

The cover features a large, vibrant magenta circle on the left side, which serves as a background for the title and company name. The right side of the cover is a photograph of a park with tall, slender trees, a green lawn, and a wooden picnic shelter. The title 'Annual Report 2020' is positioned on the magenta circle, with 'Annual Report' in white and '2020' in a reddish-orange color. Below the title, the company name 'Inglewood & Districts Community Enterprises Limited' is written in white. At the bottom left, the bank's name and ABN are also in white.

Annual Report 2020

Inglewood & Districts
Community Enterprises
Limited

Community Bank
Inglewood & Districts

ABN 87 123 959 375

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Chairman's report

For year ending 30 June 2020

I am delighted to be able to present this Annual Report.

We can all agree what an extraordinary year 2020 has been. Australia was suffering through a disastrous extended summer bushfire season in several states, discussions at the federal level about a balanced budget in March, followed by COVID-19 virus health emergency shut downs and the country moving into recession.

Our Board's objective throughout these events has been to support our staff and the community in the best way we can. The branch team, under the leadership of Peter Barclay, have done a good job to implement and manage the coronavirus arrangements and new protocols, whilst working hard to ensure customers' needs were being met quickly with reduced infection risk to the team and public. We are proud of their commitment.

Over the year, there have been changes to our team. In the branch, Ursula Nott retired. Jon Champion and Stuart Luckman accepted assignments to Head Office positions and Will Long transferred to another branch in Bendigo. We thank them for their service to our branch and community and welcome Nic Angove and Lachlan Scarff to the branch team, with Matt Gill managing our Rural Bank business and Michelle Baker enlisted as company bookkeeper.

Directors Simon Tuohey, an original Director, Dale Jackson and Dave Edwards (Chairman) left the Board in November, creating an opportunity for Charlotte Aves, Annie Higgs and Max Higgs to (re)join the Board. I would like to thank all the current and retiring Directors for their hard work and positive contributions to the success of the company.

Financially, the company remains in a good position despite this low growth and low interest environment. A contraction of our total footings was the result of unavoidable losses of some \$7.5 million, however we have seen continued growth in agriculture and other business.

Our contributions to the community via the grants, youth scholarship and sponsorship programmes continue, together with a consistent dividend to shareholders. Our community investment this year totalled \$180,010 through sponsoring events, schools and clubs as well as substantive grants for University scholarships, Serpentine Playgroup, Inglewood Town Hall, Korong Historical Society, Bridgewater Bowling Club and the Eucalyptus Distillery Museum. We also retain a healthy credit with the Community Enterprise Foundation™ to support the grants program ahead.

A business plan, budget and marketing plan for the forthcoming year will guide and focus our activities as we work for the continued success of the company in partnership with the Bendigo and Adelaide Bank Limited. Creativity and resilience are critical for these uncertain times and I am sure the Board has the skills and expertise to guide the company.

On behalf of the Board, I'd like to thank our customers, staff and the shareholders for their continued support as we build on the outcomes of the 2019/20 year.



Murray Baud
Board Chair

Manager's report

For year ending 30 June 2020

The 2019/20 financial year was a challenging period for the team with our business needing to display resilience and persistence throughout. There were a number of events outside our control that we needed to meet and overcome.

These included:

- The secondment of Rural Bank Manager, Jon Champion to the Bendigo Bank Credit Management Department in October 2019. This had an impact on our Rural and Commercial writings capability. Jon was here at Inglewood for nine years and remains on secondment.
- The advent of COVID-19 has also impacted with a marked reduction in levels of enquiry and foot traffic in the branch and the surrounding town. This has mainly affected our retail and business customer segments.
- The loss of experienced staff, as Will Long relocated to a branch in Bendigo, and long-standing staff member Stewart Luckman moved to a position in Bendigo. We thank these two individuals for their valuable contributions to Community Bank Inglewood & Districts.

Business Figures as 30 June 2020:

Deposit footings:	\$65.396 million
Lending footings:	\$29.733 million
Other business:	\$33.553 million
Total business:	\$128.682 million

The 2019/20 financial year saw a reduction in total footings by \$7.173 million from that of the prior financial year. This was due to lending growth reducing across all segments and wealth management footings going off balance sheet early in the financial year.

We became a Community Bank company in 2007 with \$21 million on the books. After 13 short years we now have total footings of \$128.6 million. This represents growth of \$107.6 million. Whilst this year was challenging, our bank is looking to an increase this current financial year and long term sustainable growth.

We continue to make a noticeable difference in our local communities through provision of grants and sponsorships to many worthwhile projects such as the well patronised Driver Education courses, Scholarships, Inglewood Town Hall Hub, Serpentine Recreation reserve, to list just a few. Since 2007 an investment of in excess of \$1.5 million has been made into our district.

The branch staff are well versed in their product knowledge and are keen to assist and support you. All customers at Community Bank Inglewood & Districts are most valued and we welcome new customers to be part of this great Community Bank. Let your banking make a difference in the community in which you live and work.

I thoroughly enjoy working at this terrific branch and look forward to us continuing to grow and build this great business.

It would be remiss of me to not acknowledge our terrific team at our Wedderburn agency. Leigh and Jenny Randall lead a very well-trained and knowledgeable team in the delivery of the Bendigo Bank products and services. Our teams strive to assist and provide solutions to our customer's needs. I would also like to acknowledge the dedicated and professional Board of Directors for their positive guidance and leadership, and our regional office staff, shareholders, and of course our valued customers.

None of the successes achieved would be possible without each and every contribution the aforementioned bodies have provided. Every contribution counts.

Success and prosperity at Community Bank Inglewood & Districts is, and continues to be, a great story.



Peter Barclay
Branch Manager

Directors' report

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

Directors

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

Murray James Baud

Chairman

Occupation: Retired - Telecommunications Technology Manager

Qualifications, experience and expertise: Previous employee of Telstra, completing 36 years in network operations and mobile network engineering. As a national manager, responsible for new mobile products specification, development and delivery. He has experience in business process reengineering, quality and business management. After leaving Telstra in 2006, operated as a private Technology consultant with multiple assignments in Australia and Asia. He has a Certificate of Technology (Electronics) and a Graduate Diploma in Applied Information (RMIT). Murray actively supports Lions Club International as Past District Governor, Past President of Inglewood Lions and is a trustee of Lions V Districts Cancer Foundation. He has various roles in local community organisations including Inglewood Eucalyptus Distillery Museum, Inglewood & Districts Historical Society and is a member of Inglewood Development & tourism Committee and a past member of Inglewood Town Hall Hub Working Group.

Special Responsibilities: Chairman, Sub-Committees: HR, Marketing, Strategic Planning

Interest in shares: 5,000 ordinary shares

Kim Hanlon

Secretary

Occupation: Manager - Inglewood Community Neighbourhood House Inc.

Qualifications, experience and expertise: Kim is currently the Company Secretary of our organisation and is the Manager of the Inglewood community Neighborhood House. Her qualifications include a Diploma of Business and Certificate IV in Workplace Assessment and Training. Kim has extensive experience in Office Administration and Bookkeeping and is a strong advocate of Community Development and social justice. Kim is graduate of the Loddon Murray Community Leadership Program and has held executive roles with the Inglewood Football Netball Club, Korong Community Newsletter and the Inglewood Tourism and Development Committee Inc. These roles ceased in 2014.

Special Responsibilities: Minute taker of Marketing, Sponsorships & Business Development Sub-Committee

Interest in shares: 500 ordinary shares

Kenneth John Canfield

Treasurer

Occupation: Primary Producer

Qualifications, experience and expertise: Held executive positions with the Inglewood Golf and Bowls Clubs, Member of Salisbury West Landcare Group and member of Salisbury/Powlett Fire Brigade. He is now a semiretired farmer with around 60 years experience.

Special Responsibilities: Treasurer, Governance & Audit Sub-Committee

Interest in shares: 1,001 ordinary shares

Colleen Mary Condliffe

Non-executive director

Occupation: Primary Producer

Qualifications, experience and expertise: Colleen is on the Inglewood Community Resource Centre Committee, LLNW Board Charlton, Women Health Loddon Mallee Board, Dingee Bush Nursing Centre Board, Inglewood Tourism Development Committee and is a Loddon Shire Councillor. She is currently a Director and the Chairperson of Australia Help and has also previously been on the Board for the North Central Rural Financial Counselling Service. Colleen has a degree in Bio-Chemistry and has previously worked in Pathology.

Special Responsibilities: HR Committee

Interest in shares: 501 ordinary shares

Directors' report (continued)

Directors (continued)

Linda Joy Younghusband

Non-executive director

Occupation: Farming Assistant/Medical Receptionist

Qualifications, experience and expertise: Was a co-owner of family business, Williamson street 24 hour store, in Bendigo for 12 years. Currently runs the family farm as well as a medical receptionist. I have been on school council at Inglewood Primary School holding the positions of Secretary and President. Also on Parents Association at both Inglewood and Wedderburn Schools. Involved with Wedderburn club and currently secretary/treasurer at Arnold Cricket Club. Linda is also a Coordinator of the Learner Driver program.

Special Responsibilities: Sponsorship & Grants Sub-Committee, Scholarship Sub-Committee

Interest in shares: 500 ordinary shares

Stewart Dean Luckman

Non-executive director

Occupation: Anti Money Laundering Investigator

Qualifications, experience and expertise: Previously employed as a Flour Miller at Laucke Flour Mill. Currently employed as a Banker at the Inglewood & Districts Community Bank. Inglewood Primary School committee representative, Inglewood council treasurer, Member of Inglewood & Bridgewater Men's Shed as well as being a social member of the Inglewood and Bridgewater RSL. Stewart is also a participant in the Loddon Murray Community Leadership Program a Central Umpire for the Loddon Valley Football League and holds a Certificate III in financial services.

Special Responsibilities: Marketing, Sponsorships & Business Development Sub-Committee, Scholarship Sub-Committee

Interest in shares: nil share interest held

George Arthur Wyatt

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: George is currently retired from a tertiary teaching career and has been involved in cricket and football clubs in Newbridge over an extended period. He has also had some experience in the finance and securities industry and holds tertiary academic qualifications.

Special Responsibilities: Share Registry, Finance, Risk and Audit Committee

Interest in shares: 25,001 ordinary shares

Prue Janelle Milgate

Non-executive director

Occupation: Primary Producer

Qualifications, experience and expertise: Prue is a past Board Director of the North Central Catchment Management Authority (NCCMA), past Audit Chair of the NCCMA Board and has completed the Australian Institute of Company Director's Course. She holds a Bachelor of Agricultural Science and a Bachelor of Business (Finance Major). Prue is married with two young children and has lived, worked and played in our community all her life.

Special Responsibilities: Nil

Interest in shares: 125 ordinary shares

Charlotte Sarah Aves

Non-executive director (appointed 28 April 2020)

Occupation: Executive Officer - Irrigated Cropping Council

Qualifications, experience and expertise: Previous occupations: Research Assistant, University of Melbourne/ Field Officer, FAR New Zealand/ Farm Business Secretary, Promar International, UK/ Senior Trials Officer, The Arable Group, UK. Current board positions: Board Director, Partners in AG/ Treasurer, Victorian Grower Group Alliance. Past board positions: Vice President, Australian Women in Agriculture/ Committee member, Riverine Plains Inc/ Sub-committee member, Young Agribusiness Professionals. Education: PhD, University of Adelaide/ 2017 graduate, Loddon Murray Community Leadership Program/ Graduate Certificate in Agriculture, UNE/ BSc (Hons) Agriculture, Cranfield University, UK. Current community involvement: Volunteering at Bendigo Foodshare/ Member, Marong CFA.

Special responsibilities: Marketing Committee

Interest in shares: nil share interest held

Directors' report (continued)

Directors (continued)

Annette Maree Higgs

Non-executive director (appointed 28 April 2020)

Occupation: Company manager

Qualifications, experience and expertise: Annette has 35 years experience as a Company Manager/ Medical practice Manager. She has previously held the position of President at St Mary's primary School Inglewood. Annette is a Bendigo Art Gallery volunteer guide and a founder of the Loddon eagles Tennis Club.

Special responsibilities: Sponsorship and grants Committee

Interest in shares: 3,001 ordinary shares

Maxwell Charles Higgs

Non-executive director (appointed 28 April 2020)

Occupation: Medical Practitioner

Qualifications, experience and expertise: MBBS University of Melbourne 1981, FACRRM 2000. Solo rural general practitioner Wedderburn/Inglewood 30 years. Rural and remote Australia wide locum general practitioner past 4 years. He is a former Councillor of the Loddon Shire and the Inaugural chairman of Inglewood and Districts Community Enterprise Inc.

Special responsibilities: HR Committee

Interest in shares: 3,001 ordinary shares

David Allan Edwards

Non-executive director (resigned 19 November 2019)

Occupation: Manger - Bridgewater Farmware

Qualifications, experience and expertise: Dave (together with wife Leanne) is co-owner and Manager of Bridgewater Farmware, a rural supplies & services business in Bridgewater. Dave also holds positions on various community committees including the Bridgewater on Loddon Development Committee. David has a tertiary qualification in engineering, Project and Operational Management. Prior to running Farmware, held various corporate Operations Management roles over a 15 year period.

Special Responsibilities: HR Sub-Committee, Scholarship Sub-Committee

Interest in shares: 7,500 ordinary shares

Simon Patrick Tuohey

Non-executive director (retired 19 November 2019)

Occupation: Primary Producer

Qualifications, experience and expertise: Currently Vice Chair/ Football operations of the Loddon Valley Football Netball League. Secretary and 2nd Lieutenant of the Serpentine CFA. Chair of Serpentine Recreation Reserve. He is also a member of the Loddon Environmental Action Group, Bears Lagoon Serpentine FNC and Serpentine Tennis Club.

Special Responsibilities: Nil

Interest in shares: 2,501 ordinary shares

Thomas Samuel Jackson

Non-executive director (resigned 24 September 2019)

Occupation: Jackson AVT

Qualifications, experience and expertise: Thomas is an extremely community and business minded person, with a very enthusiastic and dedicated approach to any task he takes on. Thomas has worked in the Technology and Audio Visual field for 6+ years. Thomas founded his own IT & Audio Visual business in 2016, Jackson Digital provides a number of services to the Melbourne, Bendigo & Central Victoria region. Thomas currently holds two executive roles with Wedderburn Tourism (President) and Inglewood and Districts Community Bank (Director), he also holds the position as a General Committee Member with various other committees.

Special Responsibilities: Marketing, Sponsorships & Business Development Sub-Committee

Interest in shares: nil share interest held

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

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

Directors' report (continued)

Company Secretary

The company secretary is Kim Hanlon. Kim was appointed to the position of secretary on 26 November 2013.

Qualifications, experience and expertise: Kim is currently the Company Secretary of our organisation and is the Manager of the Inglewood community Neighborhood House. Her qualifications include a Diploma of Business and Certificate IV in Workplace Assessment and Training. Kim has extensive experience in Office Administration and Bookkeeping and is a strong advocate of Community Development and social justice. Kim is graduate of the Loddon Murray Community Leadership Program and has held executive roles with the Inglewood Football Netball Club, Korong Community Newsletter and the Inglewood Tourism and Development Committee Inc. These roles ceased in 2014.

Principal activity

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

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

Operating results

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

Year ended 30 June 2020	Year ended 30 June 2019
\$	\$
38,821	48,414

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Murray James Baud	5,000	-	5,000
Kim Hanlon	500	-	500
Kenneth John Canfield	1,001	-	1,001
Colleen Mary Condliffe	501	-	501
Linda Joy Younghusband	500	-	500
Stewart Dean Luckman	-	-	-
George Arthur Wyatt	19,001	6,000	25,001
Prue Janelle Milgate	125	-	125
Charlotte Sarah Aves	-	-	-
Annette Maree Higgs	3,001	-	3,001
Maxwell Charles Higgs	3,001	-	3,001
David Allan Edwards	7,500	-	7,500
Simon Patrick Tuohey	2,501	-	2,501
Thomas Samuel Jackson	-	-	-

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

Directors' report (continued)

Dividends

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

	Cents per share	Total amount
Final unfranked dividend	7.00	35,379
Total amount	<u>7.00</u>	<u>35,379</u>

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 27 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' report (continued)

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Marketing, Sponsorship, Public Relations & Business Development		Human Resources	
	£	A	£	A	£	A
Murray James Baud	12	12	-	-	3	3
Kim Hanlon	12	8	11	9	-	-
Kenneth John Canfield	12	9	-	-	-	-
Colleen Mary Condliffe	12	11	-	-	3	3
Linda Joy Younghusband	12	10	11	11	-	-
Stewart Dean Luckman	12	9	11	8	-	-
George Arthur Wyatt	12	9	-	-	-	-
Prue Janelle Milgate	12	9	7	6	3	3
Charlotte Sarah Aves	3	3	3	3	-	-
Annette Maree Higgs	3	3	3	3	-	-
Maxwell Charles Higgs	3	3	-	-	-	-
David Allan Edwards	5	5	-	-	2	2
Simon Patrick Tuohey	5	3	-	-	-	-
Thomas Samuel Jackson	5	-	-	-	-	-

E - eligible to attend

A - number attended

Proceedings on behalf of the company

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

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

Directors' report (continued)

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 26 to the accounts.

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

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

Auditor's independence declaration

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

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



Murray James Baud , Chair

Dated this 2nd day of September 2020

Auditor's independence declaration



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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 2 September 2020

Joshua Griffin
Lead Auditor

Financial statements

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

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	836,016	897,162
Other revenue	9	25,000	25,602
Finance income	10	4,063	7,027
Employee benefit expenses	11e)	(387,332)	(459,991)
Charitable donations, sponsorship, advertising and promotion	11d)	(180,010)	(168,959)
Occupancy and associated costs		(22,126)	(33,932)
Systems costs		(20,555)	(20,873)
Depreciation and amortisation expense	11a)	(62,014)	(27,132)
Finance costs	11b)	(2,551)	-
General administration expenses		(129,616)	(152,125)
Profit before income tax expense		60,875	66,779
Income tax expense	12a)	(22,054)	(18,365)
Profit after income tax expense		38,821	48,414
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		38,821	48,414
Earnings per share		¢	¢
- Basic and diluted earnings per share:	29a)	7.68	9.58

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	237,505	226,983
Trade and other receivables	14a)	35,057	6,136
Total current assets		272,562	233,119
Non-current assets			
Property, plant and equipment	15a)	115,984	131,751
Right-of-use assets	16a)	16,919	-
Intangible assets	17a)	112,885	150,305
Total non-current assets		245,788	282,056
Total assets		518,350	515,175
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	17,961	17,741
Current tax liabilities	18a)	4,717	15,868
Lease liabilities	20b)	11,453	-
Total current liabilities		34,131	33,609
Non-current liabilities			
Trade and other payables	19b)	-	14,774
Lease liabilities	20c)	11,054	-
Provisions	21a)	19,447	-
Deferred tax liability	18b)	14,660	12,296
Total non-current liabilities		45,161	27,070
Total liabilities		79,292	60,679
Net assets		439,058	454,496
EQUITY			
Issued capital	22a)	488,516	488,516
Accumulated losses	23	(49,458)	(34,020)
Total equity		439,058	454,496

The accompanying notes form part of these financial statements

Financial statements (continued)

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

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018		488,516	(47,055)	441,461
Total comprehensive income for the year		-	48,414	48,414
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28	-	(35,379)	(35,379)
Balance at 30 June 2019		488,516	(34,020)	454,496
Balance at 1 July 2019		488,516	(34,020)	454,496
Effect of AASB 16: Leases	3d)	-	(18,880)	(18,880)
Restated balance at 1 July 2019		488,516	(52,900)	435,616
Total comprehensive income for the year		-	38,821	38,821
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28	-	(35,379)	(35,379)
Balance at 30 June 2020		488,516	(49,458)	439,058

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		915,452	1,031,675
Payments to suppliers and employees		(833,259)	(932,431)
Interest received		4,063	7,027
Lease payments (interest component)	11b)	(1,533)	-
Lease payments not included in the measurement of lease liabilities	11f)	(6,141)	-
Income taxes paid		(8,397)	(2,600)
Net cash provided by operating activities	24	70,185	103,671
Cash flows from investing activities			
Payments for property, plant and equipment		-	(58,246)
Proceeds from sale of property, plant and equipment		-	10,455
Payments for intangible assets		(13,431)	(13,431)
Net cash used in investing activities		(13,431)	(61,222)
Cash flows from financing activities			
Lease payments (principal component)	20a)	(10,853)	-
Dividends paid	28	(35,379)	(35,379)
Net cash used in financing activities		(46,232)	(35,379)
Net cash increase in cash held		10,522	7,070
Cash and cash equivalents at the beginning of the financial year		226,983	219,913
Cash and cash equivalents at the end of the financial year	13a)	237,505	226,983

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
64 Brooke Street Inglewood VIC 3517	64 Brooke Street Inglewood VIC 3517

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 27.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 2 September 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

Notes to the financial statements (continued)

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

Notes to the financial statements (continued)

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

d) Impact on financial statements

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

<i>Impact on equity presented as increase (decrease)</i>	Note	1 July 2019 \$
Asset		
Right-of-use assets - land and buildings	16b)	25,747
Deferred tax asset	18b)	7,161
Liability		
Lease liabilities	20a)	(33,359)
Provision for make-good	21b)	(18,429)
Equity		
Accumulated losses		<u>(18,880)</u>

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.39%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	37,786
Less: AASB 117 lease commitments reconciliation	(1,661)
Less: present value discounting	(2,766)
Lease liability as at 1 July 2019	<u>33,359</u>

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

<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 supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Notes to the financial statements (continued)

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

Revenue

Revenue recognition policy

Sale of property, plant and equipment

Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

Discretionary financial contributions (also "Market Development Fund" or "MDF")

MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.

Other income

All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Notes to the financial statements (continued)

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Notes to the financial statements (continued)

Note 4 Economic dependency - Bendigo Bank *(continued)*

d) Employee benefits *(continued)*

Other long-term employee benefits

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

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

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

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

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

Notes to the financial statements (continued)

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line	4 to 40 years
Plant and equipment	Straight-line	1 to 40 years
Motor vehicles	Straight-line	5 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

h) Intangible assets

Amortisation

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Business Acquisition Fee	Straight-line	5 years

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

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets (continued)

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Notes to the financial statements (continued)

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

i) Financial instruments (*continued*)

Derecognition (continued)

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

j) Impairment (continued)

Non-financial assets (continued)

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

k) Issued capital

Ordinary shares

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

l) Provisions

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

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

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

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessor

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

Policy applicable before 1 July 2019

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

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

As a lessee

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

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

As a lessor

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

n) Standards issued but not yet effective

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

Notes to the financial statements (continued)

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

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

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 & 17 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Notes to the financial statements (continued)

Note 6 Financial risk management

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

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

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

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

a) Credit risk

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

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

b) Liquidity risk

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

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$237,505 at 30 June 2020 (2019: \$226,983). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Notes to the financial statements (continued)

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 8 Revenue from contracts with customers

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

<i>Revenue from contracts with customers</i>	2020 \$	2019 \$
Revenue:		
- Revenue from contracts with customers	836,016	897,162
	<u>836,016</u>	<u>897,162</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	566,781	636,003
- Fee income	52,321	57,096
- Commission income	216,914	204,063
	<u>836,016</u>	<u>897,162</u>

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

Note 9 Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor.

<i>Other revenue</i>	2020 \$	2019 \$
Revenue:		
- Market development fund income	25,000	25,000
- Other income	-	602
	<u>25,000</u>	<u>25,602</u>

Notes to the financial statements (continued)

Note 10 Finance income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

<i>Finance income</i>	2020 \$	2019 \$
At amortised cost:		
- Term deposits	4,063	7,027
	<u>4,063</u>	<u>7,027</u>

Note 11 Expenses

a) Depreciation and amortisation expense	2020 \$	2019 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	4,514	4,151
- Plant and equipment	796	629
- Motor vehicles	10,457	8,488
	<u>15,767</u>	<u>13,268</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	8,827	-
	<u>8,827</u>	<u>-</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,503	2,310
- Franchise renewal process fee	12,517	11,554
- Business Acquisition fee	22,400	-
	<u>37,420</u>	<u>13,864</u>
Total depreciation and amortisation expense	<u>62,014</u>	<u>27,132</u>

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

b) Finance costs	Note	2020 \$	2019 \$
<i>Finance costs:</i>			
- Lease interest expense	20a)	1,533	-
- Unwinding of make-good provision		1,018	-
		<u>2,551</u>	<u>-</u>

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

Notes to the financial statements (continued)

Note 11 Expenses (continued)

c) Impairment loss on trade receivables and contract assets

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

d) Charitable donations, sponsorship, advertising and promotion

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

	2020 \$	2019 \$
- Direct sponsorship, advertising, and promotion payments	62,510	168,959
- Contribution to the Community Enterprise Foundation™	117,500	-
	<u>180,010</u>	<u>168,959</u>

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

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

e) Employee benefit expenses

	2020 \$	2019 \$
Wages and salaries	316,990	327,115
Non-cash benefits	3,586	3,424
Contributions to defined contribution plans	28,085	37,582
Expenses related to long service leave	(1,909)	3,355
Other expenses	40,580	88,515
	<u>387,332</u>	<u>459,991</u>

f) Recognition exemption

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

	2020 \$	2019 \$
Expenses relating to low-value leases	8,827	-
	<u>8,827</u>	<u>-</u>

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

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

Notes to the financial statements (continued)

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss	2020 \$	2019 \$
<i>Current tax expense/(credit)</i>		
- Current tax	12,528	17,626
- Movement in deferred tax	3,211	739
- Adjustment to deferred tax on AASB 16 retrospective application	7,161	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	(846)	-
	<u>22,054</u>	<u>18,365</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a gain of \$846 related to the remeasurement of deferred tax assets and liabilities of the company.

b) <i>Prima facie</i> income tax reconciliation	2020 \$	2019 \$
Operating profit before taxation	60,875	66,779
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	16,741	18,364
Tax effect of:		
- Non-deductible expenses	6,160	2,403
- Temporary differences	(10,372)	(3,141)
- Movement in deferred tax	3,211	739
- Leases initial recognition	7,161	-
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	(846)	-
	<u>22,055</u>	<u>18,365</u>

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

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

	2020 \$	2019 \$
- Cash at bank and on hand	37,505	26,983
- Term deposits	200,000	200,000
	<u>237,505</u>	<u>226,983</u>

Notes to the financial statements (continued)

Note 14 Trade and other receivables

	2020 \$	2019 \$
a) Current assets		
Trade receivables	28,185	-
Prepayments	4,440	3,704
Other receivables and accruals	2,432	2,432
	<u>35,057</u>	<u>6,136</u>

Note 15 Property, plant and equipment

	2020 \$	2019 \$
a) Carrying amounts		
<i>Leasehold improvements</i>		
At cost	151,679	151,679
Less: accumulated depreciation	(84,309)	(79,795)
	<u>67,370</u>	<u>71,884</u>
<i>Plant and equipment</i>		
At cost	42,462	42,462
Less: accumulated depreciation	(28,713)	(27,917)
	<u>13,749</u>	<u>14,545</u>
<i>Motor vehicles</i>		
At cost	52,284	52,284
Less: accumulated depreciation	(17,419)	(6,962)
	<u>34,865</u>	<u>45,322</u>
Total written down amount	<u>115,984</u>	<u>131,751</u>

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

	2020 \$	2019 \$
b) Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning	71,884	71,465
Additions	-	4,570
Depreciation	(4,514)	(4,151)
Carrying amount at end	<u>67,370</u>	<u>71,884</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	14,545	13,782
Additions	-	1,392
Depreciation	(796)	(629)
Carrying amount at end	<u>13,749</u>	<u>14,545</u>

Notes to the financial statements (continued)

Note 15 Property, plant and equipment (continued)

b) Reconciliation of carrying amounts (continued)	2020	2019
	\$	\$
<i>Motor vehicles</i>		
Carrying amount at beginning	45,322	20,717
Additions	-	52,284
Disposals	-	(19,191)
Depreciation	(10,457)	(8,488)
Carrying amount at end	<u>34,865</u>	<u>45,322</u>
Total written down amount	<u>115,984</u>	<u>131,751</u>

Note 16 Right-of-use assets

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

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

a) Carrying amounts	Note	2020	2019
		\$	\$
<i>Leased land and buildings</i>			
At cost		132,411	-
Less: accumulated depreciation		(115,492)	-
Total written down amount		<u>16,919</u>	<u>-</u>
b) Reconciliation of carrying amounts			
<i>Leased land and buildings</i>			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	132,411	-
Accumulated depreciation on adoption	3d)	(106,664)	-
Depreciation		(8,828)	-
Carrying amount at end		<u>16,919</u>	<u>-</u>
Total written down amount		<u>16,919</u>	<u>-</u>

Notes to the financial statements (continued)

Note 17 Intangible assets

a) Carrying amounts

	2020 \$	2019 \$
<i>Franchise fee</i>		
At cost	32,746	32,746
Less: accumulated amortisation	(28,865)	(26,362)
	<u>3,881</u>	<u>6,384</u>
<i>Franchise renewal process fee</i>		
At cost	113,729	113,729
Less: accumulated amortisation	(94,325)	(81,808)
	<u>19,404</u>	<u>31,921</u>
<i>Business Acquisition fee</i>		
At cost	112,000	112,000
Less: accumulated amortisation	(22,400)	-
	<u>89,600</u>	<u>112,000</u>
Total written down amount	<u>112,885</u>	<u>150,305</u>

b) Reconciliation of carrying amounts

<i>Franchise fee</i>		
Carrying amount at beginning	6,384	8,694
Amortisation	(2,503)	(2,310)
Carrying amount at end	<u>3,881</u>	<u>6,384</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	31,921	43,475
Amortisation	(12,517)	(11,554)
Carrying amount at end	<u>19,404</u>	<u>31,921</u>
<i>Business Acquisition fee</i>		
Carrying amount at beginning	112,000	112,000
Amortisation	(22,400)	-
Carrying amount at end	<u>89,600</u>	<u>112,000</u>
Total written down amount	<u>112,885</u>	<u>150,305</u>

Notes to the financial statements (continued)

Note 17 Intangible assets (continued)

c) Changes in estimates

The company has re-assessed the useful life of its cash-generating unit for business domiciled from Bendigo bank (Business Acquisition Fee) to the company based on new information from Bendigo Bank relating to the customer product life cycle.

The company has determined the intangible asset has a finite useful life from 1 July 2019 of five years.

The financial effect of the reassessment, assuming the assets are held until the end of their revised useful lives and no other impairment indicators are present, on actual and expected amortisation expense was as follows:

	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$
Increase in amortisation expense	22,400	22,400	22,400	22,400	22,400

The financial effect of the reassessment on the current reporting period is as follows:

<i>Intangible asset</i>	\$	\$	\$	\$	\$
- Cash-generating unit - domiciled accounts	89,600	67,200	44,800	22,400	-

Note 18 Tax assets and liabilities

a) Current tax

	2020 \$	2019 \$
Income tax payable	4,717	15,868

b) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
<i>Deferred tax assets</i>	\$	\$	\$	\$
- expense accruals	798	(18)	-	780
- make-good provision	-	(12)	5,068	5,056
- lease liability	-	(3,322)	9,174	5,852
Total deferred tax assets	798	(3,352)	14,242	11,688
<i>Deferred tax liabilities</i>				
- income accruals	669	(37)	-	632
- property, plant and equipment	12,425	8,892	-	21,317
- right-of-use assets	-	(2,681)	7,080	4,399
Total deferred tax liabilities	13,094	6,174	7,080	26,348
Net deferred tax assets (liabilities)	(12,296)	(9,525)	7,161	(14,660)

Notes to the financial statements (continued)

Note 18 Tax assets and liabilities (continued)

b) Deferred tax

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

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
	\$	\$	\$	\$
<i>Deferred tax assets</i>				
- expense accruals	770	28	-	798
Total deferred tax assets	770	28	-	798
<i>Deferred tax liabilities</i>				
- income accruals	36	633	-	669
- property, plant and equipment	12,291	134	-	12,425
Total deferred tax liabilities	12,327	767	-	13,094
Net deferred tax assets (liabilities)	(11,557)	(739)	-	(12,296)

c) Uncertainty over income tax treatments

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

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

Note 19 Trade creditors and other payables

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

a) Current liabilities

	2020 \$	2019 \$
Trade creditors	-	3,984
Other creditors and accruals	17,961	13,757
	<u>17,961</u>	<u>17,741</u>

b) Non-current liabilities

Other creditors and accruals	-	14,774
	<u>-</u>	<u>14,774</u>

Notes to the financial statements (continued)

Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%.

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

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

Lease portfolio

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

The company's lease portfolio includes:

- **Branch premises** The lease commenced in June 2007 for an initial five year term, the lease contained two additional five year renewal options which have since been exercised. The lease expires on 31 May 2022.

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

a) Lease liability measurement

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

<i>Lease liabilities on transition</i>	Note	2020 \$	2019 \$
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	33,360	-
Lease payments - interest		1,533	-
Lease payments		(12,386)	-
		<u>22,507</u>	<u>-</u>
 b) Current lease liabilities			
Property lease liabilities		12,386	-
Unexpired interest		(933)	-
		<u>11,453</u>	<u>-</u>

Notes to the financial statements (continued)

Note 20 Lease liabilities (continued)

c) Non-current lease liabilities	2020 \$	2019 \$
Property lease liabilities	11,354	-
Unexpired interest	(300)	-
	<u>11,054</u>	<u>-</u>
d) Maturity analysis		
- Not later than 12 months	12,386	-
- Between 12 months and 5 years	11,354	-
- Greater than 5 years	-	-
Total undiscounted lease payments	<u>23,740</u>	<u>-</u>
Unexpired interest	(1,233)	-
Present value of lease liabilities	<u>22,507</u>	<u>-</u>

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is an increase in profit after tax of \$731.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	12,386	(12,386)	-
- Depreciation and amortisation expense	-	8,827	8,827
- Finance costs	-	2,551	2,551
Decrease in expenses - before tax	<u>12,386</u>	<u>(1,008)</u>	<u>11,378</u>
- Income tax expense / (credit) - current	(3,406)	3,406	-
- Income tax expense / (credit) - deferred	-	(3,129)	(3,129)
Decrease in expenses - after tax	<u>8,980</u>	<u>(731)</u>	<u>8,249</u>

Note 21 Provisions

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

a) Non-current liabilities	2020 \$	2019 \$
Make-good on leased premises	19,447	-
	<u>19,447</u>	<u>-</u>

Notes to the financial statements (continued)

Note 21 Provisions (continued)

b) Make-good provision

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

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

<i>Provision</i>	Note	2020 \$	2019 \$
Balance at the beginning		-	-
Face-value of make-good costs recognised	3d)	21,560	-
Present value discounting	3d)	(3,131)	-
Present value unwinding		1,018	-
		<u>19,447</u>	<u>-</u>

c) Changes in estimates

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

The lease is due to expire on 31 May 2022 at which time it is expected the face-value costs to restore the premises will fall due.

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

<i>Profit or loss</i>	2020	2021	2022
Expense:			
- Finance costs	1,018	1,074	1,038
<i>Statement of financial position</i>			
Liability:			
- Make-good provision	19,447	20,522	21,560

Note 22 Issued capital

a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	505,412	505,412	505,412	505,412
Less: equity raising costs	-	(16,896)	-	(16,896)
	<u>505,412</u>	<u>488,516</u>	<u>505,412</u>	<u>488,516</u>

Notes to the financial statements (continued)

Note 22 Issued capital (*continued*)

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

Notes to the financial statements (continued)

Note 22 Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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

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

Note 23 Accumulated losses

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		(34,020)	(47,055)
Adjustment for transition to AASB 16	3d)	(18,880)	-
Net profit after tax from ordinary activities		38,821	48,414
Dividends provided for or paid	28a)	(35,379)	(35,379)
Balance at end of reporting period		<u>(49,458)</u>	<u>(34,020)</u>

Note 24 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	38,821	48,414
Adjustments for:		
- Depreciation	24,594	13,268
- Amortisation	37,420	13,864
- (Profit)/loss on disposal of non-current assets	-	8,736
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(28,922)	15,887
- (Increase)/decrease in other assets	7,163	-
- Increase/(decrease) in trade and other payables	(1,123)	(12,263)
- Increase/(decrease) in provisions	1,018	-
- Increase/(decrease) in tax liabilities	(8,786)	15,765
Net cash flows provided by operating activities	<u>70,185</u>	<u>103,671</u>

Notes to the financial statements (continued)

Note 25 Financial instruments

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

	Note	2020 \$	2019 \$
Financial assets			
Trade and other receivables	14	30,617	2,432
Cash and cash equivalents	13	37,505	26,983
Term deposits	13	200,000	200,000
		<u>268,122</u>	<u>229,415</u>
Financial liabilities			
Trade and other payables	19	-	3,984
Lease liabilities	20	22,507	-
		<u>22,507</u>	<u>3,984</u>

Note 26 Auditor's remuneration

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

	2020 \$	2019 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	4,700	4,600
	<u>4,700</u>	<u>4,600</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	1,250	600
- General advisory services	4,080	1,400
- Share registry services	3,854	3,821
	<u>9,184</u>	<u>5,821</u>
Total auditor's remuneration	<u>13,884</u>	<u>10,421</u>

Notes to the financial statements (continued)

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Murray James Baud
Kim Hanlon
Kenneth John Canfield
Simon Patrick Tuohey
Colleen Mary Condliffe
Linda Joy Younghusband
Stewart Dean Luckman
Charlotte Sarah Aves
George Arthur Wyatt
David Allan Edwards
Prue Janelle Milgate
Thomas Samuel Jackson
Annette Maree Higgs
Maxwell Charles Higgs

b) Key management personnel compensation

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

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

c) Related party transactions

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

	2020 \$	2019 \$
<i>Transactions with related parties</i>		
- The company secretary has provided the company with secretarial and board support	7,398	9,042
Total transactions with related parties	<u>7,398</u>	<u>9,042</u>

Stewart Dean Luckman is employed by Bendigo and Adelaide Bank Limited and is seconded to the Inglewood and Districts Community Bank

Note 28 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Unfranked dividend	7.00	35,379	7.00	35,379
Total dividends paid during the financial year	<u>7.00</u>	<u>35,379</u>	<u>7.00</u>	<u>35,379</u>

Notes to the financial statements (continued)

Note 28 Dividends provided for or paid (continued)

b) Franking account balance	2020 \$	2019 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	6,256	6,256
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	15,282	-
- franking credits from the payment of income tax instalments during the financial year	8,397	-
Franking account balance at the end of the financial year	29,935	6,256
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	4,717	15,868
Franking credits available for future reporting periods	34,652	22,124

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

Note 29 Earnings per share

a) Basic and diluted earnings per share

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

	2020 \$	2019 \$
Profit attributable to ordinary shareholders	38,821	48,414
	Number	Number
Weighted-average number of ordinary shares	505,412	505,412
	Cents	Cents
Basic and diluted earnings per share	7.68	9.58

Note 30 Commitments

a) Lease commitments

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

Operating lease commitments - lessee	2020 \$	2019 \$
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	12,262
- between 12 months and 5 years	-	24,524
Minimum lease payments payable	-	36,786

b) Other commitments

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

Notes to the financial statements (continued)

Note 31 Contingencies

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

Note 32 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Inglewood & Districts Community Enterprises Limited, we state that:

In the opinion of the directors:

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

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



Murray James Baud, Chair

Dated this 2nd day of September 2020

Independent audit report



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
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Independent auditor's report to the members of Inglewood & Districts Community Enterprises Limited

Report on the audit of the financial report

Our opinion

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

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

What we have audited

Inglewood & Districts Community Enterprises Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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



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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 2 September 2020

Joshua Griffin
Lead Auditor

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