

Annual Report 2020

Heyfield & District
Community Financial
Services Ltd

Community Bank
Heyfield & District

ABN 96 094 854 949

VISION STATEMENT

To work with our community to develop and improve the district.

MISSION STATEMENT

To develop the strength of the Community Bank and provide support to the district.

STATEMENT OF VALUES

We aim to work with our community, to develop and improve the district.

We value our customers, and through our strong partnership with Bendigo Bank, will ensure a banking presence remains and expands within the community.

We value our shareholders and will ensure their Investment in the company is safeguarded and rewarded.

We value our staff and will ensure they have the opportunity to develop to their full potential.

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A word from our Chair

Partnering with Australia's fifth largest bank, we're proud of the contribution we make to one of Australia's most trusted brands. Our model has been held up as an example of a great way of doing business.

We continue to work closely with our partner, Bendigo and Adelaide Bank, in improving the customer experience. The growth of our existing customer base will mean a growth in your investment and our community's investment in our Community Bank.

To our shareholders, we thank you for your ongoing support. Nationally we have 75,000 shareholders in our Community Bank Company. I put the challenge to you to take the time to help us grow your business.

If every single one of our 240 shareholders referred one customer to the Heyfield & District Community Bank, imagine the growth to our business and to your investment. And ultimately, the benefit to your community with a greater pool of funds to distribute to community groups and local projects.

Our Branch staff continue to be ready to act on your referrals. Please make yourself known to them, thereby helping us help your Community Bank and our local community.

Our company remains proud of our franchise partnership with the Bendigo and Adelaide Bank with a strong ethical core and one that puts customers before profit.

Notwithstanding the COVID-19 pressures that our staff and customers have experienced this year, we thank the community with their support, resulting in a return to the community of over Thirty Thousand dollars to 30 groups as listed in the Financial Report.

Directors and Branch staff have volunteered their unpaid time and effort in assisting various groups in the running of their events. I would also like to thank Traci Grogan in ensuring our administrative commitments are upheld and Jane Harvie who has enthusiastically chaired our marketing team throughout the year.

It is with regret that we have received the resignations of Emma Birchall and David Wadey from the Board. Both have carried out positions of Company Secretary and Treasurer, respectively. Emma has been on the Board for six years and has been the lead in marketing, where upon David has been on the Board for over 12 years looking after our Human Resources and Facilities portfolios. Their departure will be greatly missed as they have served the Board diligently and with lots of enthusiasm. Recently we have had Jamie Riley (a local businessman) accept a nomination to join the Board and will stand for election in the next Annual General Meeting.

In conclusion it is rewarding that the branch remains in a profitable position and continues to support the local community and provide returns to our shareholders.

Thank you for your ongoing support.

Greg MacKenzie
Chairman

A handwritten signature in dark ink, featuring a large, stylized loop at the beginning and a long, horizontal stroke extending to the right.

Meet Our Board



GREG MACKENZIE - CHAIRMAN AND AUDIT COMMITTEE MEMBER

Qualifications: Associated Diploma of Engineering in Aircraft systems Maintenance (1975); Advanced Certificate in Aircraft Maintenance (Airframe & Engines) (1975); Associated Diploma in Management;(1991) Certificate in Security & Personal Administration (1991); Certificate in Public Administration (1995); Victoria Police Investigators Course (1991); Victoria Police Inspectors Graduation Qualification (1998); Professional Contract Management - Chifley Business School (2007); Senior Leaders Qualification - Mt Eliza Business School (2007).

Experience: Retired officer of the Royal Australian Navy (37.5 years), executive officer in Australian Public Service (13 years), former Western Port College Committee member, past President and Secretary of the Heyfield Lions Club, President of the Heyfield RSL, Volunteer Fire Fighter with Glenmaggie Fire Brigade.



EMMA BIRCHALL - COMPANY SECRETARY

Qualifications: BSC (Hons); Anthropology & Communications – Brunel University UK (1999) Diploma in Community Welfare Work – Holmsglen TAFE (2011).

Experience: Emma is an anthropologist and has experience in Financial Service Risk & Management, Program Management in the not-for-profit sector and Business Management in State Government. Communicationd Officer at the Heyfield News since December 2019.

DAVID WADEY - VICE CHAIRMAN, TREASURER AND AUDIT COMMITTEE MEMBER

Qualifications: Certificate IV Property (Real Estate Practice)

Experience: David recently retired as Branch Manager of Gippsland Real Estate on 6th December 2019. Past President of the Heyfield Lions Club, Secretary of the Heyfield CFA Fire Brigade and Secretary of the Heyfield Australia Day Committee.



KENNETH NOBLE - DIRECTOR

Qualifications: Certificate IV Rural Management Services.

Experience: Kenneth has more than 20 years service in senior positions in the Heyfield Lions Club and the Heyfield Apex Club. Former Vice Chairman



JANE HARVIE - DIRECTOR

Qualifications: Bachelor of Business Marketing

Experience: Consumer Marketing Specialist with International Brands, significant experience working with large retailers and corporates.

Director of Top Squad Pty Ltd, SPW Pty Ltd, Allan Knight Nominees Pty Ltd and Panmore Pty Ltd
Owner/Operator of Heyfield Garden Supplies





TROY UNDERWOOD - DIRECTOR

Qualifications: Signwriter

Experience: Completed 4 year apprenticeship at Western Metropolitan College of TAFE 30/9/1994.
Member Heyfield CFA 2001 to 2016.
President Heyfield Tennis Club for 4 years.
Owner/ Operator of Heyfield Signs



THOMAS CROSBIE - DIRECTOR

Experience: Heyfield's Young Citizen of the Year in 2014 and Wellington Shire's Young Citizen of the Year 2018 for work with computer donations in Gippsland and numerous volunteer positions.
Owner/Operator of ByteMan Solutions.



JAMIE RILEY - DIRECTOR Appointed 28th August 2020

Qualifications: Qualified Chef & Hotel Cafe Management
Extensive experience as a qualified chef with over 20+ years in the industry, managing Melbourne Hotels.
Public speaking, sales and leadership skills.
President of the Heyfield Traders & Tourism Association
Owner/Operator of Cafe 3858 Heyfield



TRACI GROGAN - ADMINISTRATION - June 2018

Qualifications: Diploma of Business Administration and Marketing Retail Operations, Bachelor of Paramedic Science, Diploma of Paramedic Science and Certificate IV in Emergency Medical Response, Diploma Childrens Services.

Experience: Executive Administration Assistant to Board of Directors at Heyfield & District Financial services for past 2 years, Extensive knowledge in Business Administration, Community Engagement, Events Marketing & Social Media.



SEAN KENNEDY- FORMER BRANCH MANAGER- Sept 2019

Sean started in June 2018 and left to pursue other opportunities within the Banking world outside of Heyfield in September 2019.

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank



A word from our Manager

On behalf of the banking team at the Heyfield & District Community Bank Branch, I am pleased to present the Branch Manager's report for the financial year ended 30th June 2020.

With Bendigo Bank being Australia's fifth largest bank, we offer a real alternative to the major banks and we value each and every one of our customers who entrust us with their banking.

The move to digital banking is exciting and Bendigo and Adelaide Bank has committed to making this a priority. We're already ahead when it comes to our online offerings. For those customers who don't want to step into a traditional bank, that's great news and we're looking forward to advances in this area by Bendigo and Adelaide Bank.

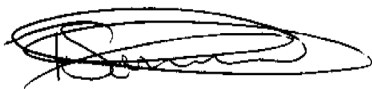
For those people who want to continue the tradition of coming into the branch –we're not going anywhere. We're still here and we're committed to helping you over the counter with all of your banking needs.

This year we farewelled Sean Kennedy after 15 months of service as our Branch Manager and welcomed Kylie Fleming to the branch team as our Senior Customer Service Officer. Kylie took the opportunity to make the move from the Sale branch, one of our company owned sites, across to our Community Bank branch. She has enjoyed learning her new role and meeting our wonderful customers.

I would like to thank our branch team, Traci our Executive Assistant and the Heyfield & District Community Financial Services Board, in particular the Executive team, who put in many tireless hours helping your Community Bank branch achieve all that it has.

Our success and contributions to the local community are not possible without the support of our customers. We welcome the chance to build and strengthen new and existing relationships and if you are happy with our service, please recommend us to family, friends, businesses or community groups.

We value your ongoing support and look forward to a great year ahead.



Tamarah Smith
Branch Manager

Meet Our Staff

TAMARAH SMITH - BRANCH MANAGER -DEC 2019

Appointed Branch Manager in December last year and has worked in the Banking and Finance industry for 14 years. Having grown up locally, Tamarah originally started her banking career here at Heyfield as a trainee teller before moving to other positions and branches within Gippsland for the Bendigo & Adelaide Bank Group, including Rural Bank. Over this time, she has gained extensive experience in Consumer, Commercial and Agribusiness Banking solutions.



KYLIE FLEMING - CUSTOMER RELATIONSHIP OFFICER

Kylie started with Rural Bank back in 2016 as an Admin Assistant, before moving to Bendigo Bank in Sale 2019. Kylie Joined our Heyfield Bank in February 2020, where she has enjoyed meeting our Local customers and community. Kylie has lived in Gippsland her whole life, currently lives on a Beef and Dairy property with her family.



KYLIE DOLE - CUSTOMER SERVICE OFFICER

Kylie has been working for Heyfield & District Community Bank Branch for 5 1/2 years. Prior to this, Kylie previously worked in Management positions in Retail and Visual Merchandising. Kylie enjoys working for the Community Bank for the day to day interactions with all our local customers and the opportunities banking with us creates. Kylie has been an integral part of our social media presence.

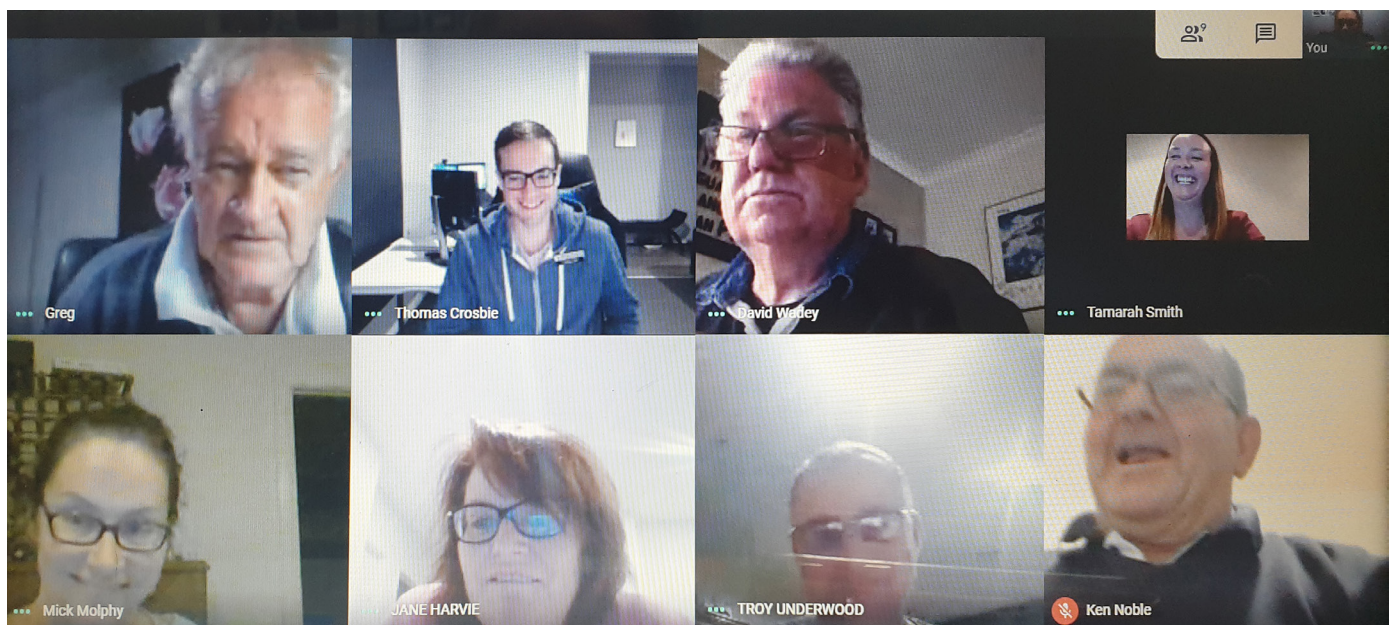


INGRID KOMEN - CUSTOMER SERVICE OFFICER

Ingrid has been working for Heyfield & District Community Bank, Branch for 3 years. Prior to this, Ingrid was at the Maffra & District Community Bank for 18 months. Passionate and dedicated to the Heyfield Community, Ingrid is involved in many sporting and Community groups and has played a key role in Local events over the years, Ingrid is the Banks, investment Champion looking after key accounts.







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Heyfield & District Community Financial Services Ltd

ABN 96 094 854 949

Financial Statements

For the Year Ended 30 June 2020

Heyfield & District Community Financial Services Ltd

ABN 96 094 854 949

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Directors' Report

For the Year Ended 30 June 2020

The directors present their report on Heyfield & District Community Financial Services Ltd for the financial year ended 30 June 2020.

Information on directors

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

- Gregor Mackenzie** **Qualifications:** Associate Diploma of Engineering in Aircraft Systems Maintenance (1975); Advanced Certificate in Aircraft Maintenance (Airframe & Engines) (1975); Associate Diploma in Management (1991); Certificate in Security & Personal Administration (1991); Certificate in Public Administration (1995); Victoria Police Investigators Course (1991); Victoria Police Inspectors Graduation Qualification (1998); Professional Contract Management - Chifley Business School (2007); Senior Leaders Qualification - Mt Eliza Business School (2007).
Experience: Retired officer of the Royal Australian Navy (37.5 years), executive officer in Australian Public Service (13 years), former Western Port College Committee member, past President and Secretary of the Heyfield Lions Club, President of the Heyfield RSL, current Volunteer Firefighter for Glenmaggie CFA.
Special Responsibilities: Chairperson and member of the audit committee.
- Emma Birchall** **Qualifications:** BSC (Hons) Anthropology & Communications - Brunel University UK (1999); Diploma in Community Welfare Work - Holmsglen Tafe (2011).
Experience: Emma is an anthropologist and has experience in Financial Service Risk & Management and Program Management in the not-for-profit sector and Business Management in State Government. Emma has been the Communications Officer of Heyfield News since December 2019.
Special Responsibilities: Secretary and member of the audit committee and marketing committee.
- Thomas Crosbie** **Experience:** Thomas is an information technology specialist and operator of Byteman Solutions. Thomas was awarded Heyfield's Young Citizen of the Year in 2014 for work with Computer Donations for Gippsland.
Special Responsibilities: Member of the marketing committee.
- Jamie Riley** **Experience:** Jamie has extensive experience as a qualified Chef with more than 20 years industry experience, managing hotels in Melbourne and Heyfield. He is the owner/operator of Cafe 3858, Heyfield. President of the Heyfield Traders & Tourism Association and extensive experience in public speaking, sales, leadership and hospitality management.
Appointed 28 August 2020
- Jane Harvie** **Qualifications:** Bachelor of Business Marketing (Swinburne 1990)
Experience: Consumer Marketing Specialist with International brands, significant experience working with large retailers and corporates, Jane is currently a director of Top Squad Pty Ltd, SPW Pty Ltd, Allan Knight Nominees Pty Ltd and Panmore Pty Ltd and the owner/operator of Heyfield Garden Supplies.
Special Responsibilities: Member of the Bendigo Bank State marketing committee and member of the marketing committee.
- Kenneth Noble** **Qualifications:** Certificate IV Rural Management Services.
Experience: Kenneth has more than 20 years service in senior positions in the Heyfield Lions Club and the Heyfield Apex Club.
Special Responsibilities: Member of the marketing committee and signage auditor.
- Troy Underwood** **Qualifications:** Apprenticeship in Sign Writing - Western Metropolitan College of TAFE (1994).
Experience: Troy has 27 years experience as a sign writer and is owner/operator of Heyfield Signs, Heyfield. Volunteer member of Heyfield CFA for 15 years and supporter of various sporting groups in Heyfield.
Special Responsibilities: Signage auditor.

Heyfield & District Community Financial Services Ltd

ABN 96 094 854 949

Directors' Report

For the Year Ended 30 June 2020

David Wadey

Qualifications: Certificate IV Property (Real Estate Practice)

Experience: David was the branch manager of Gippsland Real Estate until December 2019. David is a past president of the Heyfield Lions Club, current secretary of Heyfield Lions Club, past secretary of the Heyfield CFA Fire Brigade and secretary of the Heyfield Australia Day Committee.

Special Responsibilities: Vice chairperson, Treasurer and member of the audit committee, marketing committee and human resources sub committee.

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

During the financial year, 9 meetings of directors (excluding committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Gregor Mackenzie	9	9
Emma Birchall	9	8
Thomas Crosbie	9	8
Jamie Riley	-	-
Jane Harvie	9	9
Kenneth Noble	9	8
Troy Underwood	9	9
David Wadey	9	8

Company secretary

The secretary of the company at the end of the financial year was Emma Birchall who has been in the position since 24 November 2016. The company secretary has provided notice that she is resigning her position effective to the next annual general meeting.

Principal activities

The principal activities of Heyfield & District Community Financial Services Ltd during the financial year were to provide **Community Bank®** branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

No significant changes in the nature of the company's activity occurred during the financial year.

Operating results

Operating results have continued to perform in line with the expectations of the board. The profit of the company after providing for income tax amounted to \$60,416 (2019 \$22,975).

Dividends paid or recommended

A fully franked dividend of 2.5 cents per share totalling \$11,250 was paid during the year. To the date of this report no dividend has been paid or declared for the year ended 30 June 2020.

Directors' Report

For the Year Ended 30 June 2020

Significant changes in state of affairs

During the financial year, the Australian economy was greatly impacted by the COVID-19 pandemic. Bendgo & Adelaide Bank Limited, 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, other than the above, there have been no significant changes in the state of affairs of the company during the year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which 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 financial years.

Environmental issues

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

Indemnification and insurance of officers and auditors

The company has agreed to indemnify each officer (director, secretary or employee) out of the assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or lack of good faith. The company has officers insurance for the benefit of the officers of the company against any liability incurred by the officer, which includes the officers' liability for legal costs arising out of the conduct of the business of the company or arising out of the discharge of the officers' duties.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

The company has not provided an indemnity or insurance for an Auditor of the Company.


Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and can be found on page 4 of the financial report. No officer of the company is or has been a partner or director of the Auditor of the Company.

Signed in accordance with a resolution of the Board of Directors:

Director: 
Troy Underwood

Director: 
Emma Birchall

Dated: 06 October 2020



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Heyfield & District Community Financial Services Ltd

ABN 96 094 854 949

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Heyfield & District Community Financial Services Ltd

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

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

PPT Audit Pty Ltd

PPT Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'J. Hargreaves', written over a circular stamp or seal.

Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat
6th October 2020

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
Revenue and other income	3	623,663	644,021
Depreciation and amortisation expense	4(a)	(38,760)	(40,509)
Employment expenses	4(b)	(304,539)	(345,864)
Operating expenses	4(c)	(147,965)	(175,476)
Operating profit before charitable donations and sponsorships		132,399	82,172
Charitable donations and sponsorships	4(d)	(58,519)	(49,231)
Profit before income tax		73,880	32,941
Income tax expense	6(a)	(13,464)	(9,966)
Profit for the year		60,416	22,975
Other comprehensive income			
Revaluation of land and buildings		27,959	-
Total comprehensive income for the year		88,375	22,975
Profit attributable to members of the company		60,416	22,975
Total comprehensive income attributable to members of the company		88,375	22,975
Earnings per share attributable to members of the company (cents per share)	18	13.88	5.11

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 30 June 2020

	Note	2020 \$	2019 \$
Assets			
Current Assets			
Cash and cash equivalents	7	122,353	130,342
Trade and other receivables	8	70,359	56,666
Financial assets	9	201,637	119,568
Current tax receivable	10(a)	6,009	1,678
Total Current Assets		<u>400,358</u>	<u>308,254</u>
Non-Current Assets			
Property, plant and equipment	11	482,045	465,964
Intangible assets	12	10,767	22,462
Total Non-Current Assets		<u>492,812</u>	<u>488,426</u>
Total Assets		<u>893,170</u>	<u>796,680</u>
Liabilities			
Current Liabilities			
Trade and other payables	13	44,519	44,371
Employee benefits	14	9,365	4,725
Total Current Liabilities		<u>53,884</u>	<u>49,096</u>
Non-Current Liabilities			
Deferred tax liabilities	10(b)	48,169	32,216
Employee benefits	14	3,106	4,482
Total Non-Current		<u>51,275</u>	<u>36,698</u>
Total Liabilities		<u>105,159</u>	<u>85,794</u>
Net Assets		<u>788,011</u>	<u>710,886</u>
Equity			
Issued capital	15	450,009	450,009
Retained earnings		197,335	148,169
Reserves	16	140,667	112,708
Total Equity		<u>788,011</u>	<u>710,886</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2020

2020

	Note	Ordinary shares	Retained earnings	Asset revaluation reserve	Total
		\$	\$	\$	\$
Balance at 1 July 2019		450,009	148,169	112,708	710,886
Profit attributable to members of the company		-	60,416	-	60,416
Revaluation of land and buildings		-	-	27,959	27,959
Dividends provided for or paid	17	-	(11,250)	-	(11,250)
Balance at 30 June 2020		450,009	197,335	140,667	788,011

2019

	Note	Ordinary shares	Retained earnings	Asset revaluation reserve	Total
		\$	\$	\$	\$
Balance at 1 July 2018		450,009	145,444	112,708	708,161
Profit attributable to members of the company		-	22,975	-	22,975
Dividends paid or provided for	17	-	(20,250)	-	(20,250)
Balance at 30 June 2019		450,009	148,169	112,708	710,886

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
Cash flows from operating activities:			
Receipts from customers		668,686	710,083
Payments to suppliers and employees		(569,279)	(638,802)
Interest received		3,428	1,953
Income taxes paid		(9,572)	(14,866)
Net cash provided by operating activities	22	<u>93,263</u>	<u>58,368</u>
Cash flows from investing activities:			
Purchase of investments		(82,069)	3,283
Purchase of property, plant and equipment		(8,184)	(4,810)
Net cash used in investing activities		<u>(90,253)</u>	<u>(1,527)</u>
Cash flows from financing activities:			
Dividends paid		(10,999)	(16,526)
Net cash used in financing activities		<u>(10,999)</u>	<u>(16,526)</u>
Net increase in cash and cash equivalents held		(7,989)	40,315
Cash and cash equivalents at beginning of year		<u>130,342</u>	<u>90,027</u>
Cash and cash equivalents at end of financial year	7	<u><u>122,353</u></u>	<u><u>130,342</u></u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2020

The financial report covers Heyfield & District Community Financial Services Ltd as an individual entity. Heyfield & District Community Financial Services Ltd is a public company limited by shares, incorporated and domiciled in Australia.

The functional and presentation currency of Heyfield & District Community Financial Services Ltd is Australian dollars.

The financial report was authorised for issue by the Directors on 06 October 2020.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

1 Summary of significant accounting policies

(a) Adoption of new and revised accounting standards

All accounting standards which became effective for the first time in the reporting period ended 30 June 2020 have been adopted by the company. The adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the company.

Leases - adoption of AASB 16

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

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below:

The company as a lessee

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(a) Adoption of new and revised accounting standards (continued)

Practical expedients used on transition

AASB 16 includes a number of practical expediciencies which can be used on transition, the company has used the following expediciencies:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the company's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- the right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2020 rather than perform impairment testing of the right-of-use asset;
- excluded leases with an expiry date prior to 30 June 2020 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

The company has assessed its leases and has identified there is no impact on the amounts or disclosures in the financial statements as a result of the adoption of AASB 16 Leases. Leases for Automatic Teller Machines and IT equipment to which the company is a party are excluded on the basis they do not contain an identifiable asset for the purposes of the standard, as the Bendigo Bank has the ability to remove/replace these assets.

(b) Economic dependence

Heyfield & District Community Financial Services Ltd is dependent on the Bendigo and Adelaide Bank Limited for the majority of its revenue used to operate the business.

The company entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management and operations of the **Community Bank®** branch at Heyfield. The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name 'Bendigo Bank', the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The Company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however, all transactions with customers conducted through the **Community Bank®** branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products provided are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products to the customer. 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 debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited and all credit products provided to customers are products of Bendigo and Adelaide Bank Limited.

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

- design, layout and fit out of the **Community Bank®** branch;
- training for the Branch Managers 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 logistics control;

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(b) Economic dependence (continued)

- calculation of company revenue and payment of many operating and administrative expenses;
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

At the date of this report the directors have no reason to believe the Bendigo and Adelaide Bank Limited will not continue to support Heyfield & District Community Financial Services Ltd.

(c) Revenue and other income

Revenue is recognised under AASB 15 on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer.
2. Identify the performance obligations.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognise revenue as and when control of the performance obligations is transferred.

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

Revenue from contracts with customers

The company has in place franchise agreements with Bendigo & Adelaide Bank Limited. The company delivers banking and financial services of Bendigo & Adelaide Bank Limited to the community. The franchise agreement provides for a share of interest, fee and commission revenue earned under the agreement. Interest margin 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 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*, revenue recognition for the company's revenue stream is as follows:

<u>Revenue</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
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 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.

Revenue calculation

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(c) Revenue and other income (continued)

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 & Adelaide Bank Limited,
- minus any costs of funds i.e. interest applied to fund a loan.

The company is entitled to a share of the margin earned by Bendigo & Adelaide Bank Limited. If the margin is 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. The commission revenue is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

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

Fee income

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

Core banking products

Bendigo & Adelaide Bank Limited 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 & Adelaide Bank Limited branded home loans, term deposits and at call deposits.

Ability to change financial return

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

The change may be to the method of calculation of margin, the amount of the 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(c) Revenue and other income (continued)

Bendigo & Adelaide Bank Limited 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 & Adelaide Bank Limited's margin at that time. For other products and services there is no restriction on the change Bendigo & Adelaide Bank Limited may make.

Other income

The company's activities include 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.

<u>Revenue</u>	<u>Revenue recognition policy</u>
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Discretionary financial contributions (Market Development Fund)	Market development fund income is recognised when the right to receive the payment is established. Market development fund income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Government stimulus	Government stimulus is comprised of cash flow boost amounts and are 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 the goods and services are provided.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank & Adelaide Bank Limited has also made Market Development Fund (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 revenue.

The payments from Bendigo & Adelaide Bank Limited 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 & Adelaide Bank Limited.

Government stimulus payments

During the financial year, in response to the COVID-19 pandemic, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow assistance 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 are calculated 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 received.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(d) Income tax

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

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

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

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable income.
- Taxable temporary differences arising on the initial recognition of goodwill.

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

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

(e) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(f) Leases

For current year

On entering into a contract the company assesses whether a lease exists i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

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

Right-of-use asset

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

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

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

Lessee accounting

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

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

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

For comparative year

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(g) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST. 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.

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(h) Property, plant and equipment

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

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

Land and buildings

Land and buildings are measured using the fair value model based on periodic, but at least triennial, valuations undertaken by independent and qualified valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on the revaluation of land and buildings are brought to account as comprehensive income and credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised against the previously recorded revaluation reserve. All other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The carrying amount of land and buildings is reviewed annually by the directors to ensure that it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's use and subsequent disposal.

Plant and equipment

Plant and equipment (including furniture, fixtures, fittings and motor vehicles) are measured using the cost model and are recorded at cost less accumulated depreciation and any impairment losses. In the event that the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure that it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's use and subsequent disposal, discounted to their present values.

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on either a straight-line (SL) or diminishing value (DV) basis over the assets useful life to the company, commencing when the asset is ready for use.

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

Fixed asset class	Depreciation rate
Buildings	2.5% SL
Plant and Equipment	10% SL
Furniture, Fixtures and Fittings	10% SL
Motor Vehicles	25% DV

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

(i) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis depending on the requirements of the applicable Accounting Standards.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is obtained from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(j) Financial instruments

Classification

On initial recognition the company classifies its financial assets, according to the basis on which they are measured, at amortised cost.

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

Amortised cost

Assets measured at amortised cost are financial assets where:

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

The company's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and term deposits in the statement of financial position.

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

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

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the company's historical experience and informed credit assessment and including forward looking information.

The company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(j) Financial instruments (continued)

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expenses. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

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

(k) Impairment of non-financial assets

At the end of each reporting period the company determines whether there is an evidence of an impairment indicator for non-financial assets. Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated. Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated. The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(l) Intangible assets

Franchise fees (including renewal fees) are initially recorded at cost and amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, from the date that they are available for use. Franchise fees are amortised at a rate of 20% per annum.

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

(m) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits available on demand and short-term investments (with original maturities of three months or less) which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(n) Trade and other receivables

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

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

(o) Employee benefits

Short-term employee benefits

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

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables. Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Other long-term employee benefits

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

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

(p) Trade and other payables

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of significant accounting policies (continued)

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares which vest immediately are recognised as a deduction from equity, net of any tax effects.

(r) Dividends

Provision is made for the amount of any dividends declared that have been appropriately authorised and are no longer at the discretion of the company, on or before the end of the financial year but that have not been paid at that date.

(s) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of the company by the weighted average number of ordinary shares outstanding during the year.

(t) Comparative figures

Comparatives are consistent with prior years, unless otherwise stated. When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2 Critical accounting estimates and judgments

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

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

The significant estimates and judgements made have been described below.

Key estimates - estimated useful life and impairment of assets

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

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

Key estimates - property, plant and equipment held at fair value

The company undertakes an assessment of the fair value of property, plant and equipment each year.

An independent valuation of properties (land and buildings) carried at fair value was obtained on 26 February 2020. The directors have reviewed this valuation and updated it based on valuation indexes for the area in which the property is located. The valuation is an estimation which would only be realised if the property is sold.

Note 20 provides information on inputs and techniques to determine valuation.

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Critical accounting estimates and judgments (continued)

Key estimates - employee benefits provisions

The company uses estimates to determine the current value of future obligations for employee benefits. The estimates are based on assumptions of future wage growth and consumer price index movements. The likelihood of employees reaching a period of service resulting in the employee benefits becoming unconditional and when an employee benefit obligation is likely to be settled are also estimated.

Key judgements - revenue recognition

The company exercises judgement in determining the amounts and timing of revenue to be recognised in the reporting period in accordance with the accounting policies.

Key judgements - leases

The company exercises judgement in determining;

- whether a contract is or contains a lease;
- whether the company has a right to direct use of the identified asset;
- whether the company obtains substantially all the economic benefit from the use of the asset;
- whether the company is reasonably certain to exercise extension options; and
- the discount rate, where the implicit rate cannot be readily determined.

Key judgements - income tax

The company is subject to income tax and significant judgement is required in determining the recognition of deferred tax assets. Deferred tax assets are only recognised which it is considered sufficient future profits will be generated to make use of the deferred tax asset. The estimates of future profits is based on the company's assessment of expected future cash flows.

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$	2019 \$
3 Revenue and other income		
Revenue from contracts with customers		
Margin income	459,469	494,654
Fee income	58,083	58,854
Commission income	44,287	42,461
	<u>561,839</u>	<u>595,969</u>
Other income		
Contract wages	-	1,830
Community event income	-	7,660
Interest received	2,381	2,672
Government stimulus payments	24,065	-
Market development fund income	35,000	35,000
Sundry income	378	890
	<u>61,824</u>	<u>48,052</u>
	<u>623,663</u>	<u>644,021</u>
4 Expenses		
(a) Depreciation and amortisation expense		
Depreciation		
Buildings	8,563	8,563
Plant and equipment	6,814	6,578
Furniture, fixtures and fittings	6,798	7,153
Motor vehicles	4,890	6,520
	<u>27,065</u>	<u>28,814</u>
Amortisation		
Licenses and franchises	11,695	11,695
	<u>11,695</u>	<u>11,695</u>
	<u>38,760</u>	<u>40,509</u>

Notes to the Financial Statements

For the Year Ended 30 June 2020

4 Expenses (continued)

	2020	2019
	\$	\$
(b) Employment expenses		
Wages and salaries	257,001	282,329
Contract labour	526	3,668
Superannuation contributions	24,705	27,408
Fringe benefits tax	4,261	5,004
Movement in provision for employee entitlements	3,264	1,606
Other employment expenses	14,782	25,849
	304,539	345,864
(c) Operating expenses		
Accounting fees	27,100	22,600
Advertising and marketing	2,843	26,378
Automatic teller machine expenses	8,640	13,225
Auditors remuneration	5,250	5,180
Bank charges	840	976
Delivery costs	3,726	3,906
Entertainment	1,674	3,299
Filing fees	1,390	1,370
Information technology expenses	33,823	34,279
Insurance	15,553	14,228
Loss on disposal of assets	727	-
Motor vehicle expenses	3,113	4,403
Occupancy expenses	20,083	23,918
Office expenses	15,884	14,874
Share registry services	3,422	3,278
Subscriptions	382	241
Valuation fees	727	-
Other operating expenses	2,788	3,321
	147,965	175,476

Notes to the Financial Statements

For the Year Ended 30 June 2020

4 Expenses (continued)

	2020	2019
	\$	\$
(d) Charitable donations and sponsorships		
Community sponsorship		
Central Gippsland Health	4,545	-
Coongulla Reserve Committee of Management	-	500
Cowwarr Football Netball Club	-	1,000
Cowwarr Primary School	1,818	-
East Gippsland Dog Obedience School	500	1,000
Gippsland Woodcraft Group	1,100	-
Glenmaggie & District Boat Club	1,000	-
Glenmaggie Mechanics Institute	-	1,500
Glenmaggie Rural CFA	-	2,256
Heyfield Auskick Centre	271	-
Heyfield Bowls Club Inc	500	4,500
Heyfield Community Resource Centre	818	20
Heyfield Cricket Club	5,500	-
Heyfield Football Netball Club	1,052	-
Heyfield Junior Football Club	2,448	-
Heyfield Hall Committee	1,500	-
Heyfield Netball Club	-	1,037
Heyfield Lions Club	-	2,500
Heyfield Primary School	2,000	-
Heyfield Traders & Tourism Association	-	4,545
Heyfield Tennis Club	500	500
Heyfield Wetlands	545	-
Heyfield Hospital Ladies Auxillary	-	700
Heyfield & District Vintage Machinery	5,000	500
Maffra Secondary College	1,364	1,364
Paddy's Market	-	454
St Michaels Parents & Friends	-	450
Nambrok Cricket Club	1,000	-
Walk to School	-	90
Wellington Latrobe Lions Club	1,795	-
	33,256	22,916
Other charitable donations		
Bendigo Community Enterprise Foundation	25,263	26,315
	58,519	49,231

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020	2019				
	\$	\$				
5 Auditors' remuneration						
Remuneration of the auditor, PPT Audit Pty Ltd (2019: RSD Audit) for:						
Audit and review of financial statements	5,250	5,180				
	<u>5,250</u>	<u>5,180</u>				
6 Income tax expense						
(a) The major components of tax expense comprise:						
Current tax (benefit)/expense	(2,490)	9,426				
Deferred tax expense	15,954	540				
Income tax expense	<u>13,464</u>	<u>9,966</u>				
(b) Reconciliation of income tax to accounting profit:						
Prima facie tax on profit before income tax at 27.5% (2019: 27.5%)	20,317	9,059				
Add/(less) tax effect of:						
- tax effect of non-allowable expenses	460	907				
- change in company tax rates	(695)	-				
- non-assessable government stimulus payments	(6,618)	-				
Income tax expense	<u>13,464</u>	<u>9,966</u>				
Weighted average effective tax rate	18.22%	30.25%				
(c) Income tax relating to each component of other comprehensive income:						
	2020	2019				
	Before-tax amount	Tax expense	Net-of-tax amount	Before-tax amount	Tax expense	Net-of-tax amount
	\$	\$	\$	\$	\$	\$
Net gain on revaluation of land and buildings	35,689	(7,730)	27,959	-	-	-
	<u>35,689</u>	<u>(7,730)</u>	<u>27,959</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$	2019 \$
7 Cash and cash equivalents		
CURRENT		
Cash on hand	50	50
Bank balances	122,303	130,292
	<u>122,353</u>	<u>130,342</u>
8 Trade and other receivables		
CURRENT		
Trade receivables	61,593	55,948
Accrued income	8,766	718
	<u>70,359</u>	<u>56,666</u>
9 Other financial assets		
CURRENT		
Term deposits	201,637	119,568
	<u>201,637</u>	<u>119,568</u>

The majority of the trade debtors owing to the Company are from the Bendigo and Adelaide Bank Limited, which is the source of the majority of the Company's income. The Company monitors whether its trade debtors are 'past due'. Amounts are considered to be 'past due' when the debt has not been settled within the terms and upon the conditions agreed between the Company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment based on an expected credit loss basis. At the reporting date none of the receivables of the Company were 'past due' (2019: none past due).

The effective interest rate on term deposits at the balance date was 1.46% (2019: 2.30%). The deposits have an average maturity of 185 days.

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020	2019
	\$	\$
10 Tax assets and liabilities		
(a) Current tax assets		
Income tax refundable	<u>6,009</u>	<u>1,678</u>
	<u>6,009</u>	<u>1,678</u>
(b) Deferred tax liability		
Net deferred tax liabilities relate to the following:		
Revaluations of land and buildings	52,259	35,900
Employee provisions	(3,242)	(2,531)
Expenses not deductible until paid	(1,115)	(1,351)
Other items	<u>267</u>	<u>198</u>
	<u>48,169</u>	<u>32,216</u>

Deferred tax expense included in income tax expense at note 6(a) comprises the increases and decreases in net deferred tax liabilities.

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$	2019 \$
11 Property, plant and equipment		
NON CURRENT		
Land and buildings		
Freehold land		
At fair value (i)	<u>69,121</u>	<u>67,475</u>
	<u>69,121</u>	<u>67,475</u>
Buildings		
At fair value (i)	<u>350,879</u>	<u>342,525</u>
Accumulated depreciation	<u>-</u>	<u>(17,126)</u>
	<u>350,879</u>	<u>325,399</u>
	<u>420,000</u>	<u>392,874</u>
Plant and equipment		
Plant and equipment		
At cost	<u>95,682</u>	<u>93,215</u>
Accumulated depreciation	<u>(67,649)</u>	<u>(65,825)</u>
	<u>28,033</u>	<u>27,390</u>
Furniture, fixtures and fittings		
At cost	<u>194,231</u>	<u>194,231</u>
Accumulated depreciation	<u>(174,888)</u>	<u>(168,090)</u>
	<u>19,343</u>	<u>26,141</u>
Motor vehicles		
At cost	<u>27,897</u>	<u>27,897</u>
Accumulated depreciation	<u>(13,228)</u>	<u>(8,338)</u>
	<u>14,669</u>	<u>19,559</u>
	<u>62,045</u>	<u>73,090</u>
	<u>482,045</u>	<u>465,964</u>

- (i) The Directors value land and buildings annually based on periodic, but ordinarily triennial, independent valuations by an appropriately qualified property valuer. The fair value model is applied to all land and buildings held by the company. The value of land and buildings comprises two properties which have been valued at \$420,000.00 by the market approach method, based on independent valuations carried out on 26 February 2020 by Rosheen Stephenson, a Certified Practising Valuer of Herron Todd White, and were initially adopted by the Directors as at 30 June 2020. The Directors have assessed that the carrying value of each of the properties at 30 June 2020 are not materially different to the fair value of the land and buildings recorded at the balance date.

Notes to the Financial Statements

For the Year Ended 30 June 2020

11 Property, plant and equipment (continued)

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

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

2020

	Land	Buildings	Plant and equipment	Furniture, fixtures and fittings	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of year	67,475	325,399	27,390	26,141	19,559	465,964
Additions	-	-	8,184	-	-	8,184
Disposals at written down value	-	-	(727)	-	-	(727)
Depreciation expense	-	(8,563)	(6,814)	(6,798)	(4,890)	(27,065)
Revaluation increment	1,646	34,043	-	-	-	35,689
Balance at the end of the year	69,121	350,879	28,033	19,343	14,669	482,045

2019

	Land	Buildings	Plant and equipment	Furniture, fixtures and fittings	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of year	67,475	333,962	30,758	31,694	26,079	489,968
Additions	-	-	3,210	1,600	-	4,810
Depreciation expense	-	(8,563)	(6,578)	(7,153)	(6,520)	(28,814)
Balance at the end of the year	67,475	325,399	27,390	26,141	19,559	465,964

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$	2019 \$
12 Intangible assets		
NON CURRENT		
Licenses and franchises		
At cost	58,472	58,472
Accumulated amortisation and impairment	(47,705)	(36,010)
	<u>10,767</u>	<u>22,462</u>
 (a) Movements in carrying amounts of intangible assets		
Licenses and franchises		
Balance at the beginning of the year	22,462	34,157
Amortisation	(11,695)	(11,695)
Balance at the end of the year	<u>10,767</u>	<u>22,462</u>
 13 Trade and other payables		
CURRENT		
Accrued expenses	11,300	12,113
Dividends payable	4,394	4,144
Trade payables	16,301	13,271
GST payable	9,600	10,610
Other payables	2,924	4,233
	<u>44,519</u>	<u>44,371</u>
 Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are considered to be a reasonable approximation of fair value.		
 14 Employee benefits		
CURRENT		
Annual leave	9,365	4,725
	<u>9,365</u>	<u>4,725</u>
NON-CURRENT		
Long service leave	3,106	4,482
	<u>3,106</u>	<u>4,482</u>
	<u>12,471</u>	<u>9,207</u>

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$	2019 \$
15 Issued capital		
450,009 (2019: 450,009) ordinary shares	<u>450,009</u>	<u>450,009</u>
	<u>450,009</u>	<u>450,009</u>

	2020 No.	2019 No.
(a) Ordinary shares		
At the beginning of the reporting period	<u>450,009</u>	<u>450,009</u>
At the end of the reporting period	<u>450,009</u>	<u>450,009</u>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At a shareholders meeting each shareholder is entitled to one vote when a poll is called or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

(b) Capital management

The key objectives of the company when managing capital is to maintain a strong capital base in order to ensure the future operations of the Company. The company defines capital as its total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement the funds able to be distributed to shareholders in any 12 month period must not exceed the 'Dividend & Other Distribution' clause limit.

The 'Dividend & Other Distribution' clause limits any dividends to the greater of:

- 20% of the profit for the year plus accumulated profits from prior years plus community contributions made in the year.
- The average 90 day bank bill swap rate over the financial year plus 5% multiplied by the paid up share capital at the end of the financial year.

The directors manage the capital of the company and make funding decisions based on the prevailing economic environment and have a number of tools available to manage capital. These include access to debt, the ability to adjust the size and timing of dividends paid to shareholders, the management of the amounts paid in community contributions and sponsorships and the issue of new shares.

There has been no change to capital management policies during the year. There are no other externally imposed capital requirements.

Notes to the Financial Statements

For the Year Ended 30 June 2020

16 Reserves

The reserves represent undistributable gains recognised on the revaluation of non-current assets.

	2020	2019
	\$	\$
Asset revaluation reserve		
Balance at the beginning of the year	112,708	112,708
Revaluation of land and buildings	27,959	-
Balance at the end of the year	<u>140,667</u>	<u>112,708</u>

17 Dividends

Fully franked ordinary dividend of 2.5 cents per share was declared and paid (2019: 4.5 cents per share)

	11,250	20,250
	<u>11,250</u>	<u>20,250</u>

Franked dividends declared or paid during the year were franked at the tax rate of 27.5% (2019: 27.5%).

18 Earnings per share

	2020	2019
	Cents	Cents
Basic earnings per share (cents)	<u>13</u>	<u>5</u>
	2020	2019
	\$	\$
Earnings used to calculate overall earnings per share	<u>60,416</u>	<u>22,975</u>
	2020	2019
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	<u>450,009</u>	<u>450,009</u>

19 Financial risk management

The company is exposed to a variety of financial risks through its use of financial instruments.

The company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The company does not speculate in financial assets. The board has established an audit committee which reports regularly to the board.

The most significant financial risks to which the company is exposed to are described below:

Notes to the Financial Statements

For the Year Ended 30 June 2020

19 Financial risk management (continued)

Specific risks

- Liquidity risk
- Credit risk
- Market risk - interest rate risk and price risk

There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the board's objectives, policies and processes for managing or measuring the risks since the previous period.

Financial instruments

The principal categories of financial instrument used by the company are:

- Trade receivables
- Cash at bank
- Deposits with banks
- Trade and other payables

The totals of each category of financial instrument measured in accordance with AASB 9 *Financial Instruments* are as follows:

	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	122,353	130,342
Trade and other receivables	70,359	56,666
Financial assets	<u>201,637</u>	<u>119,568</u>
	<u>394,349</u>	<u>306,576</u>
Financial liabilities		
Trade and other payables	<u>44,519</u>	<u>44,371</u>
	<u>44,519</u>	<u>44,371</u>

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The company has a concentration of credit risk as a result the financial dependency on Bendigo and Adelaide Bank Limited with virtually all of the company's bank deposits, trade receivables and financial assets being with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

The company does not have any financial assets that are past due (2019: nil past due) and, based on historic performance, the company believes that no impairment charge is necessary in respect of financial assets.

Notes to the Financial Statements

For the Year Ended 30 June 2020

19 Financial risk management (continued)

(a) Credit risk (continued)

The credit risk for trade receivables, liquid funds and other short-term financial assets is considered negligible, since the counterparty, Bendigo and Adelaide Bank Limited, are a reputable bank with high quality external credit ratings.

(b) Liquidity risk

Liquidity risk arises from the company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

The company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The company maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

At the reporting date, these reports indicate that the company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

The company's financial assets and liabilities have maturities which are summarised below:

	Weighted average effective interest rate		Within 1 year		Total	
	2020	2019	2020	2019	2020	2019
	%	%	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	-	-	122,353	130,342	122,353	130,342
Trade and other receivables	-	-	70,359	56,666	70,359	56,666
Financial assets	1.46	2.30	201,637	119,568	201,637	119,568
			394,349	306,576	394,349	306,576
Financial liabilities						
Trade and other payables	-	-	44,519	44,371	44,519	44,371
			44,519	44,371	44,519	44,371

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company ordinarily holds relatively short term fixed term investments which it retains to maturity resulting in minimal exposure to market risk on these investments.

(d) Interest rate risk

The company is exposed to interest rate risk as funds are borrowed and invested at floating and fixed rates. Borrowings and investments issued at fixed rates expose the company to fair value interest rate risk.

Notes to the Financial Statements

For the Year Ended 30 June 2020

19 Financial risk management (continued)

(d) Interest rate risk (continued)

The company's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At the reporting date, the company is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

(e) Fair value estimates

The directors estimates of the fair value of financial assets and liabilities are presented in the following table and compared to their carrying amounts as presented in the Statement of Financial Position. Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents (i)	122,353	122,353	130,342	130,342
Trade and other receivables (i)	70,359	70,359	56,666	56,666
Financial assets	201,637	201,637	119,568	119,568
	<u>394,349</u>	<u>394,349</u>	<u>306,576</u>	<u>306,576</u>
Financial liabilities				
Trade and other payables (i)	44,519	44,519	44,371	44,371
	<u>44,519</u>	<u>44,519</u>	<u>44,371</u>	<u>44,371</u>

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

20 Fair value measurement

The company measures the following assets and liabilities at fair value on a recurring basis:

- Freehold land and buildings

(a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

Notes to the Financial Statements

For the Year Ended 30 June 2020

20 Fair value measurement (continued)

(a) Fair value hierarchy (continued)

The table below shows the assigned level for each asset and liability held at fair value by the company:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2020				
Recurring fair value measurements				
Freehold land and buildings	-	420,000	-	420,000

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2019				
Recurring fair value measurements				
Freehold land and buildings	-	392,874	-	392,874

Level 2 measurements

The revaluation of freehold land and buildings to their fair value is determined by the Directors each year based on independent valuations undertaken by an independent qualified valuer at least every three years and taking into consideration current market conditions and recent observable market data.

Transfers between levels of the hierarchy

There were no transfers between levels of the fair value hierarchy.

Highest and best use

The current use of each asset measured at fair value is considered to be its highest and best use.

Notes to the Financial Statements

For the Year Ended 30 June 2020

20 Fair value measurement (continued)

(b) Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available are developed using the best information available about such assumptions and are considered unobservable.

Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2020 \$	Description of valuation techniques	Inputs used
Freehold land and buildings	420,000	Market approach	Independent valuation every three years

The fair value of freehold land and buildings is determined at least every three years based on valuations by an appropriately qualified and independent valuer. At the end of each intervening period, the directors review the carrying value and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

Notes to the Financial Statements

For the Year Ended 30 June 2020

21 Key management personnel and other related parties

Any person having authority or responsibility for planning, directing or controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) are considered to be Key Management Personnel.

Other related parties include close family members of Key Management Personnel and entities that are controlled or jointly controlled by those Key Management Personnel, individually or collectively with their close family members.

(a) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year the company purchased goods and services and made grants to community groups with related party relationships as follows:

- (i) During the year \$129 (2019: \$597) was paid to Byteman IT for information technology support services provided. The services were provided under normal commercial terms. Byteman IT is owned and operated by a current director of the company.
- (ii) During the year advertising, repairs and maintenance and sponsorship of \$440 (2019: \$1,470) was paid to Heyfield Signs for the provision of professional services. The services were provided under normal commercial terms. Heyfield Signs is owned and operated by a current director of the company.
- (iii) During the year sponsorship of \$900 (2019: \$2,200) was paid to Heyfield Resource Centre. The sponsorship requests were received and approved in accordance with the normal process for sponsorship approval. One of the directors of the company is remunerated by the Heyfield Resource Centre for their role on the Heyfield News, one of the directors is a committee member of the Heyfield Resource Centre and one other director has a child attending the centre.
- (iv) During the year sponsorship of \$2,000 (2019: nil) paid to Heyfield Primary School. The sponsorship requests were received and approved in accordance with the normal process for sponsorship approval. One of the directors of the company has a child attending the school.
- (v) During the year \$1,564 (2019: \$1,612) was paid to Cafe 3858 for hospitality provided. The services were provided under normal commercial terms. One of the directors of the company is the owner/operator of Cafe 3858.

Notes to the Financial Statements

For the Year Ended 30 June 2020

21 Key management personnel and other related parties (continued)

(b) Key management personnel shareholdings

The key management personnel and other related parties held the following numbers of shares in Heyfield & District Community Financial Services Limited during the financial year:

	2020 No.	2019 No.
Gregor Mackenzie	-	-
Emma Birchall	-	-
Thomas Crosbie	-	-
Jane Harvie	-	-
Kenneth Noble	500	500
Troy Underwood	-	-
Jamie Riley	-	-
David Wadey	500	500
Shirley Noble	500	500

There have been no changes in shareholdings of key management personnel during the year. Each share held has a paid up value of \$1.00 and is fully paid.

(c) Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to receive the benefits based on their personal banking with the **Community Bank®** branch at Heyfield. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are nil for the year ended 30 June 2020 (2019: nil).

(d) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020	2019
	\$	\$
22 Cash flow information		
Reconciliation of net income to net cash provided by operating activities:		
Profit for the year	60,416	22,975
Non-cash flows in profit:		
- amortisation	11,695	11,695
- depreciation	27,065	28,814
- net loss on disposal of plant and equipment	727	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(13,693)	3,880
- (increase)/decrease in deferred tax asset	8,223	540
- increase/(decrease) in trade and other payables	(104)	(5,702)
- increase/(decrease) in income taxes payable	(4,331)	(5,440)
- increase/(decrease) in provisions	3,265	1,606
Cashflows from operations	<u>93,263</u>	<u>58,368</u>

23 Contingencies

Contingent Assets

Heyfield & District Community Financial Services Ltd had the following contingent assets at the end of the reporting period:

Wage overpayments of \$1,611.46 in the 2020 Financial Year and \$1,311.58 in the 2021 Financial Year have been identified after the end of the reporting period. The Company expects to recoup the overpayments in the 2021 Financial Year with a repayment agreement with the associated employee.

24 Events occurring after the reporting date

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

25 Statutory information

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

Heyfield & District Community Financial Services Ltd
54-56 Temple Street
HEYFIELD VIC 3858

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes for the year ended 30 June 2020, as set out on pages 5 to 41, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation note 1 the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2020 and performance of the company for the year ended on that date;
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director
Troy Underwood

Director
Emma Birchall

Dated: 06 October 2020



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Heyfield & District Community Financial Services Ltd

Independent Audit Report to the members of Heyfield & District Community Financial Services Ltd

Opinion

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

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Responsibilities of Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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



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Heyfield & District Community Financial Services Ltd

Independent Audit Report to the members of Heyfield & District Community Financial Services Ltd

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

PPT Audit Pty Ltd
PPT Audit Pty Ltd

Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat
07 October 2020

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