not recognised $	Impact on current reporting period $	AASB 16 expense now recognised $
Occupancy expenses	88,606	(88,606)	–
Depreciation and amortisation expense	–	83,928	83,928
Finance costs	–	20,601	20,601
Decrease in expenses – before tax	**88,606**	**15,923**	**104,529**
Income tax expense/(credit) – current	(24,367)	24,367	–
Income tax expense/(credit) – deferred	–	(28,745)	(28,745)
Decrease in expenses – after tax	**64,239**	**11,545**	**75,784**

Note 15. Employee benefits

	2020 $	2019 $
Current liabilities		
Long service leave	11,303	28,095
Provision for employee benefits	19,402	25,499
	30,705	**53,594**
Non current liabilities		
Long service leave	3,436	5,469
	3,436	**5,469**

Note 16. Issued capital

630,000 (2019: 630,000) Ordinary shares	**567,010**	**567,010**

(a) Voting rights

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

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

Notes to the financial statements (continued)

	2020 $	2019 $

Note 16. Issued capital (continued)

(b) 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 and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders.

(c) 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*.

Note 17. Capital and leasing commitments

(a) Operating leases

Minimum lease payments under non cancellable operating leases:		
Not later than one year	–	96,753
Between one year and five years	–	33,853
	–	**130,606**

Operating leases have been have been taken out for premises at Dingley. Lease payments are increased on an annual basis to reflect market rentals.

(b) Leases

Minimum lease payments		
Not later than one year	90,379	–
Between one year and five years	444,059	–
Minimum lease payments	**534,438**	**–**
Less: finance changes	(56,478)	–
Present value of minimum lease payments	**477,960**	**–**

Note 18. Remuneration of auditors

Remuneration of the auditor of the entity for:		
Auditing or reviewing the financial statements	**11,662**	**10,350**

Note 19. Related parties

All directors of the company are on a voluntary basis, therefore no remuneration guidelines have been prepared. There were no related party transactions during the year.

	2020 $	2019 $

Note 20. Events occurring after the reporting date

The financial report was authorised for issue on 16 October 2020 by the board of directors.

The directors believe that the rapid escalation of COVID-19 and stage 4 government restrictions may adversely affect the operations of the company. At this stage specific details of the impact of the escalation and government restrictions have not yet been determined.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Note 21. Tax assets and liabilities

	2020 $	2019 $
Current tax	39,070	28,592
Recognised deferred tax assets and liabilities		
Deferred tax assets	20,162	27,076
Deferred tax liabilities	5,858	170

	Opening Balance $	Charged to Income $	Closing Balance $
Deferred tax assets			
Provisions – employee benefits	15,051	1,192	16,243
Tax losses	–	10,833	10,833
Balance at 30 June 2019	**15,051**	**12,025**	**27,076**
Provisions – employee benefits	16,243	(6,854)	9,389
Right to use asset	–	6,421	6,421
Tax losses	10,833	(6,481)	4,352
Balance at 30 June 2020	**27,076**	**(6,914)**	**20,162**
Deferred tax liability			
Other deferred tax	170	–	170
Balance at 30 June 2019	**170**	–	**170**
Other deferred tax	170	(87)	83
Prepayment	–	5,775	5,775
Balance at 30 June 2020	**170**	**5,688**	**5,858**

Note 22. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. 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 entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

Market risk

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.

Credit risk

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 and Adelaide Bank Limited.

Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

Cash flow and fair value interest rate risk

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

Capital manager

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 potential level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee 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 franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 22. Financial risk management (continued)

Financial instrument composition and maturity analysis

The company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted average effective interest rate	Floating interest rate		Non-interest bearing		
	2020 %	2019 %	2020 $	2019 $	2020 $	2019 $
Financial assets						
Cash and cash equivalents	0.01	0.01	141,664	146,310	–	–
Short term deposits	0.55	1.85	344,748	312,624	–	–
Receivables	–	–	–	–	179,848	136,696
Total financial assets			486,412	458,934	179,848	136,696
Financial liabilities						
Trade and sundry payables	–	–	–	–	65,060	79,803
Lease liabilities	4.00	–	477,960	–	–	–
Total financial liabilities	**4.00**	**–**	**477,960**	–	**65,060**	**79,803**

	2020 $	2019 $
Financial assets		
Cash and cash equivalents	141,664	146,310
Short term deposits	344,748	312,624
Receivables	179,848	136,696
Total financial assets	**666,260**	**595,630**
Financial liabilities		
Trade and sundry payables	65,060	79,803
Lease liabilities	477,960	–
Total financial liabilities	**543,020**	**79,803**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 10. The main source of credit risk to the company is considered to relate to the class of assets described as 'trade and other receivables'. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit risk exposure to one financial institution, being Bendigo Bank.

	2020 $	2019 $

Note 23. Contingencies

In the opinion of the Directors, the company did not have any contingencies at 30 June 2020 (30 June 2019:None).

Note 24. Segment reporting

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Dingley, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited which accounts for 100% of the revenue.

Note 25. Cash flow information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2020 $	2019 $
Profit/ (loss) for the year	133,267	(16,659)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Amortisation	11,509	11,509
Depreciation	98,428	16,502
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(61,153)	15,405
(Increase)/decrease in deferred tax receivable	6,914	(12,025)
Increase/(decrease) in trade and other payables	(16,259)	(27,267)
Increase/(decrease) in income taxes payable	(10,478)	(64,941)
Increase/(decrease) in deferred taxes payable	5,688	–
Increase/(decrease) in employee benefits	(24,922)	4,334
Cashflow from operations	**142,994**	**(73,142)**

Note 26. Company details

The registered office and principal place of business of the company is:

Dingley Village Financial Services Limited
Shop 11, 79 Centre Dandenong Road
Dingley Village VIC 3172

Directors' declaration

The directors of the company declare that:

1. The financial statements and notes for the year ended 30 June 2020 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in accounting policy Note 3 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the company.

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.

David Starvaggi
Chairman

Kanwar Singh
Company Secretary/Treasurer

Dated 16 October 2020

Ashfords Audit & Assurance Pty Ltd
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Dingley Village Financial Services Limited

Independent Audit Report to the members of Dingley Village Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dingley Village Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 of the financial report that 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 gives a true and fair view and 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 to cease operations, or have 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.

ASHFORDS
AUDIT AND ASSURANCE

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Dingley Village Financial Services Limited

Independent Audit Report to the members of Dingley Village Financial Services Limited

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 the directors.

- Conclude on the appropriateness of the directors' 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 the directors 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ashfords Audit and Assurance Pty Ltd

Ashfords Audit and Assurance Pty Ltd

Andrew White - C.A

Dingley
16 October 2020

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Dingley Village VIC 3172
Phone: (03) 9551 6111
Web: www.bendigobank.com.au/dingley_village

Franchisee: Dingley Village Financial Services Limited
ABN: 27 098 041 493
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Phone: (03) 9551 6111

/facebook.com/DingleyVillageCommunityBankBranch

Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_1504323 14/09/2020