Annual Report 2020

Kolan/Perry Community Enterprises Limited

ABN 21 123 507 844

Bendigo Bank

Community Bank
Gin Gin

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CHAIRMAN'S REPORT

Last year I opened my address by saying that 2019 had been a very challenging year. How wrong was I. Bring back 2019 - it was a picnic in the park!! November last there was news of a virus that was making people sick in China, well who would have thought that we would end up where we are now. The world economy, the Australian economy, and our banking sector have all had a good shake up. However, under the present difficult circumstances our Community Bank has continued to perform extremely well. This is in part due to the relaxing of the 60/40 rule which had been imposed on us by Bendigo Bank. **Our footings have grown and presently stand at $142.174 million. We have 6214 accounts and our staff have opened 701 new accounts over the past year.** We have been able to declare a 9 cent dividend unfranked this year. Comparing this dividend to other bank returns is an amazing effort.

I would like to acknowledge and thank our dedicated and very hard-working staff for their tireless efforts in keeping our branch going forward.

Our Branch manager Rick has made the decision to resign and pursue his passion of growing orchids. His last day was the 24th September. We would like to thank Rick for the last three and a half years and his service to our Community Bank and we wish him all the best for the future.

At the height of the lock down our staff health and safety were a priority. They were split into three teams to try and avoid contact as much as possible just in case one of them became sick. Bendigo Bank has issued directions that only two customers are allowed in the bank at one time for customer safety.

Our agency in Childers has been opening quite a few new accounts. Hopefully lending volumes will increase in the short term as we benefit from the closure of one of the big four banks and reduced opening hours of another. Kelly our Business Development Manager has been working hard in that community spreading the word about how good Community Banking is.

Unfortunately, our approval to reopen the agency in Biggenden with another business there was refused by Bendigo Bank so it will remain closed, however the ATM will continue to operate. Transactions can still be performed at the Biggenden Post Office.

Following the Royal Commission into banking, ASIC issued a directive to say we can no longer provide school banking services so that service has been terminated.

I was hoping we would have had a sod turning ceremony for our new building by now. Unfortunately, that may now be a couple of years away. All the designs, plans, engineering, and council approvals have been completed. A valuation for the completed project came in significantly under what we anticipated, therefore Bendigo Bank requires us to have more equity in the project before we can secure a loan to fund the building. We have two options, one to take the time to raise the capital through our continued profits which will take a few years and may impact on our dividend returns, or we can try to find an investor who would partner with us. If any shareholders are aware of anyone who may like to consider investing in our project, please contact Susan Bengtson. Interest return would be above fixed term deposit rates and would be negotiated on a case by case basis.

Finally, I would like to thank my fellow directors for their hard work and dedication to our community bank and our communities.

Regards,

Bruce Apel

Bruce Apel
Acting Chairman

BRANCH MANAGER'S REPORT

What a challenging year 2020 has turned out to be with the COVID 19 pandemic turning most things we have known, and grown to think as normal, completely upside down.

It has certainly been a challenge to continue to run the bank smoothly with limited staffing at the worst of the pandemic, and with limited customer numbers allowed in branch at any given point in time making appointments and account openings more restricted.

It is with the greatest of sincerity that I thank those customers who have stuck with the bank during such a difficult time. It is also very pleasing to welcome our new customers gained during the year. It is after all, the combination of you that make the branch what it is and allow the board to continue to be able to support the local community.

It has been particularly pleasing that we have been able to assist our Not for Profit groups with financial support during this period. To allow them to continue to operate while income has been greatly reduced has been rewarding.

It's true that once a Gin Gin Community Bank customer, always a Gin Gin Community Bank customer. We value every one of our customers who entrust us with their banking.

As the bank continues to develop its digital footprint, we are keen to also continue the face to face banking our customers have grown to appreciate. This will continue to be the way, offering choice of how our customers prefer to deal with us.

We are keen to continue to return profits to our shareholders and encourage all shareholders to bring new customers into the branch so that we can continue to grow along with the community. It is also a great opportunity for our shareholders to supply us an introduction to any community groups that you may be involved in.

As a community-based company, it is important that we look to assist as may community-based organisations as possible and your assistance to gain a "foot in the door" helps immensely.

With Royal Commissions, and all sorts of changes in legislation it has proven to be a challenge for the branch, particularly in lending, over the year. We continue to write business and look to grow our lending portfolio. As things settle down following the recent changes, we are looking forward to being able to assist more customers and members of the community with their financial requirements.

We continue to partner with Bendigo and Adelaide Bank, Australia's fifth largest bank and to offer a viable and trusted alternative to the major four banks in Australia.

The events of this year have been extremely draining on the staff, dealing with unusual circumstances is always challenging and they have dealt with the uncertainty admirably.

Thank you to the loyal and dedicated staff of the branch for their ongoing commitment to assist every customer for without them banking at Gin Gin would be very different.

BRANCH MANAGER'S REPORT cont...

As I complete approximately 40 years in banking of which 20 years have been with Bendigo, I am now moving on to a new era. I have decided to retire from banking and head off into self-employment. I guess this will throw up more new challenges personally and for the Community Bank as they seek my replacement.

I would like to thank the board, staff, and customers for the past 3½ years at Gin Gin. It has been challenging, frustrating at times, but most of all rewarding.

As I move on, I wish you all the best for the future.

Rick Emmerson
Branch Manager

DIRECTOR'S 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:

David Bruce Apel

Non-executive director
Occupation: Grazier
Qualifications, experience and expertise: Managed family cattle property and business for 27 years. Associate Diploma in Farm Business Management, Member of local Drought Committee, former Kolan Shire councillor.
Special responsibilities: Human Resources Committee, Marketing Committee
Interest in shares: 13,000 ordinary shares

Paul Robert Stehbens

Non-executive director
Occupation: School Principal
Qualifications, experience and expertise: Paul was a trade qualified boilermaker who has worked primarily in the earthmoving industry up until completing his Bachelor of Teaching in 1997. His teaching career began at Rosedale State School in 1998. He was appointed as Head of Department at Gin Gin State High School in 2001 and since then has worked as Deputy Principal and now Principal within the School. He has been part of Kolan Perry Community Enterprises since its inception in 2007 and has held positions of President and Vice President of the Gin Gin Show Society as well as positions within the Gin Gin Primary School P&C Association.
Special responsibilities: Human Resources Committee, Marketing Committee
Interest in shares: 5,001

Margaret Ann Flanders

Non-executive director

Occupation: University Lecturer

Qualifications, experience and expertise: Employed over 25 years with CQ University at Bundaberg Campus. She holds a Bachelor of Commerce, Diploma of Tertiary Studies and a Master Applied Science (Res) CQU. Currently a member of ESA International, Beta Epsilon, Gin Gin Branch and a member of the AIM (Australian Institute of Managers). Margaret has been a director of the company for over six years.

Special responsibilities: Company Secretary, Marketing Committee

Interest in shares: 1,500 ordinary shares

Susan Louise Bengtson

Non-executive director

Occupation: Marketing/Publicity Officer

Qualifications, experience and expertise: Part of the Board of Kolan/Perry Community Enterprises since the steering committee. Canegrowers Isis Limited Director, President of Gin Gin State High School P & C.

Special responsibilities: Strategic Growth & Risk Management Committee, Public Relations/Marketing & Branch Development, Treasurer

Interest in shares: 5,501 ordinary shares

Selwyn Colin Bengtson

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Director, Chairman of Local Chaplaincy committee.

Special responsibilities: Strategic Growth & Risk Management Committee, Asset Management Committee

Interest in shares: 7,001 ordinary shares

Brian William Flanders

Non-executive director

Occupation: Retired Principal Technical Officer

Qualifications, experience and expertise: Life Member of Apex, Justice of the Peace (Qualified), Certificate of Management, Patron of Gin Gin Scout Group, Previous Kolan Shire Councillor.

Special responsibilities: Audit/Governance Committee

Interest in shares: 1,001 ordinary shares

Wendy Margaret Burgess

Non-executive director

Occupation: Aged care worker

Qualifications, experience and expertise: Wendy has been involved in the show movement in the past holding the position of the Burnett Sub Chamber for Queensland Shows. She has been a volunteer for the Mt Perry Race Club. She continues to volunteer for various community events and clubs in the local area. Australia Post Contractor for 12 years.

Special responsibilities: Nil

Interest in shares: 500 ordinary shares

DIRECTOR'S REPORT cont...

Rachael Elizabeth Brauer
Non-executive director
Occupation: Facilities Team Leader
Qualifications, experience and expertise: Rachael works in local government specialising in facility management. She possesses qualifications in building surveying, local government administration and project management.
Special responsibilities: Nil
Interest in shares: Nil share interest held

Philip John Finlay
Non-executive director *(appointed 12 November 2019)*
Occupation: Primary Producer
Qualifications, experience and expertise: Philip is a third generation primary producer in the Gin Gin area. He has been involved with the Gin Gin Rugby League Football Club most of his life, including playing on the team and being president for four years. He is currently Vice President and also received life membership. Philip is also an executive member of the Gin Gin Show Society where he has volunteered for many years.
Special responsibilities: Nil
Interest in shares: Nil share interest held

Arthur David Thomas Dingle
Non-executive director *(resigned 12 November 2019)*
Occupation: Grazier Beef Cattle
Qualifications, experience and expertise: Former Perry Shire Councillor, President Mt Perry Show Society for 20 years, grazier. Director since beginning and previous vice chairman. Scout for Rural Manager, talking and introducing new clients.
Special responsibilities: Marketing Committee
Interest in shares: 62,001 ordinary shares

Directors were in office for this entire year unless otherwise stated.
No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Margaret Flanders. Margaret was appointed to the position of secretary on 24 November 2010.

Qualifications, experience and expertise: Employed over 25 years with CQ University at Bundaberg Campus. She holds a Bachelor of Commerce, Diploma of Tertiary Studies and a Master Applied Science (Res) CQU. Currently a member of ESA International, Beta Epsilon, Gin Gin Branch and am a member of the AIM (Australian Institute of Managers). Margaret has also been a Beta Epsilon member for over 12 years.

Principal activity

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

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

Operating results

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

Directors’ interests

	Year ended 30 June 2020 $	**Year ended 30 June 2019** $
	438,408	117,686

Dividends

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

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
David Bruce Apel	13,000	-	13,000
Paul Robert Stehbens	5,001	-	5,001
Margaret Ann Flanders	1,500	-	1,500
Susan Louise Bengtson	5,501	-	5,501
Selwyn Colin Bengtson	7,001	-	7,001
Brian William Flanders	1,001	-	1,001
Wendy Margaret Burgess	500	-	500
Rachael Elizabeth Brauer	-	-	-
Philip John Finlay	-	-	-
Arthur David Thomas Dingle	62,001	-	62,001

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

DIRECTOR'S REPORT cont...

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) was applicable from 1 July 2019. The company has assessed its leasing arrangements and noted the AASB 16 does not have a significant impact. See note 4 for further details.

	Cents per share	Total amount
Final fully franked dividend	9	65,845
Total amount	9	65,845

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 29 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

DIRECTOR'S REPORT cont...

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 attended by each of the directors of the company during the financial year were:

	Board Meetings Attended	
	E	A
David Bruce Apel	11	10
Paul Robert Stehbens	11	9
Margaret Ann Flanders	11	10
Susan Louise Bengtson	11	10
Selwyn Colin Bengtson	11	8
Brian William Flanders	11	10
Wendy Margaret Burgess	11	8
Rachael Elizabeth Brauer	11	10
Philip John Finlay	7	6
Arthur David Thomas Dingle	6	5

E - eligible to attend
A - number attended

Proceedings on behalf of the company

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

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

DIRECTOR'S REPORT cont...

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 28 to the accounts.

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality 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 advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Gin Gin, Queensland.

Bruce Apel

David Bruce Apel
Chairman

Dated 1st day of September 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 Kolan/Perry Community Enterprises Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 1 September 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services
Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

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

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	1,559,483	1,495,156
Other revenue	9	91,718	27,100
Finance income	10	19	529
Employee benefit expenses	11d)	(678,630)	(579,750)
Charitable donations, sponsorship, advertising and promotion		(27,058)	(414,240)
Occupancy and associated costs		(95,259)	(86,974)
Systems costs		(28,143)	(27,629)
Depreciation and amortisation expense	11a)	(68,720)	(41,715)
Finance costs	11b)	(4,807)	(6,917)
General administration expenses		(166,970)	(201,657)
Profit before income tax expense		**581,633**	**163,903**
Income tax expense	12a)	(143,225)	(46,217)

The accompanying notes form part of these financial statements

Balance Sheet
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	335,927	111,761
Trade and other receivables	14a)	139,500	139,893
Total current assets		**475,427**	**251,654**
Non-current assets			
Property, plant and equipment	15a)	769,764	755,788
Right-of-use assets	16a)	105,394	-
Intangible assets	17a)	31,954	45,176
Deferred tax asset	18b)	5,440	7,644
Total non-current assets		**912,552**	**808,608**
Total assets		**1,387,979**	**1,060,262**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	57,416	21,033
Current tax liabilities	18a)	136,410	42,232
Loans and borrowings	20a)	8,261	45,866
Lease liabilities	21b)	43,362	-
Employee benefits	23a)	62,351	52,938
Total current liabilities		**307,800**	**162,069**
Non-current liabilities			
Loans and borrowings	20b)	-	253,964
Lease liabilities	21c)	48,443	-
Employee benefits	23b)	11,878	10,951
Provisions	22a)	14,017	-
Total non-current liabilities		**74,338**	**264,915**
Total liabilities		**382,138**	**426,984**
Net assets		**1,005,841**	**633,278**
EQUITY			
Issued capital	24a)	712,308	712,308
Retained earnings/(accumulated losses)	25	293,533	(79,030)
Total equity		**1,005,841**	**633,278**

The accompanying notes form part of these financial statements

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		712,308	(130,871)	581,437
Total comprehensive income for the year		-	117,686	117,686
owners:				
Dividends provided for or paid	30a)	-	(65,845)	(65,845)
Balance at 30 June 2019		**712,308**	**(79,030)**	**633,278**
Balance at 1 July 2019		712,308	(79,030)	633,278
Total comprehensive income for the year		-	438,408	438,408
owners:				
Dividends provided for or paid	30a)	-	(65,845)	(65,845)
Balance at 30 June 2020		**712,308**	**293,533**	**1,005,841**

The accompanying notes form part of these financial statements

Statement of Cash Flows
or the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,825,325	1,649,349
Payments to suppliers and employees		(1,069,331)	(1,784,832)
Interest received		363	529
Interest paid		(4,555)	(7,155)
Lease payments (interest component)	21a)	(211)	-
Lease payments not included in the measurement of lease liabilities	11e)	(61,897)	-
Income taxes paid		(46,842)	8,238
Net cash provided by/(used in) operating activities	26	**642,852**	**(133,871)**
Cash flows from investing activities			
Payments for property, plant and equipment		(89,377)	(73,350)
Net cash used in investing activities		**(89,377)**	**(73,350)**
Cash flows from financing activities			
Proceeds from loans and borrowings		-	283,000
Repayment of loans and borrowings		(260,584)	(13,401)
Lease payments (principal component)	21a)	(2,880)	-
Dividends paid	30a)	(65,845)	(65,845)
Net cash provided by/(used in) financing activities		**(329,309)**	**203,754**
Net cash increase/(decrease) in cash held		**224,166**	**(3,467)**
Cash and cash equivalents at the beginning of the financial year		111,761	115,228
Cash and cash equivalents at the end of the financial year	13a)	**335,927**	**111,761**

The accompanying notes form part of these financial statements

Notes to the Financial Statements
for the year ended 30 June 2020

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
63 Mulgrave Street Gin Gin QLD 4671	63 Mulgrave Street Gin Gin QLD 4671

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 29.

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 1 September 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives. 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.

Note 3 Changes in accounting policies, standards and interpretations

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.

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.

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

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

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;

- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

- used hindsight when determining the lease term on contracts that have options to extend or terminate.

Note 3 Changes in accounting policies, standards and interpretations

c) As a lessor

The company leases out its investment property, including own property and right-of-use assets. The company has classified these leases as operating leases.

The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor, except for a sub-leasing arrangement.

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.

Note 4 Summary of significant accounting policies

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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.

Note 4 Summary of significant accounting policies

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
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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.

Note 4 Summary of significant accounting policies

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

Note 4 Summary of significant accounting policies

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

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

Note 4 Summary of significant accounting policies

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
Building	Straight-line	40 years
Leasehold improvements	Straight-line	over the lease term
Plant and equipment	Straight-line	1 to 40 years
Motor vehicles	Straight-line	4 to 5 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Note 4 Summary of significant accounting policies

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
Franchise renewal process fee	Straight-line	Over the franchise term

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

i) Financial instruments

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

Note 4 Summary of significant accounting policies

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.

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

Note 4 Summary of significant accounting policies

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:
- financial assets that are measured at FVTOCI;
- lease receivables;
- loan commitments that are not measured at FVTPL; and
- financial guarantee contracts that are not measured at FVTPL.

Loss allowance is not recognised for:
- financial assets measured at FVTPL; or
- equity instruments measured at FVTOCI.

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

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

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

Note 4 Summary of significant accounting policies

l) Provisions

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

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

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

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

<u>As a lessee</u>

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

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

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

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

Note 4 Summary of significant accounting policies

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.

<u>Short-term leases and leases of low-value assets</u>

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.

<u>As a lessor</u>

At inception 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 their relative stand-alone prices.

When the company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the company as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

Note 4 Summary of significant accounting policies

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

When the company acted as a lessor, it determined at lease inception whether each lease was a finance or operating lease.

To classify each lease, the company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

n) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 21 - 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 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	122	122	-	-
Chattel Mortgage	8,139	8,139	-	-
Lease liabilities	91,805	46,001	49,592	-
Trade payables	41,259	41,259	-	-
	141,325	95,521	49,592	-

30 June 2019

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	252,257	29,602	253,514	-
Chattel Mortgage	47,573	16,264	-	-
Trade payables	7,656	7,656	-	-
	307,486	69,786	253,514	-

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 $335,927 at 30 June 2020 (2019: $111,761). 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	1,559,483	1,495,156
	1,559,483	1,495,156
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	1,197,786	1,135,475
- Fee income	115,426	115,056
- Commission income	246,271	244,625
	1,559,483	1,495,156

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 rental income from owned and leased investment properties, discretionary contributions received from the franchisor and the cash flow boost from the Australian Government.

Other revenue	2020 $	2019 $
Revenue:		
- Sub-leasing income	14,218	14,600
- Market development fund income	15,000	12,500
- Cash flow boost	62,500	-
	91,718	27,100

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	19	529
	19	529

Note 11 Expenses

a) Depreciation and amortisation expense

	2020 $	2019 $
Depreciation of non-current assets:		
- Buildings	4,756	4,756
- Leasehold improvements	23,670	4,309
- Plant and equipment	9,947	10,684
- Motor vehicles	13,563	8,744
	51,936	28,493
Depreciation of right-of-use assets		
- Leased land and buildings	3,562	-
	3,562	-
Amortisation of intangible assets:		
- Franchise fee	2,205	2,205
- Franchise renewal process fee	11,017	11,017
	13,222	13,222
Total depreciation and amortisation expense	68,720	41,715

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).

Note 11 Expenses

b) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Bank loan interest paid or accrued		4,555	6,917
- Property Lease interest expense	21a)	211	-
- Unwinding of make-good provision		41	-
		4,807	6,917

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

c) Impairment loss on trade receivables and contract assets

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

d) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	580,137	481,786
Non-cash benefits	6,000	6,085
Contributions to defined contribution plans	55,819	45,247
Expenses related to long service leave	1,566	5,180
Other expenses	35,108	41,452
	678,630	579,750

e) Recognition exemption

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

	2020 $	2019 $
Expenses relating to low-value leases	8,653	-
Expenses relating to short-term leases	53,244	-
	61,897	-

Expenses relating to leases exempt from recognition are included in systems costs, depreciation 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's motor vehicle lease expires on 16 May 2021. The company has elected to exempt from recognition leases with a lease term expiring within 12 months of balance date.

The company's property leases for the Office at Biggenden and Childers Agency are on informal, month to month arrangements with no significant penalties for termination. As such, the company has elected to exempt these under the short term lease exemption.

The rental expenses for the branch premises lease from 1 July 2019 to 31 may 2020 have been exempted under the short term lease exemption, as there was no formal lease arrangement in place. A new property lease agreement for the branch premises commenced on 1 June 2020, at which time the short term exemption was no longer available.

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	141,020	49,212
- Movement in deferred tax	1,891	(2,995)
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	314	-
	143,225	46,217

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 $314 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2020 $	2019 $
Operating profit before taxation	581,633	163,903
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	159,949	45,073
Tax effect of:		
- Non-deductible expenses	150	1,144
- Temporary differences	(1,891)	2,995
- Other assessable income	(17,188)	-
- Movement in deferred tax	1,891	(2,995)
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	314	-
	143,225	46,217

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	335,927	111,761
	335,927	111,761

Note 14 Trade and other receivables

	2020 $	2019 $
a) Current assets		
Trade receivables	132,647	130,117
Prepayments	6,553	9,131
Other receivables and accruals	300	645
	139,500	139,893

Note 15 Property, plant and equipment

a) Carrying amounts

	2020 $	2019 $
Land		
At cost	325,000	325,000
	325,000	325,000
Buildings		
At cost	190,223	190,223
Less: accumulated depreciation	(15,232)	(10,476)
	174,991	179,747
Leasehold improvements		
At cost	176,688	176,688
Less: accumulated depreciation	(118,060)	(94,390)
	58,628	82,298
Plant and equipment		
At cost	148,133	138,750
Less: accumulated depreciation	(112,720)	(102,773)
	35,413	35,977
Motor vehicles		
At cost	56,330	87,406
Less: accumulated depreciation	(48,980)	(43,028)
	7,350	44,378
Capital works in progress		
At cost	168,382	88,388
	168,382	88,388
Total written down amount	769,764	755,788

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.

Note 15 Property, plant and equipment

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Land			
Carrying amount at beginning		325,000	325,000
Carrying amount at end		325,000	325,000
Buildings			
Carrying amount at beginning		179,747	184,503
Depreciation		(4,756)	(4,756)
Carrying amount at end		174,991	179,747
Leasehold improvements			
Carrying amount at beginning		82,298	86,607
Depreciation		(23,670)	(4,309)
Carrying amount at end		58,628	82,298
Plant and equipment			
Carrying amount at beginning		35,977	42,922
Additions		9,383	3,739
Depreciation		(9,947)	(10,684)
Carrying amount at end		35,413	35,977
Motor vehicles			
Carrying amount at beginning		44,378	22,046
Lease asset transferred out - at cost	16b)	(31,076)	-
Lease asset transferred out - accumulated depreciation	16b)	7,611	-
Additions		-	31,076
Depreciation		(13,563)	(8,744)
Carrying amount at end		7,350	44,378

Following the adoption of AASB 16, as at 30 June 2020 the company has grouped its leased assets previously recognised in 'property, plant and equipment' in 'right-of-use assets'.

	Note	2020 $	2019 $
Capital works in progress			
Carrying amount at beginning		88,388	49,853
Additions		79,994	38,535
Carrying amount at end		168,382	88,388
Total written down amount		769,764	755,788

During the 2016/17 financial period, the company entered into a construction contract with Tyma Enterprises Pty Ltd for the construction of the Business & Community development at 51 & 53 Mulgrave Street, Gin Gin, Queensland. The company has to date incurred costs of $168,382 which have been capitalised as work in progress (WIP).

Note 15 Property, plant and equipment

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.

The company's review of estimates resulted in changes in the useful life of leasehold improvements. The leasehold improvements (building works) useful life had previously been assessed as 40 years. This has now been updated to be in line with the lease term, which is expected to be 3 years. The effect of these changes on actual and expected depreciation expense was as follows:

	2020	2021	2022
Profit or loss			
Expense:			
- Depreciation and amortisation expense	21,644	21,644	21,644

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 has elected to present right-of-use assets measured in right-of-use assets rather than the underlying asset class. Accordingly, leased assets recognised in the statement of financial position have been reallocated to right-of-use assets from property, plant and equipment.

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

a) Carrying amounts

	2020 $	2019 $
Leased land and buildings		
At cost	85,491	-
Less: accumulated depreciation	(3,562)	-
	81,929	-
Leased motor vehicles		
At cost	31,076	-
Less: accumulated depreciation	(7,611)	-
	23,465	-
Total written down amount	105,394	-

Note 16 Right-of-use assets

b) Reconciliation of carrying amounts

Leased land and buildings

	2020 $	2019 $
Carrying amount at beginning	-	-
Additional right-of-use assets recognised	85,491	-
Depreciation	(3,562)	-
Carrying amount at end	81,929	-

	Note	2020 $	2019 $
Leased motor vehicles			
Carrying amount at beginning		-	-
Lease asset transferred in - at cost	15b)	31,076	-
Lease asset transferred in - accumulated depreciation	15b)	(7,611)	-
Carrying amount at end		23,465	-
Total written down amount		105,394	-

c) Maturity analysis

Operating lease

The company leases out part of its right-of-use assets. The company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the company during the financial year was $14,218 (2019: $14,600).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

2020 - Operating leases under AASB 16	2020	2019
- Within 12 months	10,551	-
Total undiscounted lease receivable	10,551	-

Note 17 Intangible assets

a) Carrying amounts

	2020 $	2019 $
Franchise fee		
At cost	32,555	32,555
Less: accumulated amortisation	(27,231)	(25,026)
	5,324	7,529
Franchise renewal process fee		
At cost	112,777	112,777
Less: accumulated amortisation	(86,147)	(75,130)
	26,630	37,647
Total written down amount	31,954	45,176

b) Reconciliation of carrying amounts

	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	7,529	9,734
Amortisation	(2,205)	(2,205)
Carrying amount at end	5,324	7,529
Franchise renewal process fee		
Carrying amount at beginning	37,647	48,664
Amortisation	(11,017)	(11,017)
Carrying amount at end	26,630	37,647
Total written down amount	31,954	45,176

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

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

Note 18 Tax assets and liabilities

a) Current tax

	2020 $	2019 $
Income tax payable	136,410	42,232

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	30 June 2020
Deferred tax assets	$	$	$
- expense accruals	798	(43)	755
- employee provisions	17,569	1,731	19,300
- make-good provision	-	3,644	3,644
- lease liability	-	17,845	17,845
Total deferred tax assets	18,367	23,177	41,544
Deferred tax liabilities			
- income accruals	95	(95)	-
- property, plant and equipment	10,628	4,174	14,802
- right-of-use assets	-	21,302	21,302
Total deferred tax liabilities	10,723	25,381	36,104
Net deferred tax assets (liabilities)	7,644	(2,204)	5,440

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

	30 June 2018	Recognised in profit or loss	30 June 2019
Deferred tax assets	$	$	$
- expense accruals	770	28	798
- employee provisions	14,837	2,732	17,569
Total deferred tax assets	15,607	2,760	18,367
Deferred tax liabilities			
- income accruals	29	66	95
- property, plant and equipment	10,929	(301)	10,628
Total deferred tax liabilities	10,958	(235)	10,723
Net deferred tax assets (liabilities)	4,649	2,995	7,644

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	41,259	7,656
Other creditors and accruals	16,157	13,377
	57,416	21,033

Note 20 Loans and borrowings

a) Current liabilities

	2020 $	2019 $
Secured bank loans	122	29,602
Chattel mortgage	8,139	16,264
	8,261	45,866

b) Non-current liabilities

	2020 $	2019 $
Secured bank loans	-	222,655
Chattel mortgage	-	31,309
	-	253,964

Following the adoption of AASB 16, as at 30 June 2020 the company has grouped its 'Chattel mortgage' with over 12 months remaining previously recognised in 'loans and borrowings' in 'lease liabilities'.

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	3.07%	Floating	122	122	252,257	252,257
Chattel mortgage	5.37%	2021	8,139	8,139	47,573	47,573

Note 21 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 3.54%.

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

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

Lease portfolio

Prior to 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. As a result, finance leases which were previously disclosed as property, plant and equipment and loans and borrowings have been reclassified to lease liabilities and right-of-use assets as at 30 June 2020.

The company's lease portfolio includes:

- Kolan/Perry branch — The lease agreement is a non-cancellable lease with an initial term of twelve months which commenced 1 June 2020. The lease has one further twelve month extension option available. The company is reasonably certain to exercise the final five-year lease term.
- Motor vehicle — The lease agreement is a non-cancellable term of four years. Upon the final payment on 24 March 2023 the registered security over the motor vehicles is removed.

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.

	2020	2019
Lease liabilities on transition	$	$
Motor Vehicle lease liabilities transferred in	23,169	-
Property lease liabilities recognised	71,516	-
Lease payments - interest	211	-
Lease payments	(3,091)	-
	91,805	-

Note 21 Lease liabilities

b) Current lease liabilities

Property lease liabilities	37,091	-
Unexpired interest	(1,862)	-
	35,229	-
Motor Vehicle lease liabilities	8,910	-
Unexpired interest	(777)	-
	8,133	-
	43,362	-

c) Non-current lease liabilities

Property lease liabilities	34,000	-
Unexpired interest	(593)	-
	33,407	-
Motor Vehicle lease liabilities	15,592	-
Unexpired interest	(556)	-
	15,036	-
	48,443	-

d) Maturity analysis

- Not later than 12 months	46,001	-
- Between 12 months and 5 years	49,592	-
- Greater than 5 years	-	-
Total undiscounted lease payments	95,593	-
Unexpired interest	(3,788)	-
Present value of lease liabilities	91,805	-

e) Impact on the current reporting period

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

Note 21 Lease liabilities

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 $524.

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	3,091	(3,091)	-
- Depreciation and amortisation expense	-	3,562	3,562
- Finance costs	-	252	252
Increase in expenses - before tax	3,091	723	3,814
- Income tax expense / (credit) - current	(850)	850	-
- Income tax expense / (credit) - deferred	-	(1,049)	(1,049)
Increase in expenses - after tax	2,241	524	2,765

Note 22 Provisions

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

a) Non-current liabilities	2020 $	2019 $
Make-good on leased premises	14,017	-
	14,017	-

b) Make-good provision

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

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

Provision	2020 $	2019 $
Balance at the beginning	-	-
Face-value of make-good costs recognised	15,000	-
Present value discounting	(1,024)	-
Present value unwinding	41	-
	14,017	-

Note 22 Provisions

c) Changes in estimates

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

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

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

Profit or loss	**2020**	**2021**	**2022**
Expense:			
- Finance costs	41	504	478
Liability:			
- Make-good provision	14,017	14,522	15,000

Note 23 Employee benefits

a) Current liabilities

	2020 $	**2019** $
Provision for annual leave	44,647	35,873
Provision for long service leave	17,704	17,065
	62,351	52,938

b) Non-current liabilities

	2020 $	**2019** $
Provision for long service leave	11,878	10,951
	11,878	10,951

c) Key judgement and assumptions

Employee attrition rates

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

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Note 24 Issued capital

a) Issued capital

	2020		**2019**	
	Number	**$**	**Number**	**$**
Ordinary shares - fully paid	731,609	731,609	731,609	731,609
Less: equity raising costs	-	(19,301)	-	(19,301)
	731,609	712,308	731,609	712,308

Note 24 Issued capital

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 275. As at the date of this report, the company had 288 shareholders (2019: 291 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.

Note 24 Issued capital

Prohibited shareholding interest (continued)

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

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

Note 25 Retained earnings (accumulated losses)

	Note	2020 $	2019 $
Balance at beginning of reporting period		(79,030)	(130,871)
Net profit after tax from ordinary activities		438,408	117,686
Dividends provided for or paid	30a)	(65,845)	(65,845)
Balance at end of reporting period		293,533	(79,030)

Note 26 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	438,408	117,686
Adjustments for:		
- Depreciation	55,498	28,493
- Amortisation	13,222	13,222
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	393	(10,527)
- (Increase)/decrease in other assets	2,204	12,223
- Increase/(decrease) in trade and other payables	28,567	(347,138)
- Increase/(decrease) in employee benefits	10,340	9,938
- Increase/(decrease) in provisions	42	-
- Increase/(decrease) in tax liabilities	94,178	42,232
Net cash flows provided by/(used in) operating activities	642,852	(133,871)

Note 27 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	132,947	130,762
Cash and cash equivalents	13	335,927	111,761
		468,874	242,523
Financial liabilities			
Trade and other payables	19	41,259	7,656
Loans and borrowings	20	8,261	299,830
Lease liabilities	21	91,805	-
		141,325	307,486

Note 28 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	4,600
Non audit services		
- Taxation advice and tax compliance services	1,300	1,985
- General advisory services	1,830	1,830
- Share registry services	3,469	767
	6,599	4,582
Total auditor's remuneration	11,399	9,182

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

David Bruce Apel
Paul Robert Stehbens
Margaret Ann Flanders
Susan Louise Bengtson
Selwyn Colin Bengtson
Brian William Flanders
Wendy Margaret Burgess
Rachael Elizabeth Brauer
Philip John Finlay
Arthur David Thomas Dingle

b) Key management personnel compensation

	2020 $	2019 $
Key management personnel compensation comprised the following.		
Employee benefits	17,477	-
	17,477	-

Compensation of the company's key management personnel includes salaries and superanuation.

Employee benefits relate to remuneration of Susan Bengston who commenced as a company employee during the financial year.

c) Related party transactions

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

	2020 $	2019 $
Transactions with related parties		
- Susan Bengtson received remuneration for marketing and publicity services. The total benefit received was:	-	37,440
Total transactions with related parties	-	37,440

Community bank Directors' Privileges Package

The board has adopted the Community bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community bank. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders. The total benefits received by the directors from the Directors' Privilege Package are $nil for the year ended 30 June 2020 (2019: $150).

Note 30 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	9.00	65,845	9.00	65,845
Total dividends provided for and paid during the financial year	9.00	65,845	9.00	65,845

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	49,652	82,866
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	6,937	1,980
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	39,905	(10,218)
- Franking debits from the payment of franked distributions	(24,976)	(24,976)
Franking account balance at the end of the financial year	71,518	49,652
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	136,410	42,232
Franking credits available for future reporting periods	207,928	91,884

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

Note 31 Earnings per share

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

	2020	2019
	$	**$**
Profit attributable to ordinary shareholders	438,408	117,686
	Number	**Number**
Weighted-average number of ordinary shares	731,609	731,609
	Cents	**Cents**
Basic and diluted earnings per share	59.92	16.09

Note 32 Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 21) and Right-of-use assets (Note 16).

	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	-	36,000
- between 12 months and 5 years	-	90,000
Minimum lease payments payable	-	126,000
Operating lease commitments - lessor		
The future minimum lease payments receivable under non-cancellable operating lease in the aggregate and for each of the following periods:		
- not later than 12 months	-	12,661
- between 12 months and 5 years	-	10,551
Minimum lease payments receivable	-	23,212
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	-	16,898
- between 12 months and 5 years	-	31,625
Minimum lease payments	-	48,523
Less future finance charges	-	(950)
Present value of minimum lease payments	-	47,573

b) Other commitments

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

Note 33 Contingencies

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

Note 34 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.

DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of Kolan/Perry Community Enterprises Limited, we state that:

In the opinion of the directors:

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

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

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

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

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

Bruce Apel

David Bruce Apel
Chairman

Dated on the 1st day of September 2020

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Independent auditor's report to the members of Kolan/Perry Community Enterprises Limited

Report on the audit of the financial report

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

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

What we have audited
Kolan/Perry Community Enterprises Limited's (the company) financial report comprises the:

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

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

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

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

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 1 September 2020

Joshua Griffin
Lead Auditor

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