Annual Report 2020

Grampians Regional Community Enterprises Limited

Dunkeld & District

ABN 29 139 414 234

Annual Reports

Chairman’s Report

For year ending 30 June 2020

Our World Turned Upside Down!

The second half of this financial year, with the COVID 19 pandemic has caused challenges and changes that none of us could foresee. Despite the turmoil and disruption our branch continues to thrive and grow, providing certainty and stability in uncertain times.

It is a credit to Anna’s leadership as Branch Manager and to the dedication of our staff Susan Tully, Louise Field and Carly Behncke.

Customers, Shareholders and Community

We continue to see growth of our business – both in terms of the number of customers and the amount of banking - based on the solid values of quality customer service, competitive and relevant banking products and loyalty to the Community Banking Model.

The business generated a profit of $107,626 in addition to providing $31,534 in Community Sponsorships.

As this Annual Report goes to print GRCE Ltd has provided in excess of $250,000 to Community projects in the region since 2010. Funding has been provided to a wide variety of clubs, activities and projects throughout the region.

Community Bank Sponsorships provide the “Seed Capital” to drive Community vibrancy and opportunity.
In simple terms, the more people who bank with us, the more we can invest in the Dunkeld, Penshurst and Cavendish Communities.

Shareholder Dividend

The Board of GRCE Ltd is proud to announce our third shareholder dividend of 5c per share. It is very pleasing to be able to continue to deliver on the dual aims of our initial Prospectus to provide “significant social and economic benefit to our region, as well as the prospect of positive returns for shareholders”.

Please note that with this years’ dividend there is an option to donate to the Community Sponsorship fund. There is no compulsion to do this however it is an option if shareholders wish to. If individual shareholders would like to discuss this, please contact the branch or one of our Directors for further information.

Rural Bank

The integration of Rural Bank and Bendigo Bank provides a great opportunity for farming customers to have a local banking point of contact. The trend for reduction in face to face banking service in favour of call centre’s by other major Banks’ continues - If you would like to see a person, rather than ring a call centre, make an appointment to see Anna Watson or Fiona Whale about your Farm Banking requirements.

Bendigo Bank Ltd. Partnership

Thank’s from the Board for the support from our Regional Manager Jason Chuck. Jason, as a previous Community Bank Manager, has great insight into the Community Banking Model and has brought new enthusiasm and energy to the role.

Chairman's Report (continued)

GRCE Ltd. Board

In July 2019 we welcomed Chris Murphy to the Board and Simon Macgugan in April 2020. In November 2019 we farewelled one of our Founding Directors James Schofield. James made a significant contribution to the early development of the Bank and we wish him and wife Kaye all the best for the future.

Thanks to all Directors who have volunteered their time and energy, contributing to the success of the last 12 months, and we look forward to a greater 2020/2021 result.

Craig Oliver
Chairman

Manager’s Report

For year ending 30 June 2020

It is with real pleasure that I submit my annual report to the Board and shareholders for the 2019/20 financial year.

I would like to thank my staff, their commitment and passion to our branch, the Bank and our community is remarkable. We welcomed Carly Behncke back from maternity leave in April and said farewell to Ange Linke in May, after completing her 12 months contract. Ange was a pleasure to work with and we wish her well for the future. Susan Tully and Louise Field have yet again done a wonderful job all year & were instrumental in our very surprising but delightful recognition as winners of “Branch of the Year – Regional Victoria & Tasmania”. I think it says a lot about how special our branch is to beat approx. 150 other branches large & small.

Thanks to our customers, our Board of Directors, and our shareholders for their ongoing support. I would also like to thank our Bendigo and Adelaide Bank representatives, especially our Regional Manager Jason Chuck for his support this year. It was our first year in a new Region and we worked really well together, we truly have a close working relationship with the Bendigo Bank head office, state office and regional support staff

We had an amazing result this year with our business “footings” (loans and deposits) increasing by $14.3 million to $97.4 million, as at 30 June 2020, even better result than last year’s $13 million growth.

At 30 June 2020 we had 1,264 customers, with 2,180 accounts, an increase of 2.68 percent and 5.06 per cent respectively from the previous year.

Dunkeld & District Community Bank Branch has contributed $246,636 to the local community as at 30 June 2020. To date, **more than $229 million** in profits from **Community Bank®** partnerships have been reinvested in Australian communities since 1998 via Bendigo Bank’s Community Bank network.

We are proud to be a partner in Australia’s fifth biggest retail bank with over 300 locally owned Community Bank branches. We are a real alternative to the major banks.

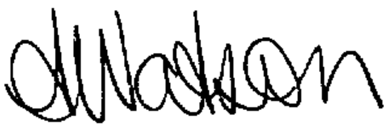
I ask for our shareholders help in bringing new business to the branch, either your own, your acquaintances or with an introduction to community groups you are involved in. Your help is invaluable to growing our business and with every new customer and account opening, that’s more funds that are available to be paid in community contributions and in dividends.

Banking is an everyday function for every single person in the community.

The difference with the Community Bank model is that every time people bank with their local Community Bank branch, the bottom line increases and as such, community contributions and dividends increase as well.

The later part of the 2019- 2020 financial year will no doubt be remembered by the onset of the COVID-19 pandemic. We are still feeling the repercussions, both locally and globally. It has been a challenging time but our priority has been to support anyone impacted. As an essential service we are open for business and the Bank is committed to providing a dedicated & consistent response to our customers & the community.

In closing I look forward to next year and our 10 year anniversary.



Anna Watson
Branch Manager
Dunkeld & District Community Bank® Branch

Bendigo and Adelaide Bank Report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Dividend payment history

Dividend to shareholders			
Financial Year	**Amount Per Share**	**Franking Level**	**Date Paid**
2017 / 2018	$0.03	Unfranked	1 December 2018
2018 / 2019	$0.04	Unfranked	2 December 2019
2019 / 2020	$ 0.05	Unfranked	1 December 2020

Community Investment Report

For year ending 30 June 2020

Community Investment Program

Grampians Regional Community Enterprise Pty Ltd (GRCEL) operates Dunkeld & District Community Bank branch and is proud to invest in our communities through the Community Investment Program. Our main aim of the Community Investment Program is to influence positive change in the community.

Since opening the Dunkeld & District Community Bank in 2011, we've invested $246,636 to 30th June 2020 directly into the Dunkeld, Penshurst, Cavendish, Hamilton and other communities. This is only possible thanks to the customers of the Dunkeld & District Community Bank. Growing our customer base enables this unique banking model to thrive and prosper, thereby allowing us to continue to invest in the community.

For the past few months of the last financial year, many organisations have had their plans disrupted as the Coronavirus and its implications has ruled our lives. This has meant that many events have been postponed and then cancelled, because of the longer than anticipated recovery.

The special highlights for the board this year include supporting the Mitchell Park Kindergarten Healthy Food Program, which provides breakfast, morning tea, lunch, and afternoon tea. The kindergarten has a large number of children who have special needs, developmental delays and are also known to Child Protection. We also contributed to the Brophy Family & Youth Services, D Force program which is involved in a drug awareness program for secondary schools.

We are proud to have supported the following:

Community Group	$	Purpose
Grampians Cricket Club	$1000	Annual Sponsorship
Mt Rouse Fire Brigade	$1,000	Yr 4 of 5 Yr Sponsorship
Dunkeld Anglican Church	$1,000	Repairs to Roof
Dunkeld School	$240	Community Newsletter
Branxholme Wallacedale School	$240	Community Newsletter
Glenthompson Newsletter	$240	Community Newsletter
Penshurst Men's Shed	$240	Community Newsletter

Community Investment Report (continued)

Community Group	$	Purpose
Cavendish FNC	$1,000	Speed Shear Event
Branxholme FNC	$1,500	Rodeo
Penshurst FNC	$88.00	Annual Calendar
Mitchell Park Kindergarten	$5,000	Healthy Food Program
Cavendish Primary School	$1314.50	2 new laptops
Penshurst Pony Club	$900	Sashes & Ribbons for Rouse Roundup
Dunkeld Racing Club	$1,100	Children's Playground
Penshurst Racing Club	$1,100	Running expenses
Birches WDHS	$5,000	Bus ($15,000 paid over 3 years)
Brophy Family & Youth Services	$5,000	D Force (anti drug program for schools)
CWA	$700	Rural Day
Diamonds in the Dust	$550	Women's Night with Willaura & Lake Bolac
Dunkeld Museum	$2,000	Cemetery Plaque & History Books
Friends of Yatmerone	$210	Commercials for Seminar & Field Walk
Laternenfest	$2,500	Approved Fireworks
Grampians Golf Club	$350	Annual Tournament
Peaks & Trails	$875	25 x 30 sec Commercials
Penshurst Creative Arts Show	$500	Annual Art Show
Penshurst Progress Association	$500	Christmas Market
Three Peaks Festival	$875	25 x 30 sec commercials

Note 1: Community Investment figures include funds allocated and the value of radio advertising provided.

S Morse

Sue Morse
Community Investment Co-ordinator

Directors' Report

For year ending 30 June 2020

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

Directors

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

Craig Gordon Oliver
Non-executive director
Occupation: Farmer

Qualifications, experience and expertise: Craig has an Associate Diploma of Farm Management and a Graduate Diploma of Business Studies (Finance and Management). Living at Dunkeld since 1991 with his wife and children, he worked for several national and multi national agribusiness companies before pursuing a full time farming career. Craig has served on various industry and community committees, and is currently a President of the Pannyabyr Landcare Group, Chairman of the Glenelg Hopkins CMA advisory group and a member of the Dunkeld CFA.

Special responsibilities: Chairman

Brendan John Kelly
Non-executive director
Occupation: Small business director

Qualifications, experience and expertise: Brendan is the managing director of Kellys which is a rural merchandise, fertiliser and hardware business located in both Penhurst & Dunkeld. Brendan established Kellys in Penshurst in 1988, then in Dunkeld in 2005. In recent years Brendan has commenced selling real estate working with Charles Stewart & Co, this is somewhat a family tradition with previously generation being involved in real estate valuations and sales. Brendan is the fourth generation of the Kelly family to live and work in Penshurst and district. Brendan and his wife Liz have three children Brooke, Shannon and Laine. They are active in the local community being involved in the football netball club, race club and Monivae college.

Helen Nielsen
Non-executive director
Occupation: Agriculture, Manager

Qualifications, experience and expertise: Helen has had a life passion for agriculture and the environment and her career and interests have followed that path. Helen has worked with State government in a range of roles delivering agriculture services to Victorian farmers for over 30 years. Her current role is Investment and Planning Manager for Department of Jobs, Precincts and Regions. She holds a Bachelor of Applied Science (Agriculture), Diploma of Business and Diploma of Project Management. Helen enjoys working with youth and spent 12 years as a Guide leader in Hamilton. She is currently a member of the following Community Groups: Pannyabyr Landcare Group and South West Holistic Farmers.

Special responsibilities: Company Secretary

Anthony John Page
Non-executive director
Occupation: Electrical Contractor

Qualifications, experience and expertise: Anthony has lived in Penshurst all his life. He is married with adult children. As a member of the local fire brigade, Penshurst Football Netball Club he has undertaken a number of key roles. He started his working life as an electrical apprentice in 1981 before purchasing his current service station and electrical contracting business in 1986.

David Andrew McLeod
Non-executive director
Occupation: Structural Engineer

Qualifications, experience and expertise: Past Treasurer Woodhouse CFA, Director of Holmes McLeod Consulting Engineers Pty Ltd, Past Chair Monivae College Parents and Friends and 30 years of farming experience.

Susan Mary Morse
Non-executive director
Occupation: Retired

Qualifications, experience and expertise: Sue Morse is married to Derek and they have 3 children and 2 grandchildren. Sue grew up and attended Teacher's College in Adelaide but has lived in Dunkeld for over 40 years. Beginning her working career as a Teacher and finishing as a Real Estate Agent, Sue is now enjoying retirement. Over the years, she has been involved in many community organisations, has held many official positions in the local and district golf associations, and volunteers at the Dunkeld Visitor Information Centre as well as helping run the family business.

Jodie Lousie Young
Non-executive director
Occupation: Nurse, Primary Producer

Qualifications, experience and expertise: Bachelor of Nursing, Marcus Oldham Rural Leadership Program, Cavendish Red Gum Festival committee member. Jodie is from a family farming operation running a commercial Angus herd in Western Victoria. A registered nurse currently employed part time at Casterton, Victoria. Jodie lives with her husband and children at Cavendish running sheep and cattle and plans to improve the liveability and amenities of Cavendish and within our region by becoming a Bendigo Community Bank director. Jodie brings attributes including; different workplace exposure, practical, enjoys challenges and seeking out improvements, community minded, volunteering and gardening.

Sherryn Lesley Jennings
Non-executive director
Occupation: Accountant

Qualifications, experience and expertise: Sherryn is a Chartered Accountant and brings her financial management and accounting skills along with her knowledge of Dunkeld and district. Sherryn is currently a Boad Member and sits on the Community Advisory Group for the Rural Financial Counselling Service.

Special responsibilities: Treasurer

Christopher Robert Murphy
Non-executive director *(appointed 31 July 2019)*
Occupation: Grazier - Beef cattle producer

Qualifications, experience and expertise: Formerly Chief Financial Officer at Downer Infrastructure. Associate Chartered Accountants Australia and New Zealand (CA ANZ), Fellow Governance Institute of Australia. Over 20 years experience as a Finance and Accounting Executive with public companies. I hope to bring to the Community Bank my skills and experience to ensure its continued success. Current volunteer member of Woodhouse CFA. Former committee member and Treasurer of Hamilton and District Gymnastics Club Inc. Coach Hamilton College U10 boys basketball team. Current member of Western District Better Beef Group.

Donald Simon Macgucan
Nonexecutive director *(appointed 8 April 2020)*
Occupation: Farm Management consultant

Qualifications, experience and expertise: Simon has had a career in Farm Management, specifically pigs. He has been the Company CEO and Chair of the Board of a Private Company, where he has been the Director for 28 years and is currently Chair of the farm's Operations Sub Committee. Simon is the President of the Dunkeld Lions Club, Treasurer of the Grampians Golf Club, Member of the Dunkeld Public Lands Committee and Dunkeld CFA.

James William Schofield
Non-executive director *(resigned 6 November 2019)*
Occupation: Farmer

Qualifications, experience and expertise: James has managed his farming enterprise for over 30 years. He has worked as a wool classer and more recently as Regional Officer with Greening Australia. He is President of the Woodhouse Hall and Recreational Reserve Committee.

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 Helen Nielsen. Helen was appointed to the position of secretary on 31 August 2016.

Qualifications, experience and expertise: She holds a Bachelor of Applied Science (Agriculture), Diploma of Business and Diploma of Project Management. Her current role is Investment and Planning Manager for Department of Jobs, Precincts and Regions.

Principal Activities

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

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

Operating results

Operations have continued to perform in line with expectations. 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 $
107,626	62,165

Directors' interests

	Fully paid ordinary shares		
Director name	**Balance at start of the year**	**Changes during the year**	**Balance at end of the year**
Craig Gordon Oliver	3 ,400	-	3 ,400
Brendan John Kelly	10,000	-	10,000
Helen Nielsen	100	-	100
Anthony John Page	5,000	-	5,000
David Andrew McLeod	15,000	1,000	16,000
Susan Mary Morse	10,000	-	-
Jodie Lousie Young	-	-	-
Sherryn Lesley Jennings	-	-	-
Christopher Robert Murphy	-	1,000	1,000
Donald Simon Macgucan	-	-	-
James William Schofield	1,000	-	1,000

Dividends

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

	Cents per share	Total amount $
Final unfranked dividend	4.00	24,936
Total amount	4.00	24,936

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

	Cents per share	Total amount $
Final unfranked dividend	5.00	31,170
Total amount	5.00	31,170

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 unfranked dividend of 5 cents per share, to be paid on 01 December 2020. The financial impact of the dividend, amounting to $31,170, 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 matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Director's Report (continued)

Directors' meetings

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

	Board Meetings Attended	
	E	A
Craig Gordon Oliver	11	10
Brendan John Kelly	11	9
Helen Nielsen	11	8
Anthony John Page	11	10
David Andrew McLeod	11	8
Susan Mary Morse	11	7
Jodie Lousie Young	11	8
Sherryn Lesley Jennings	11	11
Christopher Robert Murphy	11	10
Gary John Simpson	3	3
James William Schofield	4	2

E - eligible to attend A - number attended

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

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

Craig Gordon Oliver
Chairman

Auditor’s Independence Declaration

Partners in success

Chartered Accountants

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

Lead auditor’s independence declaration under section 307C of the *Corporations Act 2001* to the directors of Grampians Regional Community Enterprises Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 13 September 2020

Joshua Griffin
Lead Auditor

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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	539,576	512,769
Other revenue	9	68,494	36,186
Finance income	10	2,277	2,560
Employee benefit expenses	11c)	(275,276)	(266,128)
Charitable donations, sponsorship, advertising and promotion		(31,534)	(36,545)
Occupancy and associated costs		(6,531)	(40,442)
Systems costs		(31,968)	(32,911)
Depreciation and amortisation expense	11a)	(36,683)	(19,164)
Finance costs	11b)	(11,334)	(744)
General administration expenses		(72,201)	(69,712)
Profit before income tax expense		**144,820**	**85,869**
Income tax expense	12a)	(37,194)	(23,704)
Profit after income tax expense		**107,626**	**62,165**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**107,626**	**62,165**
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	17.26	9.97

Financial statements (continued)

Statement of Financial Position as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	329,411	196,028
Trade and other receivables	14a)	58,124	62,908
Total current assets		**387,535**	**258,936**
Non-current assets			
Property, plant and equipment	15a)	30,030	37,120
Right-of-use assets	16a)	152,529	-
Intangible assets	17a)	8,245	21,801
Deferred tax asset	18a)	72,581	96,470
Total non-current assets		**263,385**	**155,391**
Total assets		**650,920**	**414,327**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	11,368	37,765
Lease liabilities	20b)	13,026	-
Employee benefits	22a)	47,671	39,043
Total current liabilities		**72,065**	**76,808**
Non-current liabilities			
Lease liabilities	20c)	167,748	-
Employee benefits	22b)	5,083	-
Provisions	21a)	23,432	2,540
Total non-current liabilities		**196,263**	**2,540**
Total liabilities		**268,328**	**79,348**
Net assets		**382,592**	**334,979**
EQUITY			
Issued capital	23a)	612,891	612,891
Accumulated losses	24	(230,299)	(277,912)
Total equity		**382,592**	**334,979**

Financial statements (continued)

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		**612,891**	**(321,375)**	**291,516**
Total comprehensive income for the year		-	62,165	62,165
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(18,702)	(18,702)
Balance at 30 June 2019		**612,891**	**(277,912)**	**334,979**
Balance at 1 July 2019		612,891	(321,375)	291,516
Effect of AASB 16: Leases	3d)	-	(35,077)	(35,077)
Restated balance at 1 July 2019		612,891	(312,989)	299,902
Total comprehensive income for the year		-	107,626	107,626
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(24,936)	(24,936)
Balance at 30 June 2020		**612,891**	**(230,299)**	**382,592**

Statement of Cash Flows
For the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		666,475	581,289
Payments to suppliers and employees		(460,178)	(489,978)
Interest received		2,277	2,560
Interest paid		-	(744)
Lease payments (interest component)	11b)	(10,107)	-
Lease payments not included in the measurement of lease liabilities	11d)	(13,855)	-
Net cash provided by operating activities	**25**	**184,612**	**93,127**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,625)	(30,673)
Proceeds from sale of property, plant and equipment		-	11,364
Payments for intangible assets		(12,324)	(13,556)
Net cash used in investing activities		**(13,949)**	**(32,865)**
Cash flows from financing activities			
Repayment of loans and borrowings		-	(16,533)
Lease payments (principal component)	20a)	(12,344)	
Dividends paid	29a)	(24,936)	(18,702)
Net cash used in financing activities		**(37,280)**	**(35,235)**
Net increase in cash held		**133,383**	**25,027**
Cash and cash equivalents at the beginning of the financial year		196,028	171,001
Cash and cash equivalents at the end of the financial year	13a)	**329,411**	**196,028**

Notes to the Financial Statements

For year ending 30 June 2020

Note 1. Reporting entity

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

Registered Office	Principal Place of Business
92 Parker Street	92 Parker Street
Dunkeld, Victoria 3294	Dunkeld, Victoria 3294

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 13 September 2020.

Note 3. Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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.

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

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.

Impact on equity presented as increase (decrease)	**Note**	**1 July 2019 $**
Asset		
Right-of-use assets - land and buildings	16b)	166,941
Deferred tax asset	18a)	13,305
Liability		
Lease liabilities	20a)	(193,117)
Provision for make-good	21b)	(22,206)
Equity		
Accumulated losses		(35,077)

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	37,418
Add: additional options now expected to be exercised	224,507
Less: AASB 117 lease commitments reconciliation	(1,871)
Less: present value discounting	(66,937)
Lease liability as at 1 July 2019	193,117

Note 4. Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

Revenue	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.

Note 4. Summary of significant accounting policies *(continued)*

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

Revenue	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.

Note 4. Summary of significant accounting policies *(continued)*

b) Other revenue *(continued)*

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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.

Note 4. Summary of significant accounting policies *(continued)*

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

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.

Note 4. Summary of significant accounting policies *(continued)*

e) Taxes *(continued)*

Deferred tax (continued)

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Note 4. Summary of significant accounting policies *(continued)*

g) Property, plant and equipment *(continued)*

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
Furniture, fixtures and fittings	Diminishing value	2 to 10 years
Motor vehicles	Diminishing value	3 to 8 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which

it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation

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

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

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

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

Note 4. Summary of significant accounting policies *(continued)*

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 and leases.

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

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

Recognition and initial measurement

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

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

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.

A debt instrument is measured at FVTOCI if it meets both of the following conditions and is not designated as FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment-by-investment basis.

Note 4. Summary of significant accounting policies *(continued)*

i) Financial instruments *(continued)*

Classification and subsequent measurement (continued)

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

Financial assets - business model assessment

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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.

Note 4. Summary of significant accounting policies *(continued)*

i) Financial instruments *(continued)*

Derecognition (continued)

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

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

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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.

Note 4. Summary of significant accounting policies *(continued)*

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.

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.

<u>As a lessee</u>

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.

Note 4. Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee *(continued)*

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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.

Note 4. Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

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.

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	
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) control	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) control	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

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

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 though 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.

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.

Note 6. Financial risk management *(continued)*

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

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	180,774	22,451	89,803	125,350
	180,774	22,451	89,803	125,350

30 June 2019 - Nil non-derivative financial liability

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $329,411 at 30 June 2020 (2019: $196,028). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7. Capital management

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

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

The distribution limit is the greater of:

(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.

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	539,576	512,769
	539,576	512,769
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	342,198	333,018
- Fee income	33,358	31,648
- Commission income	164,020	148,103
	539,576	512,769

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

Note 9. Other revenue

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

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	35,000	35,833
- Cash flow boost	26,733	-
- Other income	6 ,761	3 53
	68,494	36,186

Notes to the Financial Statements (continued)

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.

Finance income	2020 $	2019 $
At amortised cost:		
- Term deposits	2 ,277	2 ,560

Note 11. Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Furniture and fittings	1 ,063	1 ,216
- Motor vehicles	7 ,652	4 ,392
	8,715	5,608
Depreciation of right-of-use assets		
- Leased land and buildings	14,412	-
	14,412	-
Amortisation of intangible assets:		
- Franchise fee	2 ,259	2 ,259
- Franchise renewal process fee	11,297	11,297
	13,556	13,556
	36,683	19,164

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).

b) Finance costs	Note	2020 $	2019 $
Finance costs:			
- Lease interest expense	20a)	10,107	-
- Unwinding of make-good provision		1 ,227	-
- Other		-	7 44
		11,334	7 44

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

Note 11. Expenses *(continued)*

c) Employee benefit expenses	2020 $	2019 $
Wages and salaries	238,238	227,609
Non-cash benefits	2,756	5 ,517
Contributions to defined contribution plans	21,951	20,966
Expenses related to long service leave	5,697	4 ,308
Other expenses	6 ,634	7 ,728
	275,276	266,128

d) Recognition exemption

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

	2020 $	2019 $
Expenses relating to low-value leases	13,855	-
	13,855	-

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

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

Note 12. Income tax expense

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

a) Amounts recognised in profit or loss	2020 $	2019 $
Current tax expense/(credit)		
- Recoupment of prior year tax losses	36,188	26,282
- Movement in deferred tax	(16,486)	(2,578)
- Adjustment to deferred tax on AASB 16 retrospective application	13,305	-
- Reduction in company tax rate	4,187	-
	37,194	23,704

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 $4,187 related to the remeasurement of deferred tax assets and liabilities of the company.

Note 12. Income tax expense *(continued)*

b) Prima facie income tax reconciliation	2020 $	2019 $
Operating profit before taxation	144,820	85,869
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	39,826	23,614
Tax effect of:		
- Non-deductible expenses	533	90
- Temporary differences	3,181	2,578
- Other assessable income	(7,352)	-
- Movement in deferred tax	(16,486)	-
- Leases initial recognition	13,305	-
- Under/(over) provision of income tax in the prior year	4,187	-
	37,194	23,704

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	200,580	69,474
- Term deposits	128,831	126,554
	329,411	196,028

Note 14. Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	49,140	49,847
Prepayments	8,984	13,061
	58,124	62,908

Note 15. Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Furniture and fittings		
At cost	31,509	29,884
Less: accumulated depreciation	(24,437)	(23,374)
	7,072	6,510
Motor vehicles		
At cost	30,673	30,673
Less: accumulated depreciation	(7,715)	(63)
	22,958	30,610
Total written down amount	30,030	37,120

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

b) Reconciliation of carrying amounts	2020 $	2019 $
Furniture and fittings		
Carrying amount at beginning	6,510	7,726
Depreciation	1,625	-
Carrying amount at end	(1,063)	(1,216)
	7,072	6,510
Motor vehicles		
Carrying amount at beginning	30,610	17,410
Additions	-	30,673
Disposals	-	(13,081)
Depreciation	(7,652)	(4,392)
Carrying amount at end	22,958	30,610
Total written down amount	30,030	37,120

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.

a) Carrying amounts		**2020 $**	**2019 $**
Leased land and buildings			
At cost		288,243	-
Less: accumulated depreciation		(135,714)	-
		152,529	-

b) Reconciliation of carrying amounts			
Leased land and buildings			
Initial recognition on transition	3d)	288,243	-
Accumulated depreciation on adoption	3d)	(121,302)	-
Depreciation		(14,412)	-
Carrying amount at end		152,529	-
Total written down amount		152,529	-

Note 17. Intangible assets

a) Carrying amounts	**2020 $**	**2019 $**
Franchise fee		
At cost	21,297	21,297
Less: accumulated depreciation	(19,922)	(17,663)
	1,375	3,634
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated depreciation	(100,000)	(100,000)
	-	-
Franchise renewal process fee		
At cost	56,484	56,484
Less: accumulated depreciation	(49,614)	(38,317)
	6,870	18,167
Total written down amount	8,245	21,801

Note 17. Intangible assets *(continued)*

b) Reconciliation of carrying amounts	**2020 $**	**2019 $**
Franchise fee		
Carrying amount at beginning	3,634	5,893
Amortisation	(2,259)	(2,259)
Carrying amount at end	1,375	3,634
Franchise renewal process fee		
Carrying amount at beginning	18,167	29,464
Amortisation	(11,297)	(11,297)
Carrying amount at end	6,870	18,167
Total written down amount	8,245	21,801

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

a) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$
- expense accruals	798	(798)	-	-
- employee provisions	11,435	2 ,281	-	13,716
- make-good provision	-	(15)	6 ,107	6 ,092
- lease liability	-	(6,106)	53,107	47,001
- carried-forward tax losses	84,237	(38,808)	-	45,429
Total deferred tax assets	96,470	(43,446)	59,214	112,238
Deferred tax liabilities				
- right-of-use assets	-	(6,252)	45,909	39,657
Total deferred tax liabilities	-	(6,252)	45,909	39,657
Net deferred tax assets (liabilities)	96,470	(37,194)	13,305	72,581

Note 18. Tax assets and liabilities *(continued)*

a) Deferred tax *(continued)*

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

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$
- expense accruals	-	798	-	798
- employee provisions	8 ,884	2 ,551	-	11,435
- carried-forward tax losses	111,290	(27,053)	-	84,237
Total deferred tax assets	120,174	(23,704)	59,214	96,470
Net deferred tax assets (liabilities)	120,174	(23,704)	13,305	96,470

b) 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. Tax assets and liabilities *(continued)*

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.

a) Current liabilities	**2020 $**	**2019 $**
Other creditors and accruals	11,368	37,765

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.

Note 20. Lease liabilities *(continued)*

Lease portfolio

The company's lease portfolio includes:

- Dunkeld branch	The lease agreement is a non-cancellable lease with an initial term of five years which commenced 9 February 2011. An extension option term of five years was exercised in 9 February 2016. The lease has two further five year extension options available. The company is reasonably certain to exercise branch options.

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

a) Lease liability measurement

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

	Note	2020 $	2019 $
Lease liabilities on transition			
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	193,117	-
Lease payments - interest		10,107	-
Lease payments		(22,450)	-
		180,774	-

b) Current lease liabilities

		2020 $	2019 $
Property lease liabilities		22,451	-
Unexpired interest		(9,425)	-
		13,026	-

c) Non-current lease liabilities

		2020 $	2019 $
Property lease liabilities		215,153	-
Unexpired interest		(47,405)	-
		167,748	-

d) Maturity analysis

		2020 $	2019 $
- Not later than 12 months		22,451	-
- Between 12 months and 5 years		89,803	-
- Greater than 5 years		125,350	-
Total undiscounted lease payments		237,604	-
Unexpired interest		(56,830)	-
Present value of lease liabilities		180,774	-

Note 20. Lease liabilities *(continued)*

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 $2,390.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	22,450	(22,450)	798
- Depreciation and amortisation expense	2 ,551	14,412	14,412
- Finance costs	(27,053)	11,334	11,334
Increase in expenses - before tax	22,450	3 ,296	25,746
- Income tax expense / (credit) - current	(6,174)	6 ,174	
- Income tax expense / (credit) - deferred	(23,704)	(7,080)	(7,080)
Increase in expenses - after tax	16,276	2 ,390	18,666

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.

a) Non-current liabilities	2020 $	2019 $
Make-good on leased premises	23,432	-
	23,432	-

b) Make-good provision

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

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

	Note	2020 $	2019 $
Provision			
Balance at the beginning		23,432	-
Face-value of make-good costs recognised	3d)	41,400	-
Present value discounting	3d)	(19,195)	-
Present value unwinding		1 ,227	-
		23,432	-

Note 21. Provisions *(continued)*

c) Changes in estimates

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

The lease is due to expire on 31 January 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:

	2020	2021	2022	2023	2024+
Profit or loss					
Expense:					
- Finance costs	1 ,227	1 ,295	1 ,366	1 ,442	13,865
Statement of financial position					
Liability:					
- Make-good provision	23,432	24,727	26,093	27,535	41,400

Note 22. Employee benefits

a) Current liabilities	2020 $	2019 $
Provision for annual leave	23,873	18,399
Provision for long service leave	23,798	20,644
	47,671	39,043
b) Non-current liabilities		
Provision for long service leave	5 ,083	2 ,540
	5 ,083	2 ,540

c) Key judgement and assumptions

Employee attrition rates

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

Note 23. Issued capital

	2020		2109	
	Number	$	Number	$
Ordinary shares - fully paid	623,400	623,400	623,400	623,400
Less: equity raising costs	-	(10,509)	-	(10,509)
	623,400	612,891	623,400	612,891

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 322. As at the date of this report, the company had 323 shareholders (2019: 326 shareholders).

Note 23. Issued capital *(continued)*

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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

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

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

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

Note 24. Accumulated losses

	Note	2020 $	2019 $
Balance at beginning of reporting period		(277,912)	(321,375)
Adjustment for transition to AASB 16	3d)	(35,077)	-
Net profit after tax from ordinary activities		107,626	62,165
Dividends provided for or paid	30a)	(24,936)	(18,702)
Balance at end of reporting period		(230,299)	(277,912)

Note 25. Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	107,626	62,165
Adjustments for:		
- Depreciation	23,127	5,608
- Amortisation	13,556	13,556
- Loss on disposal of non-current assets	-	1,718
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	4,784	(19,446)
- (Increase)/decrease in other assets	37,194	23,704
- Increase/(decrease) in trade and other payables	(14,072)	(3,455)
- Increase/(decrease) in employee benefits	11,171	9,277
- Increase/(decrease) in provisions	1,226	-
Net cash flows provided by operating activities	184,612	93,127

Note 26. Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14a)	49,140	49,847
Cash and cash equivalents	13a)	200,580	69,474
Term deposits	13a)	128,831	126,554
		378,551	245,875
Financial liabilities			
Lease liabilities	20d)	180,774	-
		180,774	-

Note 27. Auditor's remuneration

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

	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	4 ,800	4 ,600
	4 ,800	4 ,600
Non audit services		
- Taxation advice and tax compliance services	700	
- General advisory services	3 ,790	1 ,830
- Share registry services	6 ,808	6 ,710
	11,298	8 ,540
Total auditor's remuneration	16,098	13,140

Note 28. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Craig Gordon Oliver
Brendan John Kelly
Helen Nielsen
Anthony John Page
David Andrew McLeod
Susan Mary Morse
Jodie Lousie Young
Sherryn Lesley Jennings
Christopher Robert Murphy
Donald Simon Macgucan
James William Schofield

Note 28. Related parties *(continued)*

b) Key management personnel compensation

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

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

c) Related party transactions

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

Note 29. Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Unfranked dividend	4 .00	24,936	3 .00	18,702
Total dividends paid during the financial year	4 .00	24,936	3 .00	18,702

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 unfranked dividend of 5 cents per share, to be paid on 01 December 2020. The financial impact of the dividend, amounting to $31,170, has not been recognised in the financial statements for the financial year ended 30 June 2020, and will be recognised in the subsequent financial statements.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Unfranked dividend	5 .00	31,170	-	-
Total dividends paid during the financial year	5 .00	31,170	-	-

The tax rate at which future dividends will be franked is 26%.

Note 29. Dividends provided for or paid *(continued)*

c) Franking account balance

	2020 $	2019 $
Franking credits available for future reporting periods	3,717	3,717

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

Note 30. Earnings per share

a) Basic and diluted earnings per share

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

	2020 $	2019 $
Profit attributable to ordinary shareholders	107,626	62,165
	Number	**Number**
Weighted-average number of ordinary shares	623,400	623,400
	Cents	**Cents**
Basic and diluted earnings per share	17.26	9.97

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).

Operating lease commitments - lessee Non-cancellable operating leases contracted for but not capitalised in the financial statements	2020 $	2019 $
Payable - minimum lease payments:		
- not later than 12 months	-	22,451
- between 12 months and 5 years	-	14,967
Minimum lease payments payable	-	37,418

b) Other commitments

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

Note 32. Contingencies

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

Note 33. Subsequent events

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

Directors' Declaration

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

In the opinion of the directors:

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

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

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

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

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

Craig Gordon Oliver, Chairman
Signed on the 13th of September 2020

Partners in success

Chartered Accountants

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Independent auditor's report to the members of Grampians Regional Community Enterprises Limited

Report on the audit of the financial report

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

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

What we have audited
Grampians Regional Community Enterprises Limited's (the company) financial report comprises the:

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

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

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

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

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 13 September 2020

Joshua Griffin
Lead Auditor

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Bendigo Bank

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