Annual Report 2020

Inverloch & District Financial Enterprises Limited

Community Bank Inverloch & District

ABN 13 117 672 590

Contents

Chairman's report

For year ending 30 June 2020

On behalf of Inverloch & District Financial Enterprises Limited I'm pleased to present our report for 2019/20. From bushfires to pandemics it has been an exciting, ever changing and challenging year. I have attempted in this report to capture some of the major events which have shaped our year.

Financial performance

The company's profitability reduced this year with a Net Profit after Tax result of $(35,372). The profit result included a reassessment of the carrying amount in Intangible Assets (Goodwill) with a non-cash impairment loss of $35,500 being recognised for the financial year, without which the year was breakeven.

The results have been driven mainly by steady reduction in financial activity resulting in revenue decline of $96,349 or 16%. Net interest margin returns under the revenue share arrangement have decreased following four official cash rate cuts by the Reserve Bank of Australia. Containment of costs during a period of lower margins remains a strong focus although this has been offset by larger community contributions.

The company continues with a strong balance sheet, ending with net assets of $719,153 and net debt (including leases) of $30,146. The cash and cash equivalents position of the company at the year-end of $630,869.

The Board has determined a dividend of 3.5 cents per share.

Community contribution

We are first and foremost a Community Bank and in discussion with several shareholders it was clear an increased focus on community contributions would be welcomed. We are very pleased this year to have provided over $50,000 in community contributions through donations and sponsorships, a significant increase from last year. This amount would have been higher without the cancellation of some many great community activities from COVID-19 restrictions.

Recipients included; Inverloch Kongwak Football Netball Club netball court upgrade, Inverloch Scout Group toilet upgrade, Inverloch Surf Club rubber duck and AWARE Wildlife Rescue for bushfire support.

Sponsorship was also provided to; South Gippsland Concert Band, Southern Business Women's Network, South Gippsland Yacht Club, Bass Coast Community Foundation, Venus Bay Surf Life Saving Club, Inverloch Interchurch Council Carols in the Glade and Inverloch Primary School.

In assessing overall community contributions, in addition to over $50,000 in community donations and sponsorships, we provided over $250,000 in employee benefits, spending with local businesses over $90,000 and returns to shareholders of $48,751 – in total over $440,000 returned to the local communities during the 2019/20 financial year.

Personnel

I would like to acknowledge the efforts of our staff; Penelope, Dianne, Sasha, Nicky and Eva, in adjusting to some difficult times. In particular Penelope who has stepped up as acting Branch Manager through a very challenging second half of the year.

The health and safety of our staff and customers is a primary concern with the COVID-19 virus causing changes in the way we operate. There has been restricted access to relief staff, adjustments in childcare and home schooling and limits to numbers in the branch. Our staff have managed for the majority of time to keep our branch open and servicing customers, we are very grateful for their support.

You may be aware that the Community Bank is supported by volunteer Directors, who in addition to Board meetings there are two sub-committees which operate at a more detailed level. I would like to acknowledge the contribution of all our Directors. We are pleased to announce the appointment of Tom McQualter to the Board.

Philip Clark
Chairman

Manager's report

For year ending 30 June 2020

It is a huge privilege to submit my first Annual Report for Community Bank Inverloch & District. It has been a year of unprecedented times however, as a strong team we have continued through these challenges encompassing the changes and looking forward to the successes of our dedication to the branch for the next financial year.

I would like to acknowledge and thank our volunteer Board members who have been an amazing support to the staff and the community. I personally would like to thank the Board for their assistance, support and commitment to our success.

Our footings at the end of the financial year finished at $93.6 million. Although we have seen an affect due to COVID-19 with transactions and branch attendance slightly decreasing, we have noticed that the customers and community are coming back to our bank and branch. I feel that this is a success to our current staff, their friendliness, customer service skills and the fact that we have had the same team for over 11 months. This in turn has given the community confidence to return to us.

Our customers are crucial to the success of our business and if you (shareholders) refer any new customers, community group or sporting groups to us, then this continues our ability to contribute funds back into the community. This year we again contributed to numerous groups and services including Inverloch Surf Life Saving Club, Venus Bay Surf Life Saving Club, Inverloch Football & Netball Club and BCH Inverloch Art Show Auxiliary. It has been a pleasure and very rewarding being involved in giving back to the community.

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

I would like to thank the staff for the amazing customer service they provide and their willingness to go the extra mile is what is gaining customers and creating a positive reputation in the community.

Our shareholders and customers deserve the accolades because they create the biggest impact on our business. Without you, there is no Community Investment Program. Your banking is building a better community and the more we can grow by attracting more business, the more we can all make a difference. Please refer all your family, friends and work colleagues to us so we can continue to grow and increase our community investment.

We will strive to be the absolute best Community Bank in the network. We provide the best customer service and are committed to you, our customers and shareholders and look forward to our discussions through the year.

Penelope Lyttle
Branch Manager

The 1st Inverloch Scout Group attended the Inverloch Jazz Festival earlier this year.

Bendigo backs Scouts

OVER 50 young people aged between five and 26 head down to the 1st Inverloch Scout Group each week for fun, friendship and 'learning by doing'.

The 1st Inverloch Scout Group has 10 trained leaders who all deliver fun, youth development activities that build resilience and confidence in the young people who take part.

"Our hall is bursting at the seams with our great numbers so we have embarked on a building project to build a bigger hall and disabled toilet/shower facility," said group leader Mark Withers.

"This will allow us to offer scouting on an equal footing to youth regardless of disabilities."

The current hall dates back to World War II and under current COVID-19 restrictions, could only host 14 kids at a time.

The new expansion will allow 50 people inside at one time within social distancing rules.

The Inverloch and District Community Bank Branch of Bendigo Bank donated $2500 towards the 14m x 14m extension.

"We believe inclusion is good for all members and Bendigo Bank is helping us achieve this through their community grants," Mark said.

Inverloch's Bendigo Bank has donated over $500,000 to the community since it opened in 2006.

Community Bank Inverloch & District

Part of the team

HM6421-V5

14:01

Like Comment Share

Inverloch & District Community Bank Branch

38 m ·

Just to make you smile on a Tuesday...our Branch Manager Penelope and Piggy!

5

Spring 2020

Newsletter

Community Bank · Inverloch & District

Helping to save local lives

Keeping our beaches safe, Inverloch Surf Life Saving Club (ISLSC) is an integral part of our local community. And we're proud as punch to provide the club with $21,000 in sponsorship over the next three years.

A team of dedicated volunteers, ISLSC put their heart and soul into patrolling our beaches, educating our children about surf and water safety and providing emergency services to our district. Wonderful mentors for our young people, ISLSC also help members attain their first aid and life saving qualifications.

As big supporters of ISLSC Nippers, we're especially pleased to contribute to their surf education program, which not only teaches our young people surf-safety competence but also helps them to develop skills in leadership and teamwork.

Knowing that ISLSC volunteers have us protected at the beach, we're delighted that our funding helps keep their lifesaving property, vehicles and equipment kept up-to-date and well-maintained.

Inverloch Surf Life Saving Club (ISLSC) is an integral part of our local community, keeping our beaches safe and teaching our young people about surf-safety. We're proud as punch to provide the club with $21,000 in sponsorship over the next three years. These funds will go toward the maintenance of their invaluable life-saving vehicles, property and equipment.

Shining the spotlight on our community groups

This year, Community Bank Inverloch & District was thrilled to initiate and pay for many of our local groups to chat on-air with 3MFM and communicate their vision, mission and key messages to the broader community. Winning!

We've been thrilled this year to initiate and pay for many local groups to chat on-air with 3MFM and communicate their message to the local community! Piggy also loves to drop into their offices on occasion!

Bendigo Bank

bendigobank.com.au

Look what we've been up to!

Photos: Jack Olivier

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

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:

Philip David Clark
Chair
Occupation: Company Director
Qualifications, experience and expertise: Phil was appointed Chair on 29th June 2019 and is also Chair of Westernport Water. He also has experience as a Non-Executive Director of City West Water Limited, as a Non-Executive Director and Chair of the Finance & Audit and Remuneration Committees of ASX Listed African Energy Resources Limited, ATEC International, a start-up social enterprise providing bio-digesters to rural Cambodians and Chair of Engineers Without Borders. Phil is a previous Chair of the Australasian Institute of Mining & Metallurgy, Melbourne Branch. Phil's earlier engineering and executive management career with BHP and Australian Iron and Steel, spans almost four decades, including extensive international experience. He holds a Bachelor of Engineering, a Master of Business Administration and is a Graduate of the Australian Institute of Company Directors.
Other directorships: Westernport Water
Special responsibilities: Finance & Risk Committee
Interest in shares: nil share interest held

Domenic Anthony Brusamarello
Deputy Chair
Occupation: Self Employed Manager
Qualifications, experience and expertise: Fourteen Years State Electricity Commission, Two Years Restaurateur, Ten Years President Inverloch Tourism Association, Four Years President Inverloch Food & Wine Fest, Four Years Leadership Group Member Inverloch Community Planning, twenty-one Years Owner Operator Inverloch Supermarket.
Special responsibilities: Finance & Risk and Business Development & Marketing Committees
Interest in shares: 5,000 ordinary shares

Tristan Andrew Creed
Treasurer
Occupation: Accountant
Qualifications, experience and expertise: Chartered Accountant & Tax Agent. Director of Feathertop Pty Ltd. Director of Imporex Pty Ltd. Director of Armacell Australia Pty Ltd. Bachelor of Business (Accountancy). Graduate Diploma (CA).
Special responsibilities: Finance & Risk and Business Development & Marketing Committees
Interest in shares: 5,001 ordinary shares

Susan Joy Ruffin
Non-executive director
Occupation: Lawyer
Qualifications, experience and expertise: BA (Honours) LLB.
Special responsibilities: Finance & Risk Committee
Interest in shares: nil share interest held

Alisha Dee Gilliland
Non-executive director
Occupation: Local Government
Qualifications, experience and expertise: Graduate Diploma Management (Technology Management) - Deakin University. Bachelor Health Science (Complementary Medicine) - Charles Sturt University. Bachelor Applied Science (Environmental Health) - Swinburne University.
Special responsibilities: nil
Interest in shares: nil share interest held

Directors *(continued)*

Kerralie Joy Shaw
Non-executive director
Occupation: Marketing Strategy Consultant
Qualifications, experience and expertise: Director of KK Insights Pty Ltd. Bachelor of Arts, Graduate Diploma Market Modelling, Graduate Australian Institute of Company Directors. Marketing career focusing on consumer buying behaviour in almost all B2C categories. Active member of Inverloch Surf Lifesaving Club.
Special responsibilities: Chair of Business Development & Marketing Committee
Interest in shares: nil share interest held

Mark Gerard McCormack
Non-executive director
Occupation: Civil Engineer
Qualifications, experience and expertise: Bachelor of Civil Engineering, Fellow Institute of Engineers Australia (Eng Exec), Chartered Professional Engineer (CPEng), Engineer of Water Supply, Graduate Australian Institute of Company Directors. Over 30 years of experience in engineering and management roles in State Rivers and Water Supply, Mornington Peninsula WaterBoard and Melbourne Water. Various senior executive roles in South East Water. Life member of Forest Hill Cricket Club. Previous positions, committee and association roles in Little Athletics and local football clubs.
Special responsibilities: Nil
Interest in shares: nil share interest held

Graham Fitton
Non-executive director
Occupation: Business Coach
Qualifications, experience and expertise: Bachelor of Science, Graduate Diploma in Business Administration, Graduate Diploma of Business (Labour/ Management Relations). Corporate Director Diploma. Previous executive positions Metropolitan Ambulance Service. Program manager, consultant, mentor and business coach, currently operating as S2X based in Inverloch. Member of Inverloch Rotary Club. Past-President Wonthaggi Business and Tourism Association.
Special responsibilities: Chair of Finance & Risk Committee
Interest in shares: nil share interest held

Thomas James McQualter
Non-executive director (appointed 29 July 2020)
Occupation: Public Servant
Qualifications, experience and expertise: Bachelor of Laws / Bachelor of Arts. Masters of Organisations Leadership. Has held senior management positions within local government, water industry and private industry. His skills are in the field of governance, finance, risk, organisationsl development and leadership. Current member of Inverloch Kongwak Football Netball Club and Inverloch Cricket Club.
Special responsibilities: Finance & Risk 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.

Company Secretary

The company secretary is Mark McCormack. Mark was appointed to the position of secretary on 5 December 2018.

Qualifications, experience and expertise: Mark holds a Bachelor of Civil Engineering, Fellow Institute of Engineers Australia (Eng Exec), Chartered Professional Engineer (CPEng), Engineer of Water Supply, Graduate Australian Institute of Company Directors. Mark has over 30 years of experience in engineering and management roles n State Rivers and Water Supply, Mornington Peninsula Water Board, Melbourne Water and South East Water including a number of executive roles. Life member of local cricket club having undertaken various committee positions. Mark has previously held positions, committee and association roles in Little Athletics and local football clubs.

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

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2020 $	Year ended 30 June 2019 $
(35,372)	83,670

Operating and financial review

Overview of the company

The company is a franchisee of Bendigo Bank providing financial products and services to individuals, businesses and organisations throughout the local area via the Inverloch Community Bank branch. While the branch offers the full suite of Bendigo & Adelaide Bank products and services, margin earnings from firstly loans and then deposits are the predominant contributor to company results.

The general nature of the business market for the company remains challenging and issues commented upon for the prior three financial years continue to persist. The company continues to endure historically low cash rates set by the Reserve Bank of Australia that have resulted in a corresponding decline in interest paid on deposit accounts, continuing the trend of lower than anticipated margins for this product group. Moreover, the market competition for home and other loans has made it difficult to achieve budgeted targets. The company continues to encourage staff to actively pursue new customers and product offerings to offset the intense competition from major financial service providers in the marketplace.

Key metrics

Five year summary of performance	Unit	2020	2019	2018	2017	2016
Operating revenue	$	522,992	619,341	692,264	685,502	658,779
Earnings before interest, tax, depreciation, and amortisation	$	30,330	136,599	118,319	91,944	74,416
Earnings before interest and tax	$	(32,895)	117,119	98,637	71,048	52,597
Net profit after tax	$	(35,372)	83,670	71,513	50,258	36,704
Total assets	$	769,621	844,078	803,945	784,531	772,238
Total liabilities	$	50,468	40,802	35,588	38,936	50,651
Total equity	$	719,153	803,276	768,357	745,595	721,587
Net cash flow from operating activities	$	15,515	124,367	87,054	100,325	70,322
Business footings[1]	$m	93	101	105	105	98

Shareholder returns

Profit attributable to owners of the company	$	(35,372)	83,670	71,513	50,258	36,704
Basic earnings per share	¢	(4.72)	11.16	9.53	6.70	4.89
Dividends paid	$	48,751	48,751	48,751	26,250	-
Dividends per share	¢	6.50	6.50	6.50	3.50	-
Net tangible assets per share	¢	94.00	99.00	92.00	87.00	83.00
Price earnings ratio	¢	(12.74)	5.00	6.30	10.45	14.31
Share price	$	0.60	0.60	0.60	0.70	0.70

[1] This is a non-IFRS measure of the business domiciled to the company from the franchisor. The footings is the underlying business which generates revenue under the Franchise Agreement. Business footings include loans, deposits, wealth products, and other business.

Operating and financial review *(continued)*

Financial position

The cash and cash equivalents position of the company decreased for the reporting year by ($79,086) for a year-end balance of $630,869.

The company profitability reduced in the financial year ended 30 June 2020 with revenues 16% or $96,349 lower than the previous year only partial offset by tighter cost control and as a result, the financial position of the company still remains relatively strong. Containment of costs during a period of lower margins remains a strong focus.

The company continues to build with a strong balance sheet, ending June 2020 with net assets of $719,153 and net debt (including leases) of $30,146.

Drivers of business performance

The results for the 2019/20 financial year have been driven mainly by steady reduction in financial activity resulting in revenue decline of 16%. Net interest margin returns under the revenue share arrangement have decreased following four official cash rate cuts by the Reserve Bank of Australia.

In addition, COVID-19 resulted in mandatory quarantine in the second half of the financial year. The immediate impact is not expected to be significant in the current reporting results. Future reporting periods may see an increase in bad debt charges.

Business strategies

To address the current stage of development of the business and in recognition of the current financial circumstances, both in the economy and the observed impact upon the Bendigo profit share model, the Board has determined to continue the focus upon five broad directions:

1. Strengthening our connection and level of engagement between important stakeholders and partners.
2. Strengthening our Directors role in our business structure and key customer and community segments.
3. Defining our future board skill and diversity mix and a structure that will deliver our Strategic Plan.
4. Focussing our business on the most profitable growth opportunities using our own local marketing plans.
5. Planning to achieve our future business performance expectations.

Future outlook

The company believes there are opportunities to develop additional revenue through:

1. Acquiring additional customers through greater community based events and a focus on local businesses.
2. Improving the range and number of products and services, such as insurance, for each customer.

The company anticipates that current market conditions will remain challenging during the forthcoming financial year. In this environment the company will focus upon increasing the number of customers and the uptake of products and services, thereby further improving revenue flow and profitability.

Remuneration report

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the company.

There are therefore no specified Executives whose remuneration requires disclosure.

Transactions with directors	$
Tristan Andrew Creed received remuneration for accounting services carried out by Feathertop Business Services.	15,545

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Philip David Clark	-	-	-
Domenic Anthony Brusamarello	5,000	-	5,000
Tristan Andrew Creed	4,000	1,001	5,001
Susan Joy Ruffin	-	-	-
Alisha Dee Gilliland	-	-	-
Kerralie Joy Shaw	-	-	-
Mark Gerard McCormack	-	-	-
Graham Fitton	-	-	-
Thomas James McQualter	-	-	-

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

Dividends

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

	Cents per share	Total amount
Final fully franked dividend	6.5	48,751
Total amount	6.5	48,751

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases. See notes 3 and 4 for further details.

Significant changes in the state of affairs

In the opinion of the directors there were no 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.

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: Marketing & Business Development		Committee Meetings: Finance & Risk	
	E	*A*	*E*	*A*	*E*	*A*
Philip David Clark	11	10	7	6	3	3
Domenic Anthony Brusamarello	11	8	7	2	3	-
Tristan Andrew Creed	11	11	7	7	3	3
Susan Joy Ruffin	11	7	-	-	3	1
Alisha Dee Gilliland	11	10	-	-	-	-
Kerralie Joy Shaw	11	8	7	7	-	-
Mark Gerard McCormack	11	10	-	-	3	2
Graham Fitton	11	8	-	-	3	2
Thomas James McQualter	-	-	-	-	-	-

E - eligible to attend
A - number attended

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 25 to the accounts.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

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

P Clark

Philip David Clark, Chair

Dated this 27th day of August 2020

Auditor's independence declaration

Partners in success
Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Inverloch & District Financial Enterprises Limited

As lead auditor for the audit of Inverloch & District Financial 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: 27 August 2020

Joshua Griffin
Lead Auditor

Inverloch & District Financial Enterprises Limited
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	522,992	619,341
Other revenue	9	39,545	25,000
Finance income	10	13,425	15,195
Employee benefit expenses	11f)	(302,382)	(310,765)
Charitable donations, sponsorship, advertising and promotion	11e)	(55,689)	(15,536)
Occupancy and associated costs		(23,579)	(66,865)
Systems costs		(18,660)	(19,649)
Depreciation and amortisation expense	11a)	(63,225)	(19,480)
Impairment losses	11b)	(35,500)	-
Finance costs	11c)	(2,277)	(1)
General administration expenses		(109,822)	(110,122)
Profit/(loss) before income tax expense		**(35,172)**	**117,118**
Income tax expense	12a)	(200)	(33,448)
Profit/(loss) after income tax expense		**(35,372)**	**83,670**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**(35,372)**	**83,670**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings/(loss) per share:	28a)	(4.72)	11.16

The accompanying notes form part of these financial statements

Inverloch & District Financial Enterprises Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	630,869	709,955
Trade and other receivables	14a)	47,067	19,709
Total current assets		677,936	729,664
Non-current assets			
Property, plant and equipment	15a)	52,340	55,436
Right-of-use assets	16a)	29,453	-
Intangible assets	17a)	9,892	58,978
Total non-current assets		91,685	114,414
Total assets		769,621	844,078
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	12,677	16,919
Current tax liabilities	18a)	-	16,438
Lease liabilities	20b)	30,146	-
Total current liabilities		42,823	33,357
Non-current liabilities			
Deferred tax liability	18b)	7,645	7,445
Total non-current liabilities		7,645	7,445
Total liabilities		50,468	40,802
Net assets		719,153	803,276
EQUITY			
Issued capital	21a)	729,547	729,547
Retained earnings/(accumulated losses)	22	(10,394)	73,729
Total equity		719,153	803,276

The accompanying notes form part of these financial statements

Inverloch & District Financial Enterprises Limited
Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	Issued capital	Retained earnings/ (accumulated losses)	Total equity
		$	$	$
Balance at 1 July 2018		729,547	38,810	768,357
Total comprehensive income for the year		-	83,670	83,670
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	27a)	-	(48,751)	(48,751)
Balance at 30 June 2019		**729,547**	**73,729**	**803,276**
Balance at 1 July 2019		729,547	73,729	803,276
Total comprehensive income for the year		-	(35,372)	(35,372)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	27a)	-	(48,751)	(48,751)
Balance at 30 June 2020		**729,547**	**(10,394)**	**719,153**

The accompanying notes form part of these financial statements

Inverloch & District Financial Enterprises Limited
Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		612,778	725,390
Payments to suppliers and employees		(573,249)	(588,872)
Interest received		2,762	16,150
Interest paid		-	(1)
Lease payments (interest component)	11c)	(2,277)	-
Lease payments not included in the measurement of lease liabilities	11g)	(8,062)	-
Income taxes paid		(16,437)	(28,300)
Net cash provided by operating activities	23	**15,515**	**124,367**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,685)	-
Net cash used in investing activities		**(2,685)**	**-**
Cash flows from financing activities			
Lease payments (principal component)	20a)	(43,165)	-
Dividends paid	27a)	(48,751)	(48,751)
Net cash used in financing activities		**(91,916)**	**(48,751)**
Net cash increase/(decrease) in cash held		**(79,086)**	**75,616**
Cash and cash equivalents at the beginning of the financial year		709,955	634,339
Cash and cash equivalents at the end of the financial year	13a)	**630,869**	**709,955**

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 Inverloch & District Financial 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
16C Williams Street Inverloch VIC 3996	16C Williams Street Inverloch VIC 3996

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 26.

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 27 August 2020.

Note 3	Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

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

b) As a lessee

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

The company recognises lease and non-lease components such as outgoings separately.

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.

d) Impact on financial statements

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

Impact on equity presented as increase (decrease)	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	16b)	72,562
Liability		
Lease liabilities	20a)	(72,562)
Equity		
Retained earnings/(accumulated losses)		-

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

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	78,975
Less: AASB 117 lease commitments reconciliation	(6,413)
Lease liability as at 1 July 2019	72,562

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

Revenue	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
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).

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

b) Other revenue *(continued)*

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.

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and personal 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 personal 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 reliable estimated.

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

Seconded employee benefits

Annual and long service leave entitlements for staff seconded from Bendigo Bank are recognised as they accrue on a monthly basis at the rates paid or payable. No liability for these entitlements are recognised as the liability rests with Bendigo Bank. Personal leave entitlements for seconded staff are recognised when the leave is taken and measured at the rates paid or payable.

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.

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

e) Taxes *(continued)*

Deferred tax

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

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

Deferred tax is not recognised for:

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

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

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

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

Goods and Services Tax

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

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	over the lease term
Plant and equipment	Straight-line and diminishing value	2 to 10 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. The company has also acquired an agency from Bendigo Bank.

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled customer accounts	Assessed for impairment	Finite

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

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

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - 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.

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

i) Financial instruments *(continued)*

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

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.).

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

j) Impairment *(continued)*

Non-derivative financial assets (continued)

<u>Recognition of expected credit losses in financial statements</u>

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) 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.

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

l) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee

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

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

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

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

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

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

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

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

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

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

l) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Policy applicable before 1 July 2019

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

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

As a lessee

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

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

As a lessor

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

m) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 11b) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;

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.

Note 6 Financial risk management *(continued)*

a) Credit risk

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

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

b) Liquidity risk

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

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

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

30 June 2020

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	30,146	30,690	-	-
Trade payables	2,311	2,311	-	-
	32,457	33,001	-	-

30 June 2019

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade payables	8,158	8,158	-	-
	8,158	8,158	-	-

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 $630,869 at 30 June 2020 (2019: $709,955). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 8 Revenue from contracts with customers

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

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	522,992	619,341
	522,992	619,341

Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	442,666	533,775
- Fee income	32,915	37,117
- Commission income	41,628	41,899
- ATM income	5,783	6,550
	522,992	619,341

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.

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	35,000	25,000
- Other income	4,545	-
	39,545	25,000

Note 10 Finance income

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

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

Finance income	2020 $	2019 $
At amortised cost:		
- Term deposits	13,425	15,195
	13,425	15,195

Note 11 Expenses

a) Depreciation and amortisation expense

	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	3,285	3,284
- Plant and equipment	2,496	2,610
	5,781	5,894
Depreciation of right-of-use assets		
- Leased land and buildings	43,858	-
	43,858	-
Amortisation of intangible assets:		
- Franchise fee	2,264	2,264
- Franchise renewal process fee	11,322	11,322
	13,586	13,586
Total depreciation and amortisation expense	63,225	19,480

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

b) Impairment losses

	2020 $	2019 $
Impairment of property, plant and equipment and intangible assets:		
- Domiciled customer accounts	35,500	-
	35,500	-

The non-current assets listed above are impaired in accordance with the company's accounting policy (see Note 4J).

The directors have assessed the carrying amounts of its tangible and intangible non-financial assets for indicators of impairment. Where the carrying amount exceeds its recoverable amount, the asset is impaired and an impairment charge is recognised to reduce the asset to the higher of its fair value less costs to sell and value in use. See note 17c) for more detail.

c) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Lease interest expense	20a)	2,277	-
- Other		-	1
		2,277	1

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

Note 11 Expenses *(continued)*

d) 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.

e) 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	55,689	15,536
	55,689	15,536

f) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	233,011	234,939
Contributions to defined contribution plans	22,954	25,162
Expenses related to long service leave	5,737	6,451
Other expenses	40,680	44,213
	302,382	310,765

g) 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	6,316	-
Expenses relating to short-term leases	1,746	-
	8,062	-

Expenses relating to leases exempt from recognition are included in systems costs and occupancy and associated 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.

The company pays for the right to use a self-storage unit. The lease agreement is on a month-by-month basis.

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss

	2020 $	2019 $
Current tax expense/(credit)		
- Current tax	-	35,057
- Future income tax benefit attributable to losses	(1,494)	-
- Movement in deferred tax	2,135	(1,609)
- Reduction in company tax rate	(441)	-
	200	33,448

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $441 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2020 $	2019 $
Operating profit/(loss) before taxation	(35,172)	117,118
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2019: 27.5%)	(9,672)	32,207
Tax effect of:		
- Non-deductible expenses	10,314	1,238
- Temporary differences	(2,136)	1,612
- Movement in deferred tax	2,135	(1,609)
- Reduction in company tax rate	(441)	-
	200	33,448

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	60,869	139,955
- Term deposits	570,000	570,000
	630,869	709,955

Note 14 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	15,524	8,361
Prepayments	5,845	8,878
Other receivables and accruals	25,698	2,470
	47,067	19,709

Note 15 Property, plant and equipment

a) Carrying amounts

	2020 $	2019 $
Leasehold improvements		
At cost	114,583	114,583
Less: accumulated depreciation and impairment	(74,732)	(71,447)
	39,851	43,136
Plant and equipment		
At cost	58,904	56,219
Less: accumulated depreciation and impairment	(46,415)	(43,919)
	12,489	12,300
Total written down amount	52,340	55,436

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

b) Reconciliation of carrying amounts

	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	43,136	46,420
Depreciation	(3,285)	(3,284)
Carrying amount at end	39,851	43,136
Plant and equipment		
Carrying amount at beginning	12,300	14,910
Additions	2,685	-
Depreciation	(2,496)	(2,610)
Carrying amount at end	12,489	12,300
Total written down amount	52,340	55,436

c) Changes in estimates

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

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

Note 16 Right-of-use assets

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

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

a) Carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
At cost		73,311	-
Less: accumulated depreciation and impairment		(43,858)	-
		29,453	-
Total written down amount		29,453	-

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	72,562	-
Remeasurement adjustments		749	-
Depreciation		(43,858)	-
Carrying amount at end		29,453	-
Total written down amount		29,453	-

Note 17 Intangible assets

a) Carrying amounts

	2020 $	2019 $
Franchise fee		
At cost	32,867	32,867
Less: accumulated amortisation and impairment	(31,218)	(28,954)
	1,649	3,913
Franchise renewal process fee		
At cost	114,337	114,337
Less: accumulated amortisation and impairment	(106,094)	(94,772)
	8,243	19,565
Cash-generating unit - domiciled customer accounts		
At cost	35,500	35,500
Less: accumulated amortisation and impairment	(35,500)	-
	-	35,500
Total written down amount	9,892	58,978

Note 17 Intangible assets *(continued)*

b) Reconciliation of carrying amounts

	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	3,913	6,177
Amortisation	(2,264)	(2,264)
Carrying amount at end	1,649	3,913
Franchise renewal process fee		
Carrying amount at beginning	19,565	30,887
Amortisation	(11,322)	(11,322)
Carrying amount at end	8,243	19,565
Cash-generating unit - domiciled customer accounts		
Carrying amount at beginning	35,500	35,500
Impairment	(35,500)	-
Carrying amount at end	-	35,500
Total written down amount	9,892	58,978

c) Changes in estimates

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

As a result of the reassessment, the carrying amount was found to exceed the recoverable amount indicating the asset is now fully impaired. As such, an impairment loss of $35,500 has been recognised for the financial year ending 30 June 2020.

Note 18 Tax assets and liabilities

a) Current tax

	2020 $	2019 $
Income tax payable	-	16,438

Note 18 Tax assets and liabilities *(continued)*

b) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$	$
- expense accruals	1,072	(33)	-	-	1,039
- lease liability	-	(12,117)	-	19,955	7,838
- carried-forward tax losses	-	1,413	-	-	1,413
Total deferred tax assets	1,072	(10,737)	-	19,955	10,290
Deferred tax liabilities					
- income accruals	679	2,735	-	-	3,414
- property, plant and equipment	7,838	(975)	-	-	6,863
- right-of-use assets	-	(12,297)	-	19,955	7,658
Total deferred tax liabilities	8,517	(10,537)	-	19,955	17,935
Net deferred tax assets (liabilities)	(7,445)	(200)	-	-	(7,645)

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

	30 June 2018	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$	$
- expense accruals	1,072	-	-	-	1,072
Total deferred tax assets	1,072	-	-	-	1,072
Deferred tax liabilities					
- income accruals	942	(263)	-	-	679
- property, plant and equipment	9,184	(1,346)	-	-	7,838
Total deferred tax liabilities	10,126	(1,609)	-	-	8,517
Net deferred tax assets (liabilities)	(9,054)	1,609	-	-	(7,445)

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	2,311	8,158
Other creditors and accruals	10,366	8,761
	12,677	16,919

Note 20 Lease liabilities

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

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

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

Lease portfolio

The company's lease portfolio includes:

- Inverloch Branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in March 2006. An extension option term of five years was exercised in March 2011 and March 2016. The current lease term is due to expire at the end of February 2021.

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.

Lease liabilities on transition	Note	2020 $	2019 $
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	72,562	-
Remeasurement adjustments		749	-
Lease payments - interest		2,277	-
Lease payments		(45,442)	-
		30,146	-

b) Current lease liabilities

Property lease liabilities	30,690	-
Unexpired interest	(544)	-
	30,146	-
	30,146	-

c) Maturity analysis

- Not later than 12 months	30,690	-
Total undiscounted lease payments	30,690	-
Unexpired interest	(544)	-
Present value of lease liabilities	30,146	-

Note 20 Lease liabilities *(continued)*

d) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of $2,153.

Profit or loss - increase (decrease) in expenses	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
- Occupancy and associated costs	43,165	(43,165)	-
- Depreciation and amortisation expense	-	43,858	43,858
- Finance costs	-	2,277	2,277
Increase in expenses - before tax	43,165	2,970	46,135
- Income tax expense / (credit) - current	(11,870)	11,870	-
- Income tax expense / (credit) - deferred	-	(12,687)	(12,687)
Increase in expenses - after tax	31,295	2,153	33,448

Note 21 Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	750,010	750,010	750,010	750,010
Less: equity raising costs	-	(20,463)	-	(20,463)
	750,010	729,547	750,010	729,547

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).

Note 21 Issued capital *(continued)*

b) Rights attached to issued capital

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 187. As at the date of this report, the company had 197 shareholders (2019: 197 shareholders).

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

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

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

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

Note 22 Retained earnings (accumulated losses)

	2020 $	2019 $
Balance at beginning of reporting period	73,729	38,810
Net profit (loss) after tax from ordinary activities	(35,372)	83,670
Dividends provided for or paid	(48,751)	(48,751)
Balance at end of reporting period	(10,394)	73,729

Note 23 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit (loss) after tax from ordinary activities	(35,372)	83,670
Adjustments for:		
- Depreciation	49,639	5,894
- Amortisation	13,586	13,586
- Impairment losses on intangible assets	35,500	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(27,358)	16,003
- Increase/(decrease) in trade and other payables	(4,242)	66
- Increase/(decrease) in tax liabilities	(16,238)	5,148
Net cash flows provided by operating activities	15,515	124,367

Note 24 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	41,222	10,831
Cash and cash equivalents	13	60,869	139,955
Term deposits	13	570,000	570,000
		672,091	720,786
Financial liabilities			
Trade and other payables	19	2,311	8,158
Lease liabilities	20	30,146	-
		32,457	8,158

Note 25 Auditor's remuneration

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

	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	5,900	5,700
	5,900	5,700
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,900	1,650
- Share registry services	3,051	2,988
	6,551	5,238
Total auditor's remuneration	12,451	10,938

Note 26 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Philip David Clark
Domenic Anthony Brusamarello
Tristan Andrew Creed
Susan Joy Ruffin
Alisha Dee Gilliland
Kerralie Joy Shaw
Mark Gerard McCormack
Graham Fitton
Thomas James McQualter

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.

Transactions with related parties	2020 $	2019 $
- Tristan Andrew Creed received remuneration for accounting services carried out by Feathertop Business Services. The total benefit received was:	15,545	15,535
Total transactions with related parties	15,545	15,535

Note 27 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	6.50	48,751	6.50	48,751
Total dividends paid during the financial year	6.50	48,751	6.50	48,751

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

b) Franking account balance

	2020 $	2019 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	20,174	10,366
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	16,437	28,300
- Franking debits from the payment of franked distributions	(18,492)	(18,492)
Franking account balance at the end of the financial year	18,119	20,174
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	-	16,438
Franking credits available for future reporting periods	18,119	36,612

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

Note 28 Earnings per share

a) Based and diluted earnings per share

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

	2020	2019
	$	$
Profit/(loss) attributable to ordinary shareholders	(35,372)	83,670
	Number	Number
Weighted-average number of ordinary shares	750,010	750,010
	Cents	Cents
Basic and diluted earnings/(loss) per share	(4.72)	11.16

Note 29 Commitments

a) Lease commitments

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

	2020	2019
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	45,129
- between 12 months and 5 years	-	33,846
Minimum lease payments payable	-	78,975

b) Other commitments

The company has sponsorship expenditure commitments contracted for with Inverloch Surf Life Saving Club, but not provided for in the financial statements, of $14,000 (2019: $nil). The commitment is for the next 2 years and with $7,000 due in both February 2021 and 2022.

Note 30 Contingencies

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

Note 31 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.

NSX report

For year ended 30 June 2020

Inverloch & District Financial Enterprises Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholders, segregated into various categories based on the total number of shares held.

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	99	63,352
1,001 to 5,000	68	206,253
5,001 to 10,000	22	206,101
10,001 to 100,000	8	274,304
100,001 and over	-	-
Total shareholders	197	750,010

Equity securities

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are three shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

Ten largest shareholdings

The following table shows the 10 largest shareholdings.

Shareholder	Number of fully paid shares held	Percentage of issued capital
SHEILA ANDERSON FORSTER & ANDREW NEIL FORSTER	50,001	6.67
SOUTH COAST PTY LTD <SOUTH COAST SUPER FUND A/C>	50,000	6.67
ROSEMARY BROOKS PTY LTD <ROSIES SUPERFUND A/C>	48,000	6.40
BROADBEACH DEVELOPMENTS PTY LTD <HALL FAMILY SUPER FUND A/C>	30,001	4.00
DAVID WALSH & VICKI BALIS <WALSH FAMILY SUPER FUND A/C>	30,001	4.00
COPPELIUS PTY LTD <JEERALANG DESIGN SUPER FUND>	25,001	3.33
NORTHERN SUBURBS SECRETARIAL SERVICES PTY LTD <JULETON A/C>	21,300	2.84
VIOLET BEARD	20,000	2.67
WILLIAM MAXWELL BROWN & JOY FRANCES BROWN <W & J SUPERANNUATION FUND A/C>	10,000	1.33
ELIZABETH MARY MC NAMARA	10,000	1.33
JABA NOMINEES PTY LTD <AIKINS SUPER FUND A/C>	10,000	1.33
MRS MEEGAN PETERSON	10,000	1.33
MR NICHOLAS PETERSON	10,000	1.33
INLET BUSINESS PTY LTD	10,000	1.33
MR GRANT CALDWELL	10,000	1.33

Ten largest shareholdings *(continued)* Shareholder	Number of fully paid shares held	Percentage of issued capital
ROBERT THORNTON NEWTON	10,000	1.33
MRS MARILYN JOY NEWTON	10,000	1.33
PAJADS PTY LTD <A&P BROWN FAMILY SUPER FUND>	10,000	1.33
VINCENT PATRICK DOWLING & MIRIAM DOWLING	10,000	1.33
ALAN VICTOR JOHNSTON & CAROLE DOROTHY JOHNSTON <AV & CD JOHNSTON SUPER A/C>	10,000	1.33
NEWTON CONCRETING PTY LTD	10,000	1.33
RHONDA KERRIE NEWTON	10,000	1.33
MORESEAST PTY LTD <MORESEAST PTY LTD SUPERANNUATION FUND A/C>	10,000	1.33
MICHAEL RUMBOLD PAKES & ROBERTA MARIE PAKES	10,000	1.33
NEIL ALEXANDER MCARTHUR & FREDA WINIFRED MCARTHUR	10,000	1.33
KENNETH MERVYN ALY & LINDA LORRAINE ALY	10,000	1.33
	454,304	60.57

Registered office and principal administrative office

The registered office of the company is located at:

16C Williams Street
Inverloch VIC 3996
Phone: (03) 5674 2800

The principal administrative office of the company is located at:

16C Williams Street
Inverloch VIC 3996
Phone: (03) 5674 2800

Security register

The security register (share register) is kept at:

AFS & Associates
61 Bull Street,
Bendigo VIC 3550
Phone: (03) 5443 0344

Company Secretary

The company secretary is Mark McCormack. Mark was appointed to the position of secretary on 5 December 2018.

Mark holds a Bachelor of Civil Engineering, Fellow Institute of Engineers Australia (Eng Exec), Chartered Professional Engineer (CPEng), Engineer of Water Supply, Graduate Australian Institute of Company Directors. Mark has over 30 years of experience in engineering and management roles n State Rivers and Water Supply, Mornington Peninsula Water Board, Melbourne Water and South East Water including a number of executive roles. Life member of local cricket club having undertaken various committee positions. Mark has previously held positions, committee and association roles in Little Athletics and local football clubs.

Corporate governance

The company has implemented various corporate governance practices, which include:

(a) The establishment of a Finance & Risk Committee. Members of the Finance & Risk Committee are: Phillip Clark, Domenic Brusamarello, Tristan Creed, Susan Ruffin, Graham Fitton, Mark McCormack;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Bi-monthly Director meetings to discuss performance and strategic plans.

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

Directors' declaration

In accordance with a resolution of the directors of Inverloch & District Financial 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.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001* .

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

Philip David Clark, Chair

Dated this 27th day of August 2020

Independent audit report

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Independent auditor's report to the members of Inverloch & District Financial Enterprises Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Inverloch & District Financial 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 on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited
Inverloch & District Financial Enterprises Limited's (the company) financial report comprises the:

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

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

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

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

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

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The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.
Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

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

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

Report on the remuneration report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Inverloch & District Financial Enterprises Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Application and recognition of AASB 16: Leases	
The company adopted *AASB 16: Leases* as at 1 July 2019, and first reported this at 31 December 2019 during the half-year review. The company has assessed the impact that AASB 16 will have on its financial statements at 30 June 2020. The expected impact of AASB 16 is disclosed in note 3 and 4 m) to the financial statements. A number of judgements have been applied and estimates made in determining the impact of the standard.	In responding to the identified key audit matter, we completed the following audit procedures: ▪ Assessed the design and implementation of key controls pertaining to the determination of the AASB 16 transition impact disclosure. ▪ Assessed the appropriateness of the discount rates and lease terms applied in determining lease liabilities, including any underlying assumptions. ▪ Verified the accuracy of the underlying lease data by agreeing the information directly back to original lease contracts or other supporting information, and checked the integrity and mechanical accuracy

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Key audit matter	How our audit addressed the matter
Our key audit matter was focused on the following areas of risk: ▪ Leasing arrangements within the scope of AASB 16 are not identified or appropriately included in the calculation of the transitional impact. ▪ Specific assumptions applied to determine the discount rates and lease terms for each lease are inappropriate. ▪ The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate. ▪ The disclosures in the financial statements are insufficient, preventing investors from obtaining a clear understanding as to the transitional impact of the change in accounting standard.	of the AASB 16 calculations for each lease through recalculation of the expected AASB 16 adjustment. ▪ Considered completeness by testing the reconciliation to the company's operating lease commitments and by investigating key service contracts to assess whether any contained a lease under AASB 16. ▪ Assessed whether the disclosures within the financial statements are appropriate in light of the requirements of *AASB 8 Accounting Policies, Changes in Accounting Estimates and Errors.* **Key observation** We are satisfied that the disclosure of the impact of adoption of *AASB 16: Leases* is in accordance with the company's accounting policy and the related disclosure of these items per note 3 and 4 m) to the financial statements is appropriate.
Revenue Share Model	
The company is a franchise of Bendigo Bank. 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 receives the Revenue Share from Bendigo Bank via a monthly profit share statement. Our key audit matter was focused on the following areas of risk: ▪ Revenue is recognised appropriately and in line with *AASB 15 Revenue from Contracts with Customers*. ▪ Reliance on third party auditor (Ernst & Young) to review the funds transfer pricing model (FTP Model).	In responding to the identified key audit matter, we completed the following audit procedures: ▪ We have obtained the monthly profit share statements from the entire year and analytically assessed the existence, accuracy and completeness of revenue. ▪ Ernst & Young complete a Community Bank Revenue Share Arrangements report on factual findings two-yearly, which we review and determine that the scope and testing procedures were sufficient to enable reliance on the monthly profit share reports specifically relating to revenue. **Key observation** We are satisfied that the FTP model has been sufficiently reviewed by an appropriately qualified external auditor and no material issues with the FTP model were noted. We are satisfied that reliance can be placed on the monthly profit share reports generated by the FTP model. The company's accounting policy relating to the revenue share is detailed at note 4 a) to the financial statements.

There are no other key audit matters to disclose for the 30 June 2020 audit.

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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: 27 August 2020

Joshua Griffin
Lead Auditor

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16C Williams Street, Inverloch VIC 3996
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