

Annual Report 2020

Fassifern Valley
Community Enterprises Ltd

Community Bank
Kalbar & District

ABN 38 138 533 810



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Chairman's report

For year ending 30 June 2020

In this our tenth year of trading, there have been many changes and challenges for your bank in Kalbar. Despite this we have continued to grow and develop our involvement in the community.

As our Manager reports, our business has grown to an increase in footings of \$9 million approximately giving a balance at 30 June 2020 of \$121.469 million, the combination of savings and loans in our business. This is very impressive in the current financial climate and the staff are to be congratulated. Your Community Bank is near the top of the list in Queensland.

A major change has occurred at the Bank with the decision by Manager Clint Stephens to phase down from his role to around 12 hours a week. We have subsequently engaged Stacey Cumming, a suitably qualified Bendigo Bank employee in Ipswich, to the position. Stacey will commence in February after her secondment to Bendigo Bank in Alice Springs is completed. Meanwhile the Board has appointed Tamara Ludvigh, one of our suitably qualified employees here at the Bank to fulfil this position in the interim. We wish Clint all the best in the future.

In keeping with our operating principles, we are always keen to support local businesses, groups and individuals where we can. We have distributed significant amounts during the year (approximately \$275,000 since inception) and we will continue to do so as the circumstances permit. Although some activities have been curtailed, we are pleased to be involved in sponsoring Safe Driving Courses for young people at Willowbank. We feel this is money well spent.

Our staff continue to operate efficiently and well through the extra encumbrances caused by COVID-19. Saturday morning opening has ceased due to staffing difficulties.

Juggling home life as well as Bank activities has seen several resignations this year. Juanita Abbott, Ashleah Lutter and Brooke Clark have moved on to different activities and we wish them all the best.

As reported earlier this year, the Board has approved a five cent (5c) per share distribution to our loyal shareholders, a result that indicates that we are operating satisfactorily and profitably.

The Board continues to take seriously the responsibility of oversight of the Bank's activities and all members diligently contribute. Mike Weekes continues his secretarial role very efficiently as does Treasurer Mick Rashford. As reported last year Paul Fitzgerald will take over as Treasurer after the Annual Meeting. Both roles are significant and we thank them for their efforts over the years. We continue to have a wide range of experience on the Board which lends itself to competent oversight of bank activities. They are to be commended for their diligence and attendance at regular meetings.

Upgrades costing \$50,000 have been done to the premises and greatly increases the amenity of the area. The extended working area at the bank is appreciated by staff.

Your Bank looks forward to complementing the ongoing life of Kalbar and district. We wish all a successful year both personally and in whichever enterprise you are involved.



David Roderick
Chairman

Manager's report

For year ending 30 June 2020

Dear Shareholders

The overall vision of the business is to provide and sustain accessible, efficient, comprehensive and profitable banking for the benefit of our communities and it is with pleasure that I present the report for financial year 2020.

Banking in general is extremely competitive and challenging, operating in an environment of constant changes and heightened regulatory scrutiny and there is little doubt 2019/20 was a year of many challenges as we:

- Continued to face an array of new regulation and compliance requirements stemming from the ramifications of the Royal Commission
- The falling interest rate market saw us dealing with the lowest rates in history, a challenge that is continuing now and is likely to do so for some time
- The continued volatility within the financial industry
- The relentless drought conditions which continue to affect our community.
- The devastating effects of the COVID-19 pandemic / temporary lending restrictions as a result.

These challenges have been varied across our diverse business portfolio for those customers that have been affected the bank has put measures in place to assist customers during this period.

Overall, the business performed consistently despite the economic environment and the implication of COVID-19 as summarised below.

In FY2019/20, Community Bank Kalbar & District, along with our Business and Rural Banking partners, achieved the following:

	FY2020	FY2019	Movement
Loan Approvals	\$14,547,000	\$24,260,000	(-) \$9,713,000
Loan Settlements	\$18,546,000	\$18,432,000	(+) \$114,000
Loan Discharges	\$3,577,000	\$5,699,000	(-) \$2,122,000
Represented By:			
Loans	\$83,332,547	\$73,791,050	(+) \$9,541,497
Deposits	\$32,422,698	\$31,274,179	(+) \$1,148,519
Other Business	\$5,714,098	\$7,166,562	(-) \$1,452,464
Closing Footings	\$121,469,343	\$112,231,791	(+) \$9,237,552

The branch achieved \$9,237 million in growth across all business segments, which was 101.5% of the projected target balance.

With the current deposit interest rates very modest, our growth was achieved by our lending portfolio.

Manager's report (continued)

How many loans did we write to achieve the results:

	FY2020	FY2019	Movement
Loans Approved	103	134	(-) 31
Loans Settled	102	126	(-) 24
Loans Discharged	52	65	(-) 18

The closing footings is from a customer base of 1,578 in which we had a 2.8% uplift and a 1.9% uplift in products per customer.

Our consistent performance allows a five cent dividend to be paid on the FY2019/20 results. Thank you to our shareholders, customers and community groups who continue to see value in what Community Bank Kalbar & District does and represents in our community.

With decreasing margins across both lending and deposit interest rates and lending in a competitive market, the continued growth has allowed Community Bank Kalbar & District to continue its contributions within our broader community and to our community groups. As at 30 June the Community Bank Kalbar & District has provided \$284,603.15 towards grants and sponsorships since opening its doors, a great result for our community.

Financial Year 2020/21 in the staffing space:

Acting Branch Manager	Tamara Ludvigh
Customer Relationship Manager	Elise Payne
Customer Relationship Officer	Annabel Rose
Customer Service Officer	Amy Muller
Business Development Manager	Clint Stephens (Part Time)
Branch Manager New Year	Stacey Cumming

After consideration I made the decision to release my fulltime duties as Branch Manager however our New Manager is Stacey Cumming who starts at the branch early next year, Stacey is currently on a Branch Manager secondment in Alice Springs and is looking forward to starting with the Community Bank Kalbar & District.

During this period we said goodbye to Juanita Abbott, Ashleah Lutter and Brooke Clark – these ladies all individually played a huge part in the success of our branch. We wish them all the best in their future endeavours and again thank them for their time with the Kalbar and district community.

I have presented to our shareholders the Manager's report since 2014 and have truly enjoyed the challenge of growing our Community Bank Kalbar & District as Branch Manager to its current position, supported by an amazing staff. Our Board of Directors have supported my requests in the majority and have been excellent to work with during the journey and I thank them for this. The Directors all provide their time voluntarily and are to be commended on what they contribute, overseeing the growth and requirements of Community Bank Kalbar & District, so again thank you to you all.

Albeit with a few staff changes, it is business as usual and the team is committed to providing rewarding and satisfying financial outcomes for our new and existing customers. We continue to encourage and remind our shareholders that your ongoing support as customers remains invaluable in ensuring our future success and as you know, it is this support and banking activity that ultimately determines the level of return to our local area.

Come and see us at 103 George Street, Kalbar and please speak with any of our friendly staff who can assist with any initial enquiries you may have. If you are not aware, our financial offerings include transactional banking, term deposits, investment products, insurance, financial planning, equipment finance-leasing and lending across residential, commercial, and rural.

Alternatively, if you cannot visit the branch, please call on 07 5463 7244 or by email Kalbar@bendigoadelaide.com.au

Manager's report (continued)

The greatest thank you needs to go out to our shareholders and customers who have the biggest impact on our performance. Without you our community objectives cannot be reached, so on behalf of all the staff and Directors we thank you.

Financial Year 2020/21 appears as though it will continue to provide the same operating challenges initially, however some opportunity may present for customers as the economic environment provides sustained low interest rates, and the branch will continue to act in the best interest of all our customers.

Regards



Clint Stephens
Branch Manager

Directors' report

For the financial year ended 30 June 2020

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

Directors

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

David John Roderick

Chairman

Occupation: Dairy Farmer

Qualifications, experience and expertise: David has worked at his family dairy farm in Harrisville for 45 years. He has been chair of a dairy group for 10 years and involved with the Lions group for 33 years, church admin for 35 years, the Kalbar Community Bank for 8 years, plus many other various local committees over the past 40 years.

Special responsibilities: Marketing Committee

Interest in shares: 10,000 ordinary shares

Michael Graeme Rashford

Non-executive director

Occupation: Retired public servant

Qualifications, experience and expertise: Michael is a retired resident of Munbilla. He has had a successful career as a taxation officer for 19 years, followed then by post office owner for 19 years also. Michael has been involved with Lions Club Int for 28 years.

Special responsibilities: Company Treasurer, Audit & Risk Committee, Marketing Committee

Interest in shares: 2,000 ordinary shares

Michael Lloyd Weekes

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Owned and operated farms for 39 years. Since moving to the Fassifern district has invested in properties for grazing and small crop production. Has served on a number of boards of community based organisations.

Special responsibilities: Company Secretary

Interest in shares: 1,000 ordinary shares

Wilson Beresford Neuendorf

Non-executive director

Occupation: Retired farmer

Qualifications, experience and expertise: Wilson has been a successful farmer in the district all his life and a Director of the family owned Neuendorf Farms until his retirement. Previously a Boonah Shire Councillor for 8 years, Wilson is currently Chair of the Boonah Arts Festival and the Templin Historical Village and the secretary at Kalbar Baptist church.

Special responsibilities: Marketing Committee, Human Resources Committee

Interest in shares: 5,000 ordinary shares

Directors' report (continued)

Directors (continued)

Genevieve Windley

Non-executive director

Occupation: Farming

Qualifications, experience and expertise: Genevieve and her husband operate Kengoon Farming, focusing on vegetable production. Genevieve is also a member of the customer focus team at Kalfresh vegetables focussed on marketing, new product development and customer management. She also has extensive experience in Local Government; event and project management; tourism and marketing.

Special responsibilities: Minutes Secretary, Marketing Committee

Interest in shares: 2,000 ordinary shares

Heather Elizabeth Kliese

Non-executive director

Occupation: Accountant and Financial Planner

Qualifications, experience and expertise: Heather has been an accountant in public practice for more than 15 years and has an accounting firm, with two other ladies. She holds a Bachelor of Business (Accounting), Diploma of Financial Planning and is a member of CPA Australia. Heather has grown up in the Fassifern Valley and enjoys community involvement in various organisations in her spare time.

Special responsibilities: Finance Committee

Interest in shares: 2,000 ordinary shares

Heather Helene Wehl

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Heather has a long experience in farming and small business. She has lived in the Bremer Valley for 38 years where she ran a mixed farming enterprise while running various small businesses concurrently, including food, fashion and spare parts retailing. Prior to retirement she served for 12 years as a local government Councillor and currently serves on a number of community committees.

Special responsibilities: Marketing Committee, Human Resources Committee

Interest in shares: 12,000 ordinary shares

Paul Damien FitzGerald

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Retired public servant. Worked for Queensland rail for 34 years including as an industrial chemist for 15 years in the Scientific Services Unit based at Ipswich workshops and then for 19 years in various corporate environmental roles at head office in Brisbane. Paul holds a degree in Applied Chemistry and is a member of Harrisville Lions Club.

Special responsibilities: Chair - Audit, Risk Management and Policy Committee

Interest in shares: 1,000 ordinary shares

Murray Richard Roberts

Non-executive director

Occupation: Retired Accountant

Qualifications, experience and expertise: Qualified Accountant, Fellow of Institute of Public Accountants (retd). Director of Bizcom Services Qld P/I dealing in computerised accounting programs for 30 years. Founding Treasurer and Committee Member of the Fassifern Community Men's Shed Inc.

Special responsibilities: Nil

Interest in shares: nil share interest held

Directors' report (continued)

Directors (continued)

Felix Grayson

Non-executive director

Occupation: Retired Police Officer/Real Estate Agent

Qualifications, experience and expertise: Retired in 2009 as Assistant Commissioner with the Queensland Police Service. Served on the Executive of the Queensland Police Service (QPS) and the Crime and Misconduct Commission. In 2001 he was engaged by the Queensland Government as a member of an independent expert panel that conducted a review into the Queensland Police Service's Discipline System. In 2007 he was awarded the Australian Police Medal.

Special responsibilities: Audit and Risk Management Committee and Human Resource Management Committee.

Interest in shares: 1,000 ordinary shares

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

No directors have material interest in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Michael Weeks. Michael was appointed to the position of secretary on 3 June 2017.

Qualifications, experience and expertise: Michael has owned and operated farms for 39 years, and has served on a variety of boards of community based organisations.

Principal activity

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

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

Operating results

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

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
	175,367	111,386

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
David John Roderick	10,000	-	10,000
Michael Graeme Rashford	2,000		2,000
Michael Lloyd Weekes	1,000		1,000
Wilson Beresford Neuendorf	5,000		5,000
Genevieve Windley	2,000		2,000
Heather Elizabeth Kliese	2,000		2,000

Directors' report (continued)

Directors' interests (continued)

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Heather Helene Wehl	12,000		12,000
Paul Damien FitzGerald	-	1,000	1,000
Murray Richard Roberts	-		-
Felix Grayson	1,000		1,000

Dividends

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

	Cents per share	Total amount \$
Final unfranked dividend	5.00	32,076
Total amount	5.00	32,076

Subsequent to financial year-end, the following dividends were proposed by the directors. The dividends have not been provided for in the financial statements.

	Cents per share	Total amount \$
Final unfranked dividend	5.00	32,076
Total amount	5.00	32,076

Dividends have been disclosed in the financial report as follows:

	Note	Amount
Dividends	29a)	5
Subsequent event	29b)	5

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases. See note 4 for further details.

Significant changes in the state of affairs

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

Directors' report (continued)

Significant changes in the state of affairs (continued)

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Directors' Meetings	
	Eligible	Attended
David John Roderick	12	11
Michael Graeme Rashford	12	10
Michael Lloyd Weekes	12	12
Wilson Beresford Neuendorf	12	11
Genevieve Windley	12	7
Heather Elizabeth Kliese	12	10
Heather Helene Wehl	12	10
Paul Damien FitzGerald	12	10
Murray Richard Roberts	12	12
Felix Grayson	12	10

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 27 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the directors at Kalbar, Queensland.



**David John Roderick,
Chair**

Dated this 8th day of September 2020

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Fassifern Valley Community Enterprises Limited

As lead auditor for the audit of Fassifern Valley Community Enterprises Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 8 September 2020

Joshua Griffin
Lead Auditor

Financial statements

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

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	832,858	770,448
Other revenue	9	52,662	28,818
Finance income	10	6,739	5,632
Employee benefit expenses	11c)	(435,165)	(460,669)
Charitable donations, sponsorship, advertising and promotion		(19,520)	(27,245)
Occupancy and associated costs		(20,138)	(47,790)
Systems costs		(21,994)	(19,126)
Depreciation and amortisation expense	11a)	(59,364)	(29,544)
Finance costs	11b)	(17,734)	-
General administration expenses		(86,751)	(66,859)
Profit before income tax expense		231,593	153,665
Income tax expense	12a)	(56,226)	(42,279)
Profit after income tax expense		175,367	111,386
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		175,367	111,386
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	27.34	17.36

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	685,843	561,139
Trade and other receivables	14a)	65,388	49,203
Total current assets		751,231	610,342
Non-current assets			
Property, plant and equipment	15a)	122,218	96,506
Right-of-use assets	16a)	350,115	-
Intangible assets	17a)	60,802	9,073
Deferred tax asset	18b)	2,517	605
Total non-current assets		535,652	106,184
Total assets		1,286,883	716,526
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	37,734	25,433
Current tax liabilities	18a)	22,571	22,605
Lease liabilities	20b)	12,543	-
Employee benefits	22a)	18,015	16,410
Total current liabilities		90,863	64,448
Non-current liabilities			
Trade and other payables	19b)	44,395	-
Lease liabilities	20c)	344,132	-
Employee benefits	22b)	10,109	5,667
Provisions	21a)	7,682	-
Total non-current liabilities		406,318	5,667
Total liabilities		497,181	70,115
Net assets		789,702	646,411
EQUITY			
Issued capital	23a)	611,271	611,271
Retained earnings	24	178,431	35,140
Total equity		789,702	646,411

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018		611,271	(44,170)	567,101
Total comprehensive income for the year		-	111,386	111,386
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(32,076)	(32,076)
Balance at 30 June 2019		611,271	35,140	646,411
Balance at 1 July 2019		611,271	35,140	646,411
Total comprehensive income for the year		-	175,367	175,367
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(32,076)	(32,076)
Balance at 30 June 2020		611,271	178,431	789,702

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		956,791	870,825
Payments to suppliers and employees		(652,264)	(690,718)
Interest received		6,739	7,757
Lease payments (interest component)	11b)	(17,375)	-
Lease payments not included in the measurement of lease liabilities	11d)	(7,904)	-
Income taxes paid		(58,173)	(45,150)
Net cash provided by operating activities	25	227,814	142,714
Cash flows from investing activities			
Payments for property, plant and equipment		(46,456)	(1,500)
Payments for intangible assets		(13,453)	-
Net cash used in investing activities		(59,909)	(1,500)
Cash flows from financing activities			
Lease payments (principal component)	20a)	(11,125)	-
Dividends paid	29a)	(32,076)	(32,076)
Net cash used in financing activities		(43,201)	(32,076)
Net cash increase in cash held		124,704	109,138
Cash and cash equivalents at the beginning of the financial year		561,139	452,001
Cash and cash equivalents at the end of the financial year	13a)	685,843	561,139

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2020

Note 1. Reporting entity

This is the financial report for Fassifern Valley Community Enterprises Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office

Shop 3/103 George St
KALBAR QLD 4309

Principal Place of Business

Shop 3/103 George St
KALBAR QLD 4309

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

Note 2. Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 8 September 2020.

Note 3. Changes in accounting policies, standards and interpretations

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

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases.

Notes to the financial statements (continued)

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

a) Definition of a lease

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

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

Notes to the financial statements (continued)

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

d) Impact on financial statements

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

	Note	1 July 2019 \$
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	16b)	375,123
Liability		
Lease liabilities	20a)	(367,800)
Provision for make-good	21b)	(7,323)
Equity		
Retained earnings		-

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

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	142,331
Add: additional options now expected to be exercised	285,169
Add: variable market review / index based increase	102,400
Less: AASB 117 lease commitments reconciliation	169
Less: present value discounting	(162,269)
Lease liability as at 1 July 2019	367,800

Note 4. Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

b) Other revenue (continued)

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

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

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

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

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

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

e) Taxes

Current income tax

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

e) Taxes (continued)

Deferred tax

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

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

Depreciation (continued)

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	4 to 40 years
Plant and equipment	Straight-line	1 to 40 years
Computer Software	Straight-line	2.5 years
Motor vehicles	Straight-line	5 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

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

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset 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, leases.

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

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

- Financial assets at amortised cost

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Derecognition (continued)

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

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

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) Provisions

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

l) Provisions (continued)

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

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

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

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

m) Leases

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonably certain to exercise, lease payments in an option renewal period if the group is reasonably certain to exercise that option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Policy applicable before 1 July 2019

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

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

As a lessee

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

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

As a lessor

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

n) Standards issued but not yet effective

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

Note 5. Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: <ul style="list-style-type: none"> - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Notes to the financial statements (continued)

Note 6. Financial risk management

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

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

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

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

a) Credit risk

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

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

b) Liquidity risk

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

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

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

30 June 2020 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	356,675	29,356	126,495	345,719
	356,675	29,356	126,495	345,719
30 June 2019 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	-	-	-	-
	-	-	-	-

c) Market risk

Market risk

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

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

Notes to the financial statements (continued)

Note 6. Financial risk management (continued)

c) Market risk (continued)

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$685,843 at 30 June 2020 (2019: \$561,139). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7. Capital management

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

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

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 8. Revenue from contracts with customers

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

	2020 \$	2019 \$
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	832,858	770,448
	832,858	770,448
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	644,255	590,040
- Fee income	52,968	52,735
- Commission income	135,635	127,673
	832,858	770,448

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

Notes to the financial statements (continued)

Note 9. Other revenue

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

	2020 \$	2019 \$
Other revenue		
Revenue:		
- Market development fund income	25,000	25,000
- Cash flow boost	27,662	-
- Other income	-	3,818
	52,662	28,818

Note 10. Finance income

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

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

	2020 \$	2019 \$
Finance income		
At amortised cost:		
- Term deposits	6,739	5,632
	6,739	5,632

Note 11. Expenses

	2020 \$	2019 \$
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Leasehold improvements	7,165	2,453
- Plant and equipment	4,789	4,302
- Motor vehicles	8,473	8,473
- Computer Software	318	704
	20,745	15,932
Depreciation of right-of-use assets		
- Leased land and buildings	25,008	-
	25,008	-
Amortisation of intangible assets:		
- Franchise fee	2,268	2,269
- Franchise renewal process fee	11,343	11,343
	13,611	13,612
Total depreciation and amortisation expense	59,364	29,544

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

Notes to the financial statements (continued)

Note 11. Expenses (continued)

	Note	2020 \$	2019 \$
b) Finance costs			
Finance costs:			
- Lease interest expense	20a)	17,375	-
- Unwinding of make-good provision		359	-
		17,734	-

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

c) Employee benefit expenses

Wages and salaries		354,912	366,188
Non-cash benefits		9,024	8,995
Contributions to defined contribution plans		34,595	32,468
Expenses related to long service leave		7,457	5,802
Other expenses		29,177	47,216
		435,165	460,669

d) Recognition exemption

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

Expenses relating to low-value leases		7,904	-
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Expenses relating to leases exempt from recognition are included in systems costs.

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

Note 12. Income tax expense

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

	2020 \$	2019 \$
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Current tax	58,138	45,168
- Movement in deferred tax	(2,057)	(2,889)
- Reduction in company tax rate	145	-
	56,226	42,279

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of \$85 related to the remeasurement of deferred tax assets and liabilities of the company.

Notes to the financial statements (continued)

Note 12. Income tax expense (continued)

	2020 \$	2019 \$
b) Prima facie income tax reconciliation		
Operating profit before taxation	231,593	153,665
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	63,688	42,258
Tax effect of:		
- Non-deductible expenses	-	21
- Temporary differences	2,057	2,889
- Other assessable income	(7,607)	-
- Movement in deferred tax	(2,057)	(2,889)
- Adjustment to deferred tax to reflect reduction of tax rate for future periods.	145	-
	56,226	42,279

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 \$	2019 \$
- Cash at bank and on hand	228,545	200,567
- Term deposits	457,298	360,572
	685,843	561,139

Note 14. Trade and other receivables

	2020 \$	2019 \$
a) Current assets		
Trade receivables	60,230	45,613
Prepayments	4,803	3,590
Other receivables and accruals	355	-
	65,388	49,203

Note 15. Property, plant and equipment

	2020 \$	2019 \$
a) Carrying amounts		
Leasehold improvements		
At cost	152,020	109,540
Less: accumulated depreciation	(67,836)	(60,671)
	84,184	48,869

Notes to the financial statements (continued)

Note 15. Property, plant and equipment (continued)

	2020 \$	2019 \$
a) Carrying amounts (continued)		
Plant and equipment		
At cost	88,595	84,618
Less: accumulated depreciation	(61,704)	(56,915)
	26,891	27,703
Motor vehicles		
At cost	42,365	42,365
Less: accumulated depreciation	(31,222)	(22,749)
	11,143	19,616
Computer software		
At cost	1,759	1,759
Less: accumulated depreciation	(1,759)	(1,441)
	-	318
Total written down amount	122,218	96,506

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

b) Reconciliation of carrying amounts

Leasehold improvements		
Carrying amount at beginning	48,869	51,322
Additions	42,480	-
Depreciation	(7,165)	(2,453)
Carrying amount at end	84,184	48,869
Plant and equipment		
Carrying amount at beginning	27,703	30,505
Additions	3,977	1,500
Depreciation	(4,789)	(4,302)
Carrying amount at end	26,891	27,703
Motor vehicles		
Carrying amount at beginning	19,616	28,089
Depreciation	(8,473)	(8,473)
Carrying amount at end	11,143	19,616
Computer software		
Carrying amount at beginning	318	1,022
Depreciation	(318)	(704)
Carrying amount at end	-	318
Total written down amount	122,218	96,506

Notes to the financial statements (continued)

Note 15. Property, plant and equipment (continued)

c) Changes in estimates

The company's review of estimates resulted in changes in the useful life. The Leasehold improvement's useful life had previously been assessed as 40 years. This is now expected to be 15 years. The effect of these changes on actual and expected depreciation expense was as follows:

	2020	2021	2022	2023	2024
Increase in depreciation expense	\$7,165	\$7,165	\$7,165	\$7,165	\$7,165

Note 16. Right-of-use assets

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

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

	Note	2020 \$	2019 \$
a) Carrying amounts			
Leased land and buildings			
At cost		375,123	-
Less: accumulated depreciation		(25,008)	-
Total written down amount		350,115	-
b) Reconciliation of carrying amounts			
Leased land and buildings			
Initial recognition on transition	3d)	375,123	-
Depreciation		(25,008)	-
Total written down amount		350,115	-

Note 17. Intangible assets

	2020 \$	2019 \$
a) Carrying amounts		
Franchise fee		
At cost	32,233	21,343
Less: accumulated amortisation	(22,100)	(19,832)
	10,133	1,511
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-

Notes to the financial statements (continued)

Note 17. Intangible assets (continued)

	2020 \$	2019 \$
a) Carrying amounts (continued)		
Franchise renewal process fee		
At cost	111,163	56,713
Less: accumulated amortisation	(60,494)	(49,151)
	50,669	7,562
Total written down amount	60,802	9,073
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	1,511	3,780
Additions	10,890	-
Amortisation	(2,268)	(2,269)
Carrying amount at end	10,133	1,511
Franchise renewal process fee		
Carrying amount at beginning	7,562	18,905
Additions	54,450	-
Amortisation	(11,343)	(11,343)
Carrying amount at end	50,669	7,562
Total written down amount	60,802	9,073

c) Changes in estimates

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

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

Note 18. Tax assets and liabilities

	2020 \$	2019 \$
a) Current tax		
Income tax payable	22,571	22,605

Notes to the financial statements (continued)

Note 18. Tax assets and liabilities (continued)

b) Deferred tax

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

	30 June 2019 \$	Recognised in profit or loss \$	Recognised in equity \$	30 June 2020 \$
Deferred tax assets				
· expense accruals	798	(18)	-	780
· employee provisions	6,071	1,241	-	7,312
· make-good provision	-	(17)	2,014	1,997
· lease liability	-	(8,409)	101,145	92,736
Total deferred tax assets	6,869	(7,203)	103,159	102,825
Deferred tax liabilities				
· property, plant and equipment	6,264	3,014	-	9,278
· right-of-use assets	-	(12,129)	103,159	91,030
Total deferred tax liabilities	6,264	(9,115)	103,159	100,308
Net deferred tax assets (liabilities)	605	1,912	-	2,517

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

	30 June 2018 \$	Recognised in profit or loss \$	30 June 2019 \$
Deferred tax assets			
· expense accruals	770	28	798
· employee provisions	4,075	1,996	6,071
Total deferred tax assets	4,845	2,024	6,869
Deferred tax liabilities			
· income accruals	584	(584)	-
· property, plant and equipment	6,544	(280)	6,264
Total deferred tax liabilities	7,128	(864)	6,264
Net deferred tax assets (liabilities)	(2,283)	2,888	605

Notes to the financial statements (continued)

Note 19. Trade creditors and other payables

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

	2020 \$	2019 \$
a) Current liabilities		
Other creditors and accruals	37,734	25,433
	37,734	25,433
b) Non-current liabilities		
Other creditors and accruals	44,395	-
	44,395	-

Note 20. Lease liabilities

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

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

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

Lease portfolio

The company's lease portfolio includes:

- Kalbar & District Branch

The lease agreement is a non-cancellable lease with an initial term of five years which commenced in July 2019. The lease has two further five year extension options available.

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

a) Lease liability measurement

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

	Note	2020 \$	2019 \$
Lease liabilities on transition			
Initial recognition on AASB 16 transition	3d)	367,800	-
Lease payments - interest		17,375	-
Lease payments		(28,500)	-
		356,675	-

Notes to the financial statements (continued)

Note 20. Lease liabilities (continued)

	2020 \$	2019 \$
b) Current lease liabilities		
Property lease liabilities	29,356	-
Unexpired interest	(16,813)	-
	12,543	-
c) Non-current lease liabilities		
Property lease liabilities	472,214	-
Unexpired interest	(128,082)	-
	344,132	-
d) Maturity analysis		
- Not later than 12 months	29,356	-
- Between 12 months and 5 years	126,495	-
- Greater than 5 years	345,719	-
Total undiscounted lease payments	501,570	-
Unexpired interest	(144,895)	-
Present value of lease liabilities	356,675	-

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of \$10,326.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
· Occupancy and associated costs	28,500	(28,500)	-
· Depreciation and amortisation expense	-	25,008	25,008
· Finance costs	-	17,734	17,734
Increase in expenses - before tax	28,500	14,242	42,742
· Income tax expense / (credit) - current	(7,838)	7,838	-
· Income tax expense / (credit) - deferred	-	(11,754)	(11,754)
Increase in expenses - after tax	20,662	10,326	30,988

Notes to the financial statements (continued)

Note 21. Provisions

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

	2020 \$	2019 \$
a) Non-current liabilities		
Make-good on leased premises	7,682	-
	7,682	-

b) Make-good provision

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

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

	Note	2020 \$	2019 \$
Provision			
Face-value of make-good costs recognised	3d)	15,000	-
Present value discounting	3d)	(7,677)	-
Present value unwinding		359	-
		7,682	-

c) Changes in estimates

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

The lease is due to expire on 30 June 2034 at which time it is expected the face-value costs to restore the premises will fall due.

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

	2020	2021	2022	2023	2024+
Profit or loss					
Expense:					
- Finance costs	359	376	395	414	6,133
Liability:					
- Make-good provision	7,682	8,058	8,453	8,867	15,000

Notes to the financial statements (continued)

Note 22. Employee benefits

	2020 \$	2019 \$
a) Current liabilities		
Provision for annual leave	18,015	16,410
	18,015	16,410
b) Non-current liabilities		
Provision for long service leave	10,109	5,667
	10,109	5,667

c) Key judgement and assumptions

Employee attrition rates

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

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

Note 23. Issued capital

a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	641,510	641,510	641,510	641,510
Less: equity raising costs	-	(30,239)	-	(30,239)
	641,510	611,271	641,510	611,271

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Notes to the financial statements (continued)

Note 23. Issued capital (continued)

b) Rights attached to issued capital (continued)

Ordinary shares (continued)

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 202. As at the date of this report, the company had 228 shareholders (2019: 227 shareholders).

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

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

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

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

Note 24. Retained earnings

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		35,140	(44,170)
Net profit after tax from ordinary activities		175,367	111,386
Dividends provided for or paid	29a)	(32,076)	(32,076)
Balance at end of reporting period		178,431	35,140

Notes to the financial statements (continued)

Note 25. Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	175,367	111,386
Adjustments for:		
- Depreciation	45,753	15,932
- Amortisation	13,611	13,612
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(16,185)	(2,763)
- (Increase)/decrease in other assets	(1,912)	(605)
- Increase/(decrease) in trade and other payables	4,808	159
- Increase/(decrease) in employee benefits	6,047	7,259
- Increase/(decrease) in provisions	359	
- Increase/(decrease) in tax liabilities	(34)	(2,266)
Net cash flows provided by operating activities	227,814	142,714

Note 26. Financial instruments

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

	Note	2020 \$	2019 \$
Financial assets			
Trade and other receivables	14	60,585	45,613
Cash and cash equivalents	13	228,545	200,567
Term deposits	13	457,298	360,572
		746,428	606,752
Financial liabilities			
Lease liabilities	20	356,675	-
		356,675	-

Note 27. Auditor's remuneration

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

	2020 \$	2019 \$
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	4,600

Notes to the financial statements (continued)

Note 27. Auditor's remuneration (continued)

	2020 \$	2019 \$
Non audit services		
- Taxation advice and tax compliance services	600	-
- General advisory services	2,590	2,550
- Share registry services	3,155	-
	6,345	2,550
Total auditor's remuneration	11,145	7,150

Note 28. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

David John Roderick	Heather Elizabeth Kliese
Michael Graeme Rashford	Heather Helene Wehl
Michael Lloyd Weekes	Paul Damien FitzGerald
Wilson Beresford Neuendorf	Murray Richard Roberts
Genevieve Windley	Felix Grayson

b) Key management personnel compensation

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

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

c) Related party transactions

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

Note 29. Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Unfranked dividend	5.00	32,076	5.00	32,076
Total dividends paid during the financial year	5.00	32,076	5.00	32,076

b) Dividends proposed not recognised at balance date

Since the end of the financial year, the board of directors has proposed to pay a unfranked dividend of 5 cents per share, to be paid on November 2020. The financial impact of the dividend, amounting to \$32,076, has not been recognised in the financial statements for the financial year ended 30 June 2020, and will be recognised in the subsequent financial statements.

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Unfranked dividend	5.00	32,076	-	-
Total dividends declared subsequent to financial year end	5.00	32,076	-	-

Notes to the financial statements (continued)

Note 29. Dividends provided for or paid (continued)

	2020 \$	2019 \$
c) Franking account balance		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	68,480	23,330
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	58,204	45,150
Franking account balance at the end of the financial year	126,684	68,480
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	22,348	22,605
Franking credits available for future reporting periods	149,032	91,085

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

Note 30. Earnings per share

a) Basic and diluted earnings per share

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

	2020 \$	2019 \$
Profit attributable to ordinary shareholders	175,367	111,386
	Number	Number
Weighted-average number of ordinary shares	641,510	641,510
	Cents	Cents
Basic and diluted earnings per share	27.34	17.36

Note 31. Commitments

a) Lease commitments

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

	2020 \$	2019 \$
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	28,466
- between 12 months and 5 years	-	113,865
- greater than 5 years	-	-
Minimum lease payments payable	-	142,331

Notes to the financial statements (continued)

Note 31. Commitments (continued)

b) Other commitments

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

Note 32. Contingencies

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

Note 33. Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Fassifern Valley Community Enterprises Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



David John Roderick,
Chair

Dated this 8th day of September 2020

Independent audit report



Chartered Accountants

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Independent auditor's report to the members of Fassifern Valley Community Enterprises Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Fassifern Valley Community Enterprises Limited, is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

Fassifern Valley Community Enterprises Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 8 September 2020

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor

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Phone: 07 5463 7244 Fax: 07 5463 9996
Web: bendigobank.com.au/kalbar

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 /KalbarDistrictCommunityBankBranch

