

# Annual Report 2020

Gingin Districts Community  
Financial Services Limited

Community Bank  
Gingin and Lancelin

ABN 98 095 382 193



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# Chairman's report

## For year ending 30 June 2020

Gingin Districts Community Financial Services Limited (GDCFSL) continues to deliver to the wider Gingin and Lancelin communities on multiple fronts, despite the ongoing COVID-19 lockdown and ongoing pandemic threat. Our wonderful hardworking staff provided a modified, friendly, professional banking service and your support as shareholders and customers continues to generate the banking profits that help fund so many of our Community Bank Gingin and Lancelin supported projects across our region. This year GDCFSL contributed a total of \$183,513 in major grants, sponsorship and Community Enterprise Foundation™ contributions.

The Board and business are supported by strong management provided by Senior Manager Stephen Fidge and Branch Manager Christian Kelly.

GDCFSL maintains a strong Balance Sheet and adequate retained earnings of \$717,958 at 30 June 2020 (\$719,249 – 30 June 2019) and as a result the Board is pleased to announce a strong after tax net profit of \$186,454 (\$116,664 – 30 June 2019), after contributing \$130,000 to the Community Enterprise Foundation™. The funds set aside in the Foundation will be available for community projects over the coming years and add to the \$3 million already invested into many groups, organisations and major infrastructure across the shire.

Our scholarship program continues to support our youth to attend university and TAFE, to further their education. Currently GDCFSL is assisting four young locals and is an initiative that the Board, customers and shareholders alike, should all be very proud of.

Your Board is pleased to again declare a 24c dividend fully franked for the year ended 30 June 2020 (24c fully franked for the year ended 30 June 2019). As you can see this takes the total dividend payout to \$2.95 and provides a good balance between community benefit and shareholder reward for the shareholders who risked their capital to back this Community Bank dream twenty years ago.

Looking forward, we believe the COVID-19 crisis will, and has, forced a strong reduction to our national economy, however we are forecasting a lesser impact at a local level. We believe with continued community support we can keep growing the business and continue to make Gingin, Lancelin and the adjoining districts a better place to live.

I particularly thank my fellow Directors for their volunteered time, effort and due diligence. July 2019 saw Elle Armitage retire as a Director, to ease her massive volunteer community workload and spend more time with her family. Elle's contribution as a promoter of the Community Bank concept, input into grant allocations and particularly her community connection, will be greatly missed.

I sincerely thank Linda Balcombe, the Board's Executive Officer for her support. It is a pleasure working with such a strong team and I can assure you your company is in good hands.

Remember 'Bank with your Community Bank branch and your community will benefit'.



**David Roe**  
Chairman

Dividend payment to date		
Financial Year	Cents per share	Total distribution per share
2003/04	7c	\$0.07
2004/05	8c	\$0.15
2005/06	9c	\$0.24
2006/07	12c	\$0.36
2007/08	12c	\$0.48
2008/09	15c	\$0.63
2009/10	16c	\$0.79
2010/11	18c	\$0.97
2011/12	19c	\$1.16
2012/13	20c	\$1.36
2013/14	21c	\$1.57
2014/15	21c	\$1.78
2015/16	21c	\$1.99
2016/17	24c	\$2.23
2017/18	24c	\$2.47
2018/19	24c	\$2.71
2019/20	24c	\$2.95

# Managers' report

For year ending 30 June 2020

Trading conditions for year ended 30 June 2020 provide challenges with a slowdown in economic activity and the impacts of the COVID-19 pandemic however due to strong leadership from the Directors and our dedicated and engaged staff we have continued to take the business forward.

Our combined business as at 30 June 2020 has grown to \$242 million which reflects a net portfolio growth of just under 11% for the financial year. This result during such challenging trading conditions is to be commended. Our community continues to support their Bank which in turn enables us to support our communities with \$183,513 being contributed to, or provisioned for, in the 2019/20 financial year.

Gingin Districts Community Financial Services Limited has contributed over \$3 million to our local community – a number that all our customers, staff, shareholders and Directors can be proud of. This is a number that our founding fathers still can't quite believe has been achieved in the 19 years we have been open for business.

The banking world is changing and how we interact with our customers will continue to evolve. Community Bank Gingin and Lancelin are not immune from these changes and whilst a face-to-face presence will continue to be available a more mobile/digital focus will come into play as we progress into the future.

People are the most important part of any business and I would like to thank all staff of the Gingin and Lancelin branches for their efforts. We would like to acknowledge the following staff who reached length of service milestones in the last 12 months,

In addition to supporting our people the bank has provided employee Tanya Martinovich the opportunity to further develop her banking skills by appointing her on a six months trial basis as Lancelin Branch Manager. Tanya's appointment will provide further opportunities within the team for other staff to step up.

Growing our business could not be achieved without the support of our partners at Bendigo and Adelaide Bank, Rural Bank and associated product providers. Having a rural flavour to our community has seen a growing recognition of the Rural Bank brand and as a business we are seeing increasing revenues from this mutually beneficial partnership.

We would like to thank our Chairman David Roe and his fellows Directors for the support, guidance and belief they have shown in our Gingin and Lancelin teams over the last 12 months.

Personally I would like to take this opportunity to thank the management team of Christian Kelly – Manager Gingin, Linda Balcombe – Board and Community Officer, Tanya Martinovich – Acting Manager Lancelin and Matthew Brown, our Business Development Manager. They are key people contributing to the success of our business and ensuring that we remain focused on the goal of continuous improvement.

A final acknowledgment to all shareholders and customers without whom we wouldn't have a local bank; that in the last 12 months has contributed/provisioned more than \$183,583 for the betterment of the Gingin Shire communities.



**Stephen Fidge**  
Senior Manager



**Christian Kelly**  
Manager

Service milestones	
Christian	9 years
Jenna	12 years
Linda	6 years
Michelle K	5 years
Narelle	6 years
Raylene	8 years
Stephen	15 years

# Directors' report

For the financial year ended 30 June 2020

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

## Directors

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

### **David William Roe**

Non-executive director

Occupation: Primary Producer

Qualifications, experience and expertise: Thirty seven years in family farming business. Past Chairman Gingin Recreation Group and the Angus Society of Western Australia (WA Committee). Past Treasurer Gingin Football Club, Gingin Cricket Club and Gingin Districts Financial Services Ltd. Gingin Shire Councillor 2005 - 2017. Gingin Shire President 2015 - 2017. Current Chairman Gingin District Financial Services Limited.

Special responsibilities: Finance and Audit, Sponsorship and Grants Committees

Interest in shares: 6,001 ordinary shares

### **Irene Betty Neville**

Non-executive director

Occupation: Primary Producer

Qualifications, experience and expertise: Beef Cattle Farming with Husband. Member of local St John's ambulance for 11 years. Ladies President of Gingin Golf Club. Organising Committee Gingin Garden Group. Previously worked in the Health Industry for over 25 years both in hospital and community nursing.

Special responsibilities: Chair - Scholarships Committee, Member - Due Diligence, Human Resources and Marketing Committees

Interest in shares: 5,000 ordinary shares

### **Thomas Cesare Cabassi**

Non-executive director

Occupation: Real Estate

Qualifications, experience and expertise: Certificate IV in Real Estate Management 50513. Chairman of Steering Committee in forming Gingin Community Bank. Past Chairman GDCFSL. Lifelong involvement with various sporting clubs and beef cattle industry.

Special responsibilities: Finance & Audit, Human Resources and Business Development Committees

Interest in shares: 3,801 ordinary shares

### **Robert William Kestel**

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Diploma in Rural Technology, Poultry Farmer 26 years. Director of Mortlock Football League, President of West Australian Broiler Growers Association, Director of Free Range Egg and Poultry Australia Ltd.

Special responsibilities: Sponsorship and Grants, Marketing and Scholarships Committees

Interest in shares: 1,001 ordinary shares

# Directors' report (continued)

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## Directors (continued)

### **Malcolm Robert Harrington**

Non-executive director

Occupation: Retail

Qualifications, experience and expertise: College education. Agriculture School 2 years. Wheat and Sheep Farmer 1966 to 1990. In the years 1981 to 1986 Councillor Shire Wongan Hills. Various committees along with chairman soil conservation district number of years. Chairman/Secretary at various times to community groups. Active member of P&C Ballidu. Long distance Haulage and heavy earthmoving contractor. Private pilots licence. Left farming in 1990 moved to Ledge Point set up hardware retail business and purchased existing general store for 7 years. Administrator of Ledge Point Country Club for 7 years. Current Justice of the Peace. Chairman and founding member of the Ledge Point Golf Club.

Special responsibilities: Business Development, Due Diligence, Human Resources and Sponsorship & Grants Committees

Interest in shares: nil share interest held

### **Anthony Robert Colotti**

Non-executive director

Occupation: Primary Producer

Qualifications, experience and expertise: Cert III in Horticultural Studies. Director of Brookrise Fresh Produce. Involved in Gingin Football Club, Gingin Bowling Club and Yachep Surf Lifesaving Club. Donations and sponsorship to many community events and organisations. Other current directorships include Brookrise Fresh Produce.

Special responsibilities: Deputy Chairperson, Finance & Audit, Human Resources and Chairperson Sponsorship & Grants Committees

Interest in shares: nil share interest held

### **Wendy Lynette Harris**

Non-executive director

Occupation: Chief Sustainability Officer

Qualifications, experience and expertise: Wendy Harris (MBA, GAICD) is the Chief Sustainability Officer at the Eastern Metropolitan Regional Council in Western Australia and was previously an Executive Manager at Keystart Home Loans. Her skills and expertise cover the areas of strategic, business and workforce planning, risk management and marketing. Wendy is also a partner in a family farming enterprise, operating in the Shire of Gingin involved in the production of prime lamb and beef and is passionate about the sustainability and health of rural communities.

Special responsibilities: Treasurer, Finance & Audit Committee, Chair of the Due Diligence and Business Development Committees

Interest in shares: 600 ordinary shares

### **David Tony Burt**

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: David is a retired Chief Executive Officer in Local Government, holding a Diploma in Local Government (Clerk). David's main areas of expertise are in Local Government financial management and corporate governance.

Special responsibilities: Due Diligence, Finance & Audit and Sponsorship Committees

Interest in shares: 450 ordinary shares



# Directors' report (continued)

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## Directors (continued)

### **Hon Martin Aldridge**

Non-executive director (appointed 21 July 2020)

Occupation: Member of Parliament

Qualifications, experience and expertise: Elected in 2013 as the Member for the Agricultural Region in the Legislative Council of Western Australia. Currently serving on the Standing Committee on Procedure and Privileges and previously on the Standing Committee on Estimates and Financial Operations. Previously employed as a Senior Firefighter with the Department of Fire and Emergency Services with a background in agriculture.

Special responsibilities: nil

Interest in shares: nil share interest held

### **Elle Armitage**

Non-executive director (resigned 23 July 2019)

Occupation: Home Duties

Qualifications, experience and expertise: Previously employed as Customer Service Supervisor by Gingin District Community Financial Services Limited for 8 years. Currently Treasurer and Secretary at Lancelin Cricket Club (6 years). Currently on the Fundraising Committee at Lancelin Ledge Football Club (5 years). Previously the Treasurer at St Johns Ambulance Lancelin and Coastal Sub Centre (2 years). Currently President of Lancelin Ledge Point Netball Association (1 year). Currently President of Central Midlands Coastal Netball Association (1 year).

Special responsibilities: Marketing, Sponsorship & Grants and Scholarship Committees

Interest in shares: 100 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 Malcolm Robert Harrington. Malcolm was appointed to the position of secretary on 28 November 2017.

Qualifications, experience and expertise: College education. Agriculture School 2 years. Wheat and Sheep Farmer 1966 to 1990. In the years 1981 to 1986 Councillor Shire Wongan Hills. Various committees along with chairman soil conservation district number of years. Chairman/Secretary at various times to community groups. Active member of P&C Ballidu. Long distance Haulage and heavy earthmoving contractor. Private pilots licence. Left farming in 1990 moved to Ledge Point set up hardware retail business and purchased existing general store for 7 years. Administrator of Ledge Point Country Club for 7 years. Current Justice of the Peace. Chairman and founding member of the Ledge Point Golf Club.

## **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.

## Directors' report (continued)

### 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 \$
	186,454	116,664

### Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
David William Roe	6,001	-	6,001
Irene Betty Neville	5,000	-	5,000
Thomas Cesare Cabassi	3,801	-	3,801
Robert William Kestel	1,001	-	1,001
Malcolm Robert Harrington	-	-	-
Anthony Robert Colotti	-	-	-
Wendy Lynette Harris	200	400	600
David Tony Burt	450	-	450
Hon Martin Aldridge	-	-	-
Elle Armitage	100	-	100

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

### Dividends

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

	Cents per share	Total amount
Final fully franked dividend	24.00	105,876
Total amount	24.00	105,876

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 fully franked dividend	24.00	105,876
Total amount	24.00	105,876



# Directors' report (continued)

## Dividends (continued)

Dividends have been disclosed in the financial report as follows:

	Note	Amount
Dividends	29	105,876
Subsequent event	29b)	105,876

## New Accounting Standards implemented

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

## Significant changes in the state of affairs

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

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

## Events since the end of the financial year

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 24 cents per share, to be paid in November 2020. The financial impact of the dividend, amounting to \$105,876, 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.

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

## Directors' report (continued)

### Directors' benefits (continued)

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

### Indemnification and insurance of directors and officers

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

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

### Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Finance & Audit		Human Resources		Sponsorship	
	E	A	E	A	E	A	E	A
David William Roe	9	8	2	2	2	2	8	8
Irene Betty Neville	9	9	-	-	2	2	-	-
Thomas Cesare Cabassi	9	9	2	2	2	2	8	8
Robert William Kestel	9	8	-	-	-	-	8	8
Malcolm Robert Harrington	9	7	-	-	2	2	8	8
Anthony Robert Colotti	9	7	2	2	2	2	8	7
Wendy Lynette Harris	9	8	2	2	-	-	-	-
David Tony Burt	9	8	2	2	-	-	2	2
Hon Martin Aldridge	-	-	-	-	-	-	-	-
Elle Armitage	1	1	-	-	-	-	1	1

E - eligible to attend  
A - number attended

### Proceedings on behalf of the company

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

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

## Directors' report (continued)

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### **Non audit services**

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

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

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

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the directors at Gingin, Western Australia.



**David William Roe,**  
**Chair**

# Auditor's independence declaration



## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Gingin Districts Community Financial Services Limited

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 25 August 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	1,628,878	1,608,103
Other revenue	9	111,254	53,750
Finance income	10	13,688	16,232
Employee benefit expenses	11e)	(987,182)	(980,932)
Charitable donations, sponsorship, advertising and promotion	11d)	(183,513)	(177,997)
Occupancy and associated costs		(36,192)	(98,010)
Systems costs		(40,303)	(38,760)
Depreciation and amortisation expense	11a)	(93,249)	(61,743)
Finance costs	11b)	(22,680)	-
General administration expenses		(155,326)	(159,727)
<b>Profit before income tax expense</b>		<b>235,375</b>	<b>160,916</b>
Income tax expense	12a)	(48,921)	(44,252)
<b>Profit after income tax expense</b>		<b>186,454</b>	<b>116,664</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>186,454</b>	<b>116,664</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	30a)	42.27	26.45

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Balance Sheet as at 30 June 2020

	Notes	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13a)	929,319	861,917
Trade and other receivables	14a)	151,864	154,859
<b>Total current assets</b>		<b>1,081,183</b>	<b>1,016,776</b>
<b>Non-current assets</b>			
Property, plant and equipment	15a)	292,298	282,444
Right-of-use assets	16a)	327,616	-
Intangible assets	17a)	25,780	50,678
Deferred tax asset	18b)	16,864	-
<b>Total non-current assets</b>		<b>662,558</b>	<b>333,122</b>
<b>Total assets</b>		<b>1,743,741</b>	<b>1,349,898</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19a)	13,506	59,631
Current tax liabilities	18a)	13,559	16,865
Lease liabilities	20b)	28,277	-
Employee benefits	22a)	97,680	85,428
<b>Total current liabilities</b>		<b>153,022</b>	<b>161,924</b>
<b>Non-current liabilities</b>			
Lease liabilities	20c)	377,261	-
Employee benefits	22b)	18,857	16,692
Provisions	21a)	35,493	-
Deferred tax liability	18b)	-	10,883
<b>Total non-current liabilities</b>		<b>431,611</b>	<b>27,575</b>
<b>Total liabilities</b>		<b>584,633</b>	<b>189,499</b>
<b>Net assets</b>		<b>1,159,108</b>	<b>1,160,399</b>
<b>EQUITY</b>			
Issued capital	23a)	441,150	441,150
Retained earnings	24	717,958	719,249
<b>Total equity</b>		<b>1,159,108</b>	<b>1,160,399</b>

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 \$
<b>Balance at 1 July 2018</b>		441,150	708,461	1,149,611
Total comprehensive income for the year		-	116,664	116,664
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	29a)	-	(105,876)	(105,876)
<b>Balance at 30 June 2019</b>		<b>441,150</b>	<b>719,249</b>	<b>1,160,399</b>
<b>Balance at 1 July 2019</b>		441,150	719,249	1,160,399
Effect of AASB 16: Leases	3d)	-	(81,869)	(81,869)
Restated balance at 1 July 2019		441,150	637,380	1,078,530
Total comprehensive income for the year		-	186,454	186,454
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	29a)	-	(105,876)	(105,876)
<b>Balance at 30 June 2020</b>		<b>441,150</b>	<b>717,958</b>	<b>1,159,108</b>

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 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,899,514	1,850,642
Payments to suppliers and employees		(1,575,060)	(1,775,537)
Interest received		13,688	29,825
Interest paid		(942)	-
Lease payments (interest component)	11b)	(20,822)	-
Lease payments not included in the measurement of lease liabilities	11f)	(14,609)	-
Income taxes paid		(48,921)	6,566
<b>Net cash provided by operating activities</b>	<b>25</b>	<b>252,848</b>	<b>111,496</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(51,107)	(194,352)
<b>Net cash used in investing activities</b>		<b>(51,107)</b>	<b>(194,352)</b>
<b>Cash flows from financing activities</b>			
Lease payments (principal component)	20a)	(28,463)	-
Dividends paid	29a)	(105,876)	(105,876)
<b>Net cash used in financing activities</b>		<b>(134,339)</b>	<b>(105,876)</b>
<b>Net cash increase/(decrease) in cash held</b>		<b>67,402</b>	<b>(188,732)</b>
Cash and cash equivalents at the beginning of the financial year		861,917	1,050,649
<b>Cash and cash equivalents at the end of the financial year</b>	<b>13a)</b>	<b>929,319</b>	<b>861,917</b>

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

<b>Registered Office</b>	<b>Principal Place of Business</b>
3 Constable Street Gingin WA 6503	3 Constable Street Gingin WA 6503
	442 Lancelin Plaza Lancelin WA 6044

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 25 August 2020.

## Note 3 Changes in accounting policies, standards and interpretations

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

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

### **a) Definition of a lease**

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

## Notes to the financial statements (continued)

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

#### **a) Definition of a lease (continued)**

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

#### **b) As a lessee**

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

The company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

#### **c) As a lessor**

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

## 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, recognising the difference in retained earnings. The impact on transition is summarised below.

	Note	1 July 2019 \$
<b>Impact on equity presented as increase (decrease)</b>		
<b>Asset</b>		
Right-of-use assets - land and buildings	16b)	319,918
Deferred tax asset	18b)	31,053
<b>Liability</b>		
Lease liabilities	20a)	(399,210)
Provision for make-good	21b)	(33,630)
<b>Equity</b>		
<b>Retained earnings</b>		<b>(81,869)</b>

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 5.39%.

#### Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	92,373
Add: additional options now expected to be exercised	489,105
Less: AASB 117 lease commitments reconciliation	(55,054)
Less: present value discounting	(127,214)
<b>Lease liability as at 1 July 2019</b>	<b>399,210</b>

### 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.

# Notes to the financial statements (continued)

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

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

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).

#### 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.

## Notes to the financial statements (continued)

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

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

Ability to change financial return (continued)

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

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

#### b) Other revenue

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

Revenue stream	Revenue recognition policy
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.

## Notes to the financial statements (continued)

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

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

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.

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.



# Notes to the financial statements (continued)

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

### e) Taxes

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

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

#### Current income tax

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

#### Deferred tax

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

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

Deferred tax is not recognised for:

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

#### 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.

## Notes to the financial statements (continued)

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

#### f) Cash and cash equivalents

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

#### g) Property, plant and equipment

##### Recognition and measurement

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

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

##### Subsequent expenditure

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

##### Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 40 years
Plant and equipment	Straight-line and diminishing value	1 to 40 years
Motor vehicles	Straight-line and diminishing value	5 to 6 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.

## Notes to the financial statements (continued)

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

#### h) Intangible assets (continued)

Amortisation (continued)

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)

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

#### i) Financial instruments

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

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

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

#### Recognition and initial measurement

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

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

#### 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.

# Notes to the financial statements (continued)

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

### **i) Financial instruments (continued)**

#### Classification and subsequent measurement (continued)

##### Financial assets - business model assessment

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

##### Financial assets - subsequent measurement and gains and losses

###### - Financial assets at amortised cost

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

##### Financial liabilities - classification, subsequent measurement and gains and losses

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

#### Derecognition

##### Financial assets

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

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

##### Financial liabilities

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

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

#### Offsetting

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

### **j) Impairment**

#### Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

# Notes to the financial statements (continued)

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

### **j) Impairment (continued)**

Non-derivative financial assets (continued)

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

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

#### Recognition of expected credit losses in financial statements

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

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

#### Non-financial assets

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

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

### **k) Issued capital**

#### Ordinary shares

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

### **l) Provisions**

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

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

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

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

## Notes to the financial statements (continued)

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

#### **m) Leases**

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

Policy applicable from 1 July 2019

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

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

#### As a lessee

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

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

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

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

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

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

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

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

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

## Notes to the financial statements (continued)

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

#### **m) Leases (continued)**

Policy applicable from 1 July 2019 (continued)

##### 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 an arrangement where it is a lessor.

#### **n) Standards issued but not yet effective**

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

## Note 5 Significant accounting judgements, estimates, and assumptions

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

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



## Notes to the financial statements (continued)

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

#### 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"> <li>- the amount;</li> <li>- the lease term;</li> <li>- economic environment; and</li> <li>- other relevant factors.</li> </ul>

#### b) Assumptions and estimation uncertainties

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

Note	Assumptions
Note 8 - revenue recognition	estimate of expected returns;
Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
Note 22 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

## Note 6 Financial risk management

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

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

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

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

## Notes to the financial statements (continued)

### Note 6 Financial risk management (continued)

#### 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	405,538	49,444	197,776	289,323
Trade payables	2,205	2,205	-	-
	<b>407,743</b>	<b>51,649</b>	<b>197,776</b>	<b>289,323</b>
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
Trade payables	4,826	4,826	-	-
	<b>4,826</b>	<b>4,826</b>	-	-

#### c) Market risk

##### Market risk

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

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

##### Price risk

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

##### Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of \$929,319 at 30 June 2020 (2019: \$861,917). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

## Notes to the financial statements (continued)

### Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

### Note 8 Revenue from contracts with customers

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

	2020 \$	2019 \$
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	1,628,878	1,608,103
	<b>1,628,878</b>	<b>1,608,103</b>
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	1,331,316	1,341,107
- Fee income	115,870	119,937
- Commission income	181,692	147,059
	<b>1,628,878</b>	<b>1,608,103</b>

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 from the Australian Government.

	2020 \$	2019 \$
Other revenue		
Revenue:		
- Market development fund income	48,750	53,750
- Cash flow boost	62,500	-
- Other income	4	-
	<b>111,254</b>	<b>53,750</b>

### 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	13,688	16,232
	<b>13,688</b>	<b>16,232</b>

### Note 11 Expenses

#### a) Depreciation and amortisation expense

Depreciation of non-current assets:

- Leasehold improvements	9,390	7,625
- Plant and equipment	12,751	11,629
- Motor vehicles	19,111	17,591
	<b>41,252</b>	<b>36,845</b>

Depreciation of right-of-use assets

- Leased land and buildings	27,099	-
	<b>27,099</b>	-

Amortisation of intangible assets:

- Franchise fee	24,898	24,898
	<b>24,898</b>	<b>24,898</b>

**Total depreciation and amortisation expense** **93,249** **61,743**

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>b) Finance costs</b>			
Finance costs:			
- Lease interest expense	20a)	20,822	-
- Unwinding of make-good provision		1,858	-
		<b>22,680</b>	<b>-</b>

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

### c) Impairment loss on trade receivables and contract assets

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo Bank receivable as at 30 June 2020.

### d) Charitable donations, sponsorship, advertising and promotion

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

	2020 \$	2019 \$
- Direct sponsorship, advertising, and promotion payments	53,513	117,997
- Contribution to the Community Enterprise Foundation™	130,000	60,000
	<b>183,513</b>	<b>177,997</b>

The funds contributed are held by the Community Enterprise Foundation™ (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

	2020 \$	2019 \$
<b>e) Employee benefit expenses</b>		
Wages and salaries	846,617	812,206
Non-cash benefits	14,400	14,400
Contributions to defined contribution plans	75,996	74,911
Expenses related to long service leave	(3,596)	6,744
Other expenses	53,765	72,671
	<b>987,182</b>	<b>980,932</b>

### f) Recognition exemption

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

Expenses relating to low-value leases	14,609	-
	<b>14,609</b>	<b>-</b>

## Notes to the financial statements (continued)

### Note 11 Expenses (continued)

#### f) Recognition exemption (continued)

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.

	2020 \$	2019 \$
<b>g) Other expenses</b>		
- Sale of property, plant and equipment	-	6,118

### 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 \$
<b>a) Amounts recognised in profit or loss</b>		
Current tax expense		
- Current tax	45,616	40,709
- Movement in deferred tax	(28,721)	3,543
- Adjustment to deferred tax on AASB 16 retrospective application	31,053	-
- Reduction in company tax rate	973	-
	<b>48,921</b>	<b>44,252</b>

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 \$973 related to the remeasurement of deferred tax assets and liabilities of the company.

#### b) Prima facie income tax reconciliation

Operating profit before taxation	235,375	160,916
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	64,728	44,252
Tax effect of:		
- Non-deductible expenses	408	1,802
- Non-assessable income	(17,188)	-
- Temporary differences	(2,332)	(5,345)
- Movement in deferred tax	(28,721)	3,543
- Leases initial recognition	31,053	-
- Reduction in company tax rate	973	-
	<b>48,921</b>	<b>44,252</b>

## Notes to the financial statements (continued)

### 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	243,968	189,779
- Term deposits	685,351	672,138
	<b>929,319</b>	<b>861,917</b>

### Note 14 Trade and other receivables

#### a) Current assets

Trade receivables	141,419	135,260
Prepayments	9,252	19,599
Other receivables and accruals	1,193	-
	<b>151,864</b>	<b>154,859</b>

### Note 15 Property, plant and equipment

#### a) Carrying amounts

##### Leasehold improvements

At cost	467,240	431,240
Less: accumulated depreciation	(289,565)	(280,175)
	<b>177,675</b>	<b>151,065</b>

##### Plant and equipment

At cost	138,740	123,634
Less: accumulated depreciation	(87,835)	(75,084)
	<b>50,905</b>	<b>48,550</b>

##### Motor vehicles

At cost	117,223	117,223
Less: accumulated depreciation	(53,505)	(34,394)
	<b>63,718</b>	<b>82,829</b>

<b>Total written down amount</b>	<b>292,298</b>	<b>282,444</b>
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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.

## Notes to the financial statements (continued)

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

	2020 \$	2019 \$
<b>b) Reconciliation of carrying amounts</b>		
<b>Leasehold improvements</b>		
Carrying amount at beginning	151,065	158,690
Additions	36,000	-
Depreciation	(9,390)	(7,625)
<b>Carrying amount at end</b>	<b>177,675</b>	<b>151,065</b>
<b>Plant and equipment</b>		
Carrying amount at beginning	48,550	56,384
Additions	15,106	4,233
Disposals	-	(438)
Depreciation	(12,751)	(11,629)
<b>Carrying amount at end</b>	<b>50,905</b>	<b>48,550</b>
<b>Motor vehicles</b>		
Carrying amount at beginning	82,829	80,307
Additions	-	37,595
Disposals	-	(17,482)
Depreciation	(19,111)	(17,591)
<b>Carrying amount at end</b>	<b>63,718</b>	<b>82,829</b>
<b>Total written down amount</b>	<b>292,298</b>	<b>282,444</b>

#### c) Changes in estimates

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

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

### Note 16 Right-of-use assets

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

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

	2020 \$	2019 \$
<b>a) Carrying amounts</b>		
<b>Leased land and buildings</b>		
At cost	612,506	-
Less: accumulated depreciation	(284,890)	-
<b>Total written down amount</b>	<b>327,616</b>	<b>-</b>



## Notes to the financial statements (continued)

### Note 16 Right-of-use assets (continued)

	Note	2020 \$	2019 \$
<b>b) Reconciliation of carrying amounts</b>			
<b>Leased land and buildings</b>			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	577,708	-
Accumulated depreciation on adoption	3d)	(257,790)	-
Remeasurement adjustments		34,797	-
Depreciation		(27,099)	-
<b>Carrying amount at end</b>		<b>327,616</b>	<b>-</b>
<b>Total written down amount</b>		<b>327,616</b>	<b>-</b>

### Note 17 Intangible assets

#### a) Carrying amounts

##### Franchise fee

At cost	248,982	248,982
Less: accumulated amortisation and impairment	(223,202)	(198,304)
<b>Total written down amount</b>	<b>25,780</b>	<b>50,678</b>

#### b) Reconciliation of carrying amounts

##### Franchise fee

Carrying amount at beginning	50,678	75,576
Amortisation	(24,898)	(24,898)
Carrying amount at end	25,780	50,678
<b>Total written down amount</b>	<b>25,780</b>	<b>50,678</b>

#### 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 \$
<b>a) Current tax</b>		
<b>Income tax payable</b>	<b>13,559</b>	<b>16,865</b>

## 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 other comprehensive income \$	Recognised in equity \$	30 June 2020 \$
<b>Deferred tax assets</b>					
- expense accruals	798	(798)	-	-	-
- employee provisions	28,083	2,217	-	-	30,300
- make-good provision	-	(20)	-	9,248	9,228
- lease liability	-	(4,342)	-	109,782	105,440
<b>Total deferred tax assets</b>	<b>28,881</b>	<b>(2,943)</b>	<b>-</b>	<b>119,030</b>	<b>144,968</b>
<b>Deferred tax liabilities</b>					
- property, plant and equipment	39,764	3,160	-	-	42,924
- right-of-use assets	-	(2,797)	-	87,977	85,180
<b>Total deferred tax liabilities</b>	<b>39,764</b>	<b>363</b>	<b>-</b>	<b>87,977</b>	<b>128,104</b>
<b>Net deferred tax assets (liabilities)</b>	<b>(10,883)</b>	<b>(3,306)</b>	<b>-</b>	<b>31,053</b>	<b>16,864</b>

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

	30 June 2018 \$	Recognised in profit or loss \$	Recognised in other comprehensive income \$	Recognised in equity \$	30 June 2019 \$
<b>Deferred tax assets</b>					
- expense accruals	743	55	-	-	798
- employee provisions	30,023	(1,940)	-	-	28,083
<b>Total deferred tax assets</b>	<b>30,766</b>	<b>(1,885)</b>	<b>-</b>	<b>-</b>	<b>28,881</b>
<b>Deferred tax liabilities</b>					
- income accruals	3,739	(3,739)	-	-	-
- property, plant and equipment	34,368	5,396	-	-	39,764
<b>Total deferred tax liabilities</b>	<b>38,107</b>	<b>1,657</b>	<b>-</b>	<b>-</b>	<b>39,764</b>
<b>Net deferred tax assets (liabilities)</b>	<b>(7,341)</b>	<b>(3,542)</b>	<b>-</b>	<b>-</b>	<b>(10,883)</b>

## Notes to the financial statements (continued)

### Note 18 Tax assets and liabilities (continued)

#### c) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

### Note 19 Trade creditors and other payables

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

	2020 \$	2019 \$
<b>a) Current liabilities</b>		
Trade creditors	2,205	4,826
Other creditors and accruals	11,301	54,805
	<b>13,506</b>	<b>59,631</b>

### 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 5.39%.

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

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

#### Lease portfolio

The company's lease portfolio includes:

- Lancelin branch

The lease agreement is a non-cancellable lease with an initial term of five years which commenced 17 March 2016. The lease has two further five year extension options available. The company is reasonably certain to exercise the remaining terms.

- Gingin branch

The lease agreement is a non-cancellable lease with an initial term of five years which commenced 21 May 2001. An extension option term of five years was exercised in 2006, 2011 and 2016. The lease has two further five year extension options available. The company is reasonably certain to exercise the remaining terms.

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

## Notes to the financial statements (continued)

### Note 20 Lease liabilities (continued)

#### a) Lease liability measurement

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

	Note	2020 \$	2019 \$
<b>Lease liabilities on transition</b>			
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	399,210	-
Remeasurement adjustments		34,791	-
Lease payments - interest		20,822	-
Lease payments		(49,285)	-
		<b>405,538</b>	<b>-</b>
<b>b) Current lease liabilities</b>			
Property lease liabilities		49,444	-
Unexpired interest		(21,167)	-
		<b>28,277</b>	<b>-</b>
<b>c) Non-current lease liabilities</b>			
Property lease liabilities		487,099	-
Unexpired interest		(109,838)	-
		<b>377,261</b>	<b>-</b>
<b>d) Maturity analysis</b>			
- Not later than 12 months		49,444	-
- Between 12 months and 5 years		197,776	-
- Greater than 5 years		289,323	-
<b>Total undiscounted lease payments</b>		<b>536,543</b>	<b>-</b>
Unexpired interest		(131,005)	-
<b>Present value of lease liabilities</b>		<b>405,538</b>	<b>-</b>

#### 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 \$358.

## Notes to the financial statements (continued)

### Note 20 Lease liabilities (continued)

#### e) Impact on the current reporting period (continued)

Comparison under current AASB 16 and former AASB 117 (continued)

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
<b>Profit or loss - increase (decrease) in expenses</b>			
- Occupancy and associated costs	49,285	(49,285)	-
- Depreciation and amortisation expense	-	27,099	27,099
- Finance costs	-	22,680	22,680
<b>Increase in expenses - before tax</b>	<b>49,285</b>	<b>494</b>	<b>49,779</b>
- Income tax expense / (credit) - current	(13,553)	13,553	-
- Income tax expense / (credit) - deferred	-	(13,689)	(13,689)
<b>Increase in expenses - after tax</b>	<b>35,732</b>	<b>358</b>	<b>36,090</b>

### 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 \$
<b>a) Non-current liabilities</b>		
Make-good on leased premises	35,493	-
	<b>35,493</b>	<b>-</b>

#### 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 \$
<b>Provision</b>			
Balance at the beginning		-	-
Face-value of make-good costs recognised	3d)	63,613	-
Present value discounting	3d)	(29,983)	-
Present value unwinding		1,858	-
Provision remeasurements		5	-
		<b>35,493</b>	<b>-</b>

## Notes to the financial statements (continued)

### Note 21 Provisions (continued)

#### c) Changes in estimates

During the financial year, the company re-assessed the lease agreements 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 leases are due to expire on 28 February 2031 and 30 June 2031 at which time it is expected the face-value costs to restore the premises will fall due.

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

Profit or loss	2020	2021	2022	2023	2024+
Expense:					
- Finance costs	1,858	1,961	2,069	2,184	21,906
Statement of financial position					
Liability:					
- Make-good provision	35,493	37,454	39,523	41,707	63,613

### Note 22 Employee benefits

	2020 \$	2019 \$
<b>a) Current liabilities</b>		
Provision for annual leave	51,943	33,930
Provision for long service leave	45,737	51,498
	<b>97,680</b>	<b>85,428</b>
<b>b) Non-current liabilities</b>		
Provision for long service leave	18,857	16,692
	<b>18,857</b>	<b>16,692</b>

#### 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.

## Notes to the financial statements (continued)

### Note 23 Issued capital

a) Issued capital	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	441,150	441,150	441,150	441,150
	<b>441,150</b>	<b>441,150</b>	<b>441,150</b>	<b>441,150</b>

#### b) Rights attached to issued capital

Ordinary shares

##### Voting rights

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

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

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

##### Dividends

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

##### Transfer

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

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

##### Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

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.

## Notes to the financial statements (continued)

### Note 23 Issued capital (continued)

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

##### Prohibited shareholding interest (continued)

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		719,249	708,461
Adjustment for transition to AASB 16	3d)	(81,869)	-
Net profit after tax from ordinary activities		186,454	116,664
Dividends provided for or paid	29a)	(105,876)	(105,876)
<b>Balance at end of reporting period</b>		<b>717,958</b>	<b>719,249</b>

### Note 25 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	186,454	116,664
Adjustments for:		
- Depreciation	68,351	36,845
- Amortisation	24,898	24,898
- Loss on disposal of non-current assets	-	6,556
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	2,995	19,526
- (Increase)/decrease in other assets	14,189	30,411
- Increase/(decrease) in trade and other payables	(46,124)	(136,758)
- Increase/(decrease) in employee benefits	15,359	(7,053)
- Increase/(decrease) in provisions	916	-
- Increase/(decrease) in tax liabilities	(14,190)	20,407
<b>Net cash flows provided by operating activities</b>	<b>252,848</b>	<b>111,496</b>



## Notes to the financial statements (continued)

### 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 \$
<b>Financial assets</b>			
Trade and other receivables	14	142,612	135,260
Cash and cash equivalents	13	243,968	189,779
Term deposits	13	685,351	672,138
		<b>1,071,931</b>	<b>997,177</b>
<b>Financial liabilities</b>			
Trade and other payables	19	2,205	4,826
Lease liabilities	20	405,538	-
		<b>407,743</b>	<b>4,826</b>

### 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	4,700	4,600
	<b>4,700</b>	<b>4,600</b>
Non audit services		
- Taxation advice and tax compliance services	1,300	1,795
- General advisory services	4,350	3,480
- Share registry services	3,491	4,387
	<b>9,141</b>	<b>9,662</b>
<b>Total auditor's remuneration</b>	<b>13,841</b>	<b>14,262</b>

### Note 28 Related parties

#### a) Details of key management personnel

The directors of the company during the financial year were:

David William Roe  
Irene Betty Neville  
Thomas Cesare Cabassi  
Robert William Kestel  
Malcolm Robert Harrington  
Anthony Robert Colotti  
Wendy Lynette Harris  
David Tony Burt  
Hon Martin Aldridge  
Elle Armitage

## Notes to the financial statements (continued)

### Note 28 Related parties (continued)

	2020	2019
	\$	\$

#### b) Key management personnel compensation

Key management personnel compensation comprised the following.

Short-term employee benefits	10,141	12,516
	<b>10,141</b>	<b>12,516</b>

Compensation of the company's key management personnel includes salaries and contributions to a post-employment defined contribution plan.

#### 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 changes in equity and statement of cash flows.

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Fully franked dividend	24.00	105,876	24.00	105,876
<b>Total dividends provided for and paid during the financial year</b>	<b>24.00</b>	<b>105,876</b>	<b>24.00</b>	<b>105,876</b>

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

#### b) Dividends proposed not recognised at balance date

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 24 cents per share, to be paid in November 2020. The financial impact of the dividend, amounting to \$105,876, 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	\$
Fully franked dividend	24.00	105,876	-	-
<b>Total dividends declared subsequent to financial year end</b>	<b>24.00</b>	<b>105,876</b>	<b>-</b>	<b>-</b>

The tax rate at which future dividends will be franked is 26% (2021: 25%).

## Notes to the financial statements (continued)

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

	2020 \$	2019 \$
<b>c) Franking account balance</b>		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	431,662	478,388
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded) (6,566)		48,922
- Franking debits from the payment of franked distributions	(40,160)	(40,160)
<b>Franking account balance at the end of the financial year</b>	<b>440,424</b>	<b>431,662</b>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	13,559	16,865
- Franking debits that will arise from payment of dividends subsequent to financial year end	(37,200)	-
<b>Franking credits available for future reporting periods</b>	<b>416,783</b>	<b>448,527</b>

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

### Note 30 Earnings per share

#### a) Based and diluted earnings per share

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

	2020 \$	2019 \$
<b>Profit attributable to ordinary shareholders</b>	<b>186,454</b>	<b>116,664</b>
	Number	Number
<b>Weighted-average number of ordinary shares</b>	<b>441,150</b>	<b>441,150</b>
	Cents	Cents
<b>Basic and diluted earnings per share</b>	<b>42.27</b>	<b>26.45</b>

## Notes to the financial statements (continued)

### 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	-	48,910
- between 12 months and 5 years	-	43,463
<b>Minimum lease payments payable</b>	<b>-</b>	<b>92,373</b>

#### b) Other commitments

The company has capital commitments contracted for the trade in of the existing Toyota RAV4 in exchange for a new Toyota RAV4. These amounts have not been provided for in the financial statements. The total commitment is \$28,000 (2019: nil).

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

### Note 32 Contingencies

	2020	2019
	\$	\$
<b>Contingent liabilities at reporting date</b>		
Not otherwise provided for or disclosed in the financial statements:		
Contingent liabilities	-	161,000
	<b>-</b>	<b>161,000</b>

Contingent liabilities related predominantly to actual or potential claims on the company for which amounts are reasonably estimated but the liability is not probable and therefore the company has not provided for such amount in these financial statements.

Assessing the amount or liabilities that are not probable is highly judgemental. Contingent liabilities are disclosed on the basis of the known maximum exposure. The company had commitments to provide funds to community groups which were contingent upon those groups meeting certain conditions associated with those grants. The contingent liabilities disclosed in 2019 have been paid during the current year. No new contingent liabilities exist for 2020 as a direct result of the impacts of COVID-19 on the economy.

### 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 Gingin Districts Community Financial Services Limited, we state that:

In the opinion of the directors:

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

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



**David William Roe,**  
**Chair**

Dated this 25th day of August 2020

# Independent audit report



Chartered Accountants

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## Independent auditor's report to the members of Gingin Districts Community Financial Services Limited

### Report on the audit of the financial report

#### Our opinion

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

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

#### What we have audited

Gingin Districts Community Financial Services Limited's (the company) financial report comprises the:

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

#### Basis for opinion

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

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

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

#### Other information

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



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

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

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

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

#### **Directors' responsibility for the financial report**

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

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

#### **Auditor's responsibility for the audit of the financial report**

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 25 August 2020

**Joshua Griffin**  
Lead Auditor

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