Annual Report 2020

Kwinana Community Financial Services Limited

Community Bank
Kwinana

ABN 89 169 535 228

Our new premises
We have a new home

It's a good time to plant new roots and to grow

Happiness is finding the right environment, and thriving where we are planted. From 6th October 2020, you and the rest of the community will feel most welcome in our new premises… exactly how the staff and the board feel.

Chairman's report

For the year ended 30th June 2020

On behalf of the Board of Kwinana Community Financial Services Ltd, I am pleased to provide my Chairman's report for the Company's Annual Report for the 2019/2020 financial year.
This Annual Report includes our Director's report, our Manager's report, the Financial Report 2019/20, and the Auditor's reports.

I wish to extend our appreciation for your continued support post the establishment of the Kwinana Community Financial Services Ltd.

In the past five years since our establishment of the Community Bank Kwinana Branch, we have weathered many external commercial challenges, yet none as challenging as the unprecedented Covid-19 in recent times for our community, State and Country.

Our original franchise period of five years came to an end on 18th June 2020 and your Board are pleased to announce that Bendigo Bank have renewed the Franchise for a further five-year period to 18th June 2025. As advised in August 2020 in my letter to shareholders, the renewal was conditional on addressing fixed costs so as a result the Branch will be moving out of the Market Place and to a new site at Suite 4/4 Challenger Avenue Kwinana Town Centre.

Your Directors and staff are very excited about the move and believe it will provide more flexibility for our operations. We welcome you to visit the new premises from 6th October 2020 and look forward to hearing from you any way we can help serve you better and keep you informed of our progress.

Whilst I have the opportunity I would like to also again thank and congratulate Branch Manager Ashley Blower and the staff on being awarded "Branch of the Month" for our Region for the month of June 2020, this is the seventh time they have won this award in the 2019/2020 financial year.

Our Annual General Meeting will be held on Thursday 19th November 2020, we look forward to seeing you there and addressing any questions you may have.

Thank you to all for your ongoing support, your Board is excited to be working with an exceptional staff and look forward to a strong future working in and with the Kwinana community.

Yours sincerely,

John Iriks

Chairman

Managers' Report

For the year ending 30 June 2020

It is with great pleasure that I provide my manager's report for Kwinana Community Financial Services Ltd annual report for the financial year 2019/2020.

It has been without a doubt a very busy year for the branch and business with lots of things happening and coming up.

We were able to again grow our business this financial year. However, due to the market conditions and uncertainty of the economy towards the end of the financial year due to the Covid-19 Situation some areas of growth were very minimal.

Some things to highlight is our core book value (deposits & loans) grew by $5.814 Mill. Our customer numbers continued to increase growing to 2,246 customers. Which is a 10.9% increase from the year before. This is a figure that continues to rise, it is really pleasing to see that more and more people are choosing to bring their banking over and see the difference a community bank can make in their local community.
Another highlight was our continued focus on ensuring our customers have their assets fully protected. We had a fantastic year with insurance sales which brings the company revenue but also ensures our customers are fully protected in the event that something was to happen.
We finished the year at 123% of our target and finished in the top 5 highest insurance sales in the state.

The team and I are very passionate about our community bank and ensuring our customers are being looked after.
I would like to take this opportunity to thank my staff for their hard work and dedication again this year. Their commitment to growing our business and looking after our customers is inspiring and they are the reason more and more people are choosing to bank with us today.

Finally, a huge thank you to our Board and their tireless effort to ensure our branch is successful. I appreciate all the support and advocacy and look forward to working with everyone in many years ahead.

Ashley Blower
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Kwinana

Community Financial Services Ltd

ABN: 89 169 535 228

Financial Report

For the year ended

30 June 2020

Kwinana Community Financial Services Ltd
Directors' Report

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

Directors

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

Johannes Maria Iriks
Chairman
Occupation: Managing Director
Qualifications, experience and expertise: Managing Director KPC Accounting Pty Ltd, Fellow National Institute of Accountants. Retired from 30 years in Public Accounting Practice. Managing Director of KPC Investments Pty Ltd. Managing Director Harfield Holdings Pty Ltd trading as Western Challenge Real Estate. Director of Rotary Western Australia Centennial Ltd. Justice of Peace. Past Governor of Rotary International and current Director of Rotary Club of Kwinana Inc., Director Kwinana Community Chest Pty Ltd.
Special responsibilities: Chairman Corporate and Governance Committee, Member of Marketing Committee and Member of Property Committee.
Interest in shares: 86,001 ordinary shares

Wayne Milnes
Treasurer
Occupation: Property Manager
Qualifications, experience and expertise: Wayne worked for The National Australia Bank Limited for over 30 years in metropolitan Perth and country Western Australia with over 15 years experience as a Relationship/Business Banking Manager. Wayne is currently a Property Manager for Mortgagee Services Pty Ltd. Educated at Medina Primary School, Kwinana Senior High School (now Gilmour College) with a Diploma of Management from Deakin University, Certificate IV in Property Services Real Estate. A member of Rotary International since 2005 and holding the offices of President of Rotary Club of Safety Bay Port Kennedy Rotary Club 2006-2007, President Rockingham Rotary Club Inc. 2008-2009, Rotary District 9465 Secretary 2011-2013, Rotary District 9465 Assistant Governor Peel Region 2013-16 and currently District Governor Nominee for District 9465.
Special responsibilities: Due Diligence Committee and Property Committee.
Interest in shares: 15,001 ordinary shares

Stephen Paul Williams
Secretary
Occupation: Accountant
Qualifications, experience and expertise: Director SPW Business Pty Ltd, and is a Fellow of the Institute of Public Accountants. Born in the UK and migrating to Australia in June 1991, his working life in the UK was with Barclays Bank PLC for 17 years, before changing careers from banking to accounting. During the years with Barclays Bank PLC, Steve started at the bottom and was trained in all aspects of branch and business banking, culminating in the position of Principal of Corporate Securities at the Tottenham Court Road Barclays Business Centre in London. The Centre controlled three retail branches along Tottenham Court Road and handled the processing of lending, treasury deposits and all aspects of registering loan security. Prior to entering the accounting profession Steve volunteered as a director of the Rockingham Basketball Association to support his children and their friends in a sporting activity. Steve part owned and acted as financial manager of a child care centre after initially qualifying as an accountant, which was in part funded by the government, with all the compliance and audit requirements that such funding entails. His current work includes auditing and business advisory services, on a semi-retired basis.
Special responsibilities: Company Secretary, Corporate and Governance Committee Member.
Interest in shares: 6,101 ordinary shares

Directors *(continued)*

Maxwell John Bird
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: Until his retirement Max was the General Manager of Rail Solutions Australia a successful family owned company offering support and advice to selected clients in the rail industry in Australia and South East Asia. Max has also worked with Calibre Rail, MVM Rail, Worley Parsons, Works Infrastructure, LB Consultants, John Holland and Westrail. Max has been a member of the Kwinana Rotary Club for over 20 years and served as Community Director, Treasurer and International Director, currently Project Manager for community projects within Timor-Leste. He served as Club President in 2015/2016. Max also received a Paul Harris Fellow award in 2014 from Rotary International for services to Timor-Leste community.
Special responsibilities: Chairman of Human Resources Committee.
Interest in shares: 20,001 ordinary shares

Sarah Rachel Mahoney
Non-executive director
Occupation: Business Owner & Settlement Agent
Qualifications, experience and expertise: Sarah is qualified as a Licensed Settlement Agent (Conveyancer) and have been since 2002 and currently full time at Safety Bay Settlements in Rockingham, WA. Established the business Go Kiosk Warnbro in 2009 at Warnbro Train Station and continues to operate. This business proved to be a very successful concept so she established a second store. Go Kiosk Kwinana in 2014 at the Kwinana Train Station and Go Kiosk Aubin Grove in 2017. Established Wendy's ice cream franchise business at Kwinana Marketplace in 2013. Previously owned and operated Mobile Coffee Van. Have extensive experience in the retail and hospitality industry with Managing and Supervising Restaurants and Hotels both in Australia and overseas. Director of Lifesaving & Patrol Captain at Coogee Beach Surf Life Saving Club. Councillor on the Board for the Australian Institute of Conveyancers WA Division (AICWA). Chair of the CPC Governing Committee (Certified Practicing Conveyancer).
Special responsibilities: Marketing Committee.
Interest in shares: 13,001 ordinary shares

Leslie Harris Whiddett
Non-executive director
Occupation: Retired Master Plumber
Qualifications, experience and expertise: Les has worked in the plumbing and gas industries for 40 years owning a contracting business as a working director. A member of the Wandi Progress Association for 25 years, have served on committee, treasurer, Vice President and President, Currently the Vice President. Also a member of the Handtool Preservation Society, where he is a committee member, Finewood Association, Marquetry and Wandi Woodturners club. Presently I am the Wandi Landcare Convener arranging tree planting and environmental days, Clean Up Australia and Neighbour Day.
Special responsibilities: Vice Chairman Property Committee, Human Resources and Marketing Committee.
Interest in shares: 10,001 ordinary shares

Robert George Cooper
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: Robert has been involved in Managing Police Section, Past President Rotary international, Past Chair Youth Exchange Rotary International, Treasurer Rotary Club of Kwinana, Past District Governor Rotary International.
Special responsibilities: Nil
Interest in shares: 2,500 ordinary shares

Directors *(continued)*

Sissi Tran Lombardo
Non-executive director (resigned 21 November 2019)
Occupation: Personal Shopper
Qualifications, experience and expertise: Sissi is the state liaison for the Hungarian Vizslas in need of rescue, re-home or foster care, and assist owners in need of support and training. She is also the Club graphic and web designer for the Club's website, quarterly newsletters, annual calendars and merchandise to raise funds for the breed welfare program. From 2010-2012 Sissi and her dog were certified to visit the Multiple Sclerosis Society's outreach centre as an Animal Companion Pet Therapy Volunteer. Sissi holds a Bachelor of Science (Communications & Information Technology) and was a Cartoon Graphics: IT Manager from 1993 to 2006, Aurora Art & Design Office Manager & Mac Operator from 2007 to 2012. Currently Sissi is an Assistant Online Department Manager with Woolworths.
Special responsibilities: Marketing Committee.
Interest in shares: nil share interest held

Lee Anthony Milward
Non-executive director (resigned 16 September 2019)
Occupation: Managing Director
Qualifications, experience and expertise: Managing Director Choice Consulting WA, CFO of Scanalyse Holdings Pty Ltd, Group Financial Controller Quickstep Technologies Pty Ltd, UK Financial Counsel Toyota Tsusho Ltd, Director Volunteer Home Support Inc. Director Caring Hands Group WA Ltd, Director of The Rotary Club of Baldivis.
Special responsibilities: Corporate and Governance Committee.
Interest in shares: nil share interest held

Lorraine May Lucas
Non-executive director (resigned 1 August 2019)
Occupation: Justice of the Peace
Qualifications, experience and expertise: Retired (self funded), Licensed Real Estate Agent, Justice of the Peace, Member of the Rotary Club of Kwinana.
Special responsibilities: Marketing Committee.
Interest in shares: 50,000 ordinary shares

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

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

Company Secretary

The company secretary is Stephen Williams. Stephen was appointed to the position of secretary on 22 May 2014.

Qualifications, experience and expertise: Stephen is a Director of SPW Business Pty Ltd and a Fellow of the Institute of Public Accountants.

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

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	(156,578)	(161,848)

Despite the loss for the financial year appearing to be comparable to the prior year, the company has shown significant growth in revenue from contracts with customers increasing by $60,053 (18%). The similar financial result to the prior year can be attributed to the $110,493 increase in leasehold improvement depreciation expense. This increase is due to the company's intention to relocate its branch premises, meaning the leasehold improvement depreciation has been accelerated to be in line with the lease term and will be fully written down as at 31 December 2020.

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Johannes Maria Iriks	86,001	-	86,001
Wayne Milnes	15,001	-	15,001
Stephen Paul Williams	6,101	-	6,101
Maxwell John Bird	20,001	-	20,001
Sarah Rachel Mahoney	13,001	-	13,001
Leslie Harris Whiddett	10,001	-	10,001
Robert George Cooper	2,500	-	2,500
Sissi Tran Lombardo	-	-	-
Lee Anthony Milward	-	-	-
Lorraine May Lucas	50,000	-	50,000

Dividends

No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be paid in the current financial year.

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

Since the end of the financial year, the company is in the process of relocating the branch premise to Suite 4, 4 Challenger Avenue, Kwinana. At this point in time the agreement is yet to be finalised and signed.

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	*Attended*
Johannes Maria Iriks	12	12
Wayne Milnes	12	11
Stephen Paul Williams	12	12
Maxwell John Bird	12	9
Sarah Rachel Mahoney	12	3
Leslie Harris Whiddett	12	12
Robert George Cooper	12	11
Sissi Tran Lombardo	2	2
Lee Anthony Milward	2	-
Lorraine May Lucas	1	1

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 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 independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Signed in accordance with a resolution of the directors at Kwinana, Western Australia.

Johannes Maria Iriks, Chairman

Dated this 25th day of September 2020

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 Kwinana Community Financial Services Ltd

As lead auditor for the audit of Kwinana Community Financial Services Ltd 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: 25 September 2020

Joshua Griffin
Lead Auditor

Kwinana Community Financial Services Ltd
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	391,032	330,979
Other revenue	9	95,863	36,875
Finance income	10	491	740
Employee benefit expenses	11c)	(333,247)	(323,220)
Charitable donations, sponsorship, advertising and promotion		(12,488)	(28,834)
Occupancy and associated costs		(34,633)	(99,789)
Systems costs		(38,914)	(32,745)
Depreciation and amortisation expense	11a)	(208,091)	(39,077)
Finance costs	11b)	(6,300)	(385)
General administration expenses		(51,323)	(62,243)
Loss before income tax credit		(197,610)	(217,699)
Income tax credit	12a)	41,032	55,851
Loss after income tax credit		(156,578)	(161,848)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(156,578)	(161,848)
Earnings per share		¢	¢
- Basic and diluted loss per share:	30a)	(13.50)	(13.95)

The accompanying notes form part of these financial statements

Kwinana Community Financial Services Ltd
Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	24,316	23,750
Trade and other receivables	14a)	53,491	41,266
Total current assets		77,807	65,016
Non-current assets			
Property, plant and equipment	15a)	94,691	219,800
Intangible assets	17a)	65,506	20,166
Deferred tax asset	18a)	304,774	255,344
Total non-current assets		464,971	495,310
Total assets		542,778	560,326
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	37,322	21,130
Loans and borrowings	20a)	182,191	125,614
Employee benefits	23a)	16,982	12,738
Provisions	22a)	20,455	-
Total current liabilities		256,950	159,482
Non-current liabilities			
Trade and other payables	19b)	59,581	-
Employee benefits	23b)	8,535	4,410
Total non-current liabilities		68,116	4,410
Total liabilities		325,066	163,892
Net assets		217,712	396,434
EQUITY			
Issued capital	24a)	1,120,118	1,120,118
Accumulated losses	25	(902,406)	(723,684)
Total equity		217,712	396,434

The accompanying notes form part of these financial statements

Kwinana Community Financial Services Ltd
Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		1,120,118	(561,836)	558,282
Total comprehensive income for the year		-	(161,848)	(161,848)
Balance at 30 June 2019		**1,120,118**	**(723,684)**	**396,434**
Balance at 1 July 2019		1,120,118	(723,684)	396,434
Effect of AASB 16: Leases	3d)	-	(22,144)	(22,144)
Restated balance at 1 July 2019		1,120,118	(745,828)	374,290
Total comprehensive income for the year		-	(156,578)	(156,578)
Balance at 30 June 2020		**1,120,118**	**(902,406)**	**217,712**

The accompanying notes form part of these financial statements

Kwinana Community Financial Services Ltd
Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		518,909	410,793
Payments to suppliers and employees		(486,419)	(589,067)
Interest received		535	740
Interest paid		(3,618)	(385)
Lease payments (interest component)	11b)	(1,610)	-
Lease payments not included in the measurement of lease liabilities	11d)	(13,805)	-
Net cash provided by/(used in) operating activities	26	**13,992**	**(177,919)**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,239)	(2,109)
Net cash used in investing activities		**(3,239)**	**(2,109)**
Cash flows from financing activities			
Lease payments - principal	21a)	(66,764)	-
Net cash used in financing activities		**(66,764)**	**-**
Net cash decrease in cash held		**(56,011)**	**(180,028)**
Cash and cash equivalents at the beginning of the financial year		(101,864)	78,164
Cash and cash equivalents at the end of the financial year	13b)	**(157,875)**	**(101,864)**

The accompanying notes form part of these financial statements

Note 1 Reporting entity

This is the financial report for Kwinana Community Financial Services Ltd (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
Suite 1, 4 Challenger Avenue Kwinana Town Centre WA 6167	2 Gilmore Avenue Kwinana Town Centre WA 6167

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

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 25 September 2020.

Going concern

The financial statements for the financial year ended 30 June 2020 have been prepared on the basis that the company is a going concern and it would continue its operations for a foreseeable future.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. As disclosed in the financial statements, the company's financial position is as follows:

	2020 $	2019 $	Percentage change
Current assets	77,807	65,016	19.67%
Current liabilities	256,950	159,482	61.12%
Working capital (deficiency)	(179,143)	(94,466)	89.64%
Total assets	542,778	560,326	(3.13%)
Total liabilities	325,066	163,892	98.34%
Net assets	217,712	396,434	(45.08%)
Accumulated losses	(902,406)	(723,684)	24.70%
Loss before tax	(197,610)	(217,699)	(9.23%)
Loss after tax	(156,578)	(161,848)	(3.26%)
Total comprehensive income	(156,578)	(161,848)	(3.26%)
Operating cash inflows (outflows)	13,992	(177,919)	(107.86%)
Cash and cash equivalents	(157,875)	(101,864)	54.99%
Available overdraft and borrowing facilities	117,809	74,386	58.38%

Note 2 Basis of preparation and statement of compliance *(continued)*

Going concern (continued)

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 30 September 2021. The overdraft has an approved limit of $300,000 and was drawn to $182,191 as at 30 June 2020.

$3,618 of interest expense was incurred during the financial year.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility.

The current economic environment is difficult and while revenue has increased the company has again reported an operating loss for the year. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company has also obtained an undertaking of support from Bendigo Bank that it will continue to support the company and its operations for the next 12 months. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo Bank to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the unforeseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Note 3 Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

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

d) Impact on financial statements

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

Impact on equity presented as decrease	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	16b)	60,149
Deferred tax asset	18a)	8,399
Liability		
Lease liabilities	21a)	(66,764)
Provision for make-good	22b)	(23,928)
Equity		
Accumulated losses		(22,144)

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

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	93,885
Add: additional options now expected to be exercised	938,849
Less: AASB 117 lease commitments reconciliation	(964,360)
Less: present value discounting	(1,610)
Lease liability as at 1 July 2019	66,764

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

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

b) Other revenue *(continued)*

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

c) Economic dependency - Bendigo Bank *(continued)*

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 *(continued)*

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.

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.

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. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

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

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 method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	over the lease term
Plant and equipment	Straight-line	5 to 40 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.

Subsequent expenditure

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

Amortisation

Intangible assets are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

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

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

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

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

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

i) Financial instruments *(continued)*

Classification and subsequent measurement (continued)

Financial assets - subsequent measurement and gains and losses

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

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 *(continued)*

j) Impairment

Non-derivative financial assets

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

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

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

Recognition of expected credit losses in financial statements

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

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) 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 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.

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

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

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

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

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

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

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

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee *(continued)*

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Policy applicable before 1 July 2019

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

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

As a lessee

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

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

As a lessor

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

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

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.
- Note 2 - going concern	whether management's assessment of uncertainties about the company's ability to continue as a going concern are appropriate.

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

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 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

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

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

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

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

a) Credit risk

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

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

b) Liquidity risk

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

The company maintains the following lines of credit with Bendigo Bank:

- $300,000 overdraft facility that is unsecured with available facility of $117,809. Interest is payable at a rate of 2.13% (2019: 3.94%)

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

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

30 June 2020

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank overdraft	182,191	182,191	-	-
Trade payables	15,237	15,237	-	-
	197,428	197,428	-	-

30 June 2019

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank overdraft	125,614	125,614	-	-
Trade payables	2,000	2,000	-	-
	127,614	127,614	-	-

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annual by the lender, Bendigo Bank. As at balance date, the lender does not intend to reduce or end the overdraft facility within the next 12 months.

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 held cash and cash equivalents of $24,316 at 30 June 2020 (2019: $23,750). The cash and cash equivalents are held with Bendigo Bank, 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	391,032	330,979
	391,032	330,979
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	293,421	241,472
- Fee income	28,355	27,585
- Commission income	69,256	61,922
	391,032	330,979

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

Note 9 Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor and cashflow boost income received from the Australian Government.

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	57,924	36,875
- Cash flow boost	36,455	-
- Other income	1,484	-
	95,863	36,875

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	491	740
	491	740

Note 11 Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	123,287	12,765
- Plant and equipment	4,489	4,312
	127,776	17,077
Depreciation of right-of-use assets		
- Leased land and buildings	60,149	-
	60,149	-
Amortisation of intangible assets:		
- Franchise fee	1,833	2,000
- Franchise establishment fee	18,333	20,000
	20,166	22,000
Total depreciation and amortisation expense	208,091	39,077

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 *(continued)*

b) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Bank overdraft interest paid or accrued		3,618	385
- Lease interest expense	21a)	1,610	-
- Unwinding of make-good provision		1,072	-
		6,300	385

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

c) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	287,656	283,471
Contributions to defined contribution plans	26,276	25,109
Expenses related to long service leave	4,125	2,791
Other expenses	15,190	11,849
	333,247	323,220

d) Recognition exemption

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

	2020 $	2019 $
Expenses relating to low-value leases	13,805	-
Expenses relating to short-term leases	19,681	-
	33,486	-

Expenses relating to leases exempt from recognition are included in systems 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 is in the process of relocating the branch premises to Suite 1, 4 Challenger Avenue, Kwinana. The company's current branch lease expired on 31 May 2020 and continues on a month-by-month agreement with the landlord. The lease has now been exempted from recognition as a short term lease exemption.

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)		
- Future income tax benefit attributable to losses	(26,197)	(58,094)
- Movement in deferred tax	(40,817)	2,243
- Adjustment to deferred tax on AASB 16 retrospective application	8,399	-
- Reduction in company tax rate	17,583	-
	(41,032)	(55,851)

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 $17,583 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2020 $	2019 $
Operating loss before taxation	(197,610)	(217,699)
Prima facie tax on loss from ordinary activities at 27.5% (2019: 27.5%)	(54,343)	(59,868)
Tax effect of:		
- Non-deductible expenses	5,754	6,188
- Other deductible expenses	-	(2,171)
- Temporary differences	32,417	(2,243)
- Other assessable income	(10,025)	-
- Movement in deferred tax	(40,817)	2,243
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	17,583	-
- Leases initial recognition	8,399	-
	(41,032)	(55,851)

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	57	25
- Term deposits	24,259	23,725
	24,316	23,750

Note 13 Cash and cash equivalents *(continued)*

b) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts. Bank overdrafts are presented with loans and borrowings.

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Note	2020 $	2019 $
- Cash at bank and on hand		57	25
- Term deposits		24,259	23,725
- Bank overdraft	20a)	(182,191)	(125,614)
		(157,875)	(101,864)

Note 14 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	38,703	25,791
Prepayments	7,101	15,370
Other receivables and accruals	7,687	105
	53,491	41,266

Note 15 Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Leasehold improvements		
At cost	254,432	253,286
Less: accumulated depreciation	(174,347)	(51,060)
	80,085	202,226
Plant and equipment		
At cost	34,741	32,647
Less: accumulated depreciation	(20,135)	(15,646)
	14,606	17,001
Work in progress		
At cost	-	573
Less: accumulated depreciation	-	-
	-	573
Total written down amount	94,691	219,800

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 *(continued)*

b) Reconciliation of carrying amounts

	2020	2019
	$	$
Leasehold improvements		
Carrying amount at beginning	202,226	214,991
Additions	1,146	-
Depreciation	(123,287)	(12,765)
Carrying amount at end	80,085	202,226
Plant and equipment		
Carrying amount at beginning	17,001	19,777
Additions	2,094	1,536
Depreciation	(4,489)	(4,312)
Carrying amount at end	14,606	17,001
Work in progress		
Carrying amount at beginning	573	573
Impairment	(573)	-
Carrying amount at end	-	573
Total written down amount	94,691	219,800

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.

Effective 1 July 2019, Kwinana Community Financial Services Limited changed its estimate of useful life for its leasehold improvements. The leasehold improvements should be fully depreciated over the shorter of the lease term and its useful life. Notwithstanding the ability to renew for another five year period, the current lease term expired on to expire in May 2020. The board has decided that leasehold improvements are to be depreciated until 31 December 2020. Previously leasehold improvements were depreciated over the estimated useful life of the property of 40 years. The material movement in depreciation expense is disclosed below.

	2020	2019
	$	$
Increase in depreciation expense	110,493	-

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.

Note 16 Right-of-use assets *(continued)*

a) Carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
At cost		328,084	-
Less: accumulated depreciation		(328,084)	-
Total written down amount		-	-

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
Initial recognition on transition	3d)	328,084	-
Accumulated depreciation on adoption	3d)	(267,935)	-
Depreciation		(60,149)	-
Total written down amount		-	-

Note 17 Intangible assets

a) Carrying amounts

	2020 $	2019 $
Franchise fee		
At cost	20,918	10,000
Less: accumulated amortisation	(10,000)	(8,167)
	10,918	1,833
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(81,667)
	-	18,333
Franchise renewal process fee		
At cost	54,588	-
	54,588	-
Total written down amount	65,506	20,166

b) Reconciliation of carrying amounts

	2020	2019
Franchise fee		
Carrying amount at beginning	1,833	3,833
Additions	10,918	-
Amortisation	(1,833)	(2,000)
Carrying amount at end	10,918	1,833
Franchise establishment fee		
Carrying amount at beginning	18,333	38,333
Amortisation	(18,333)	(20,000)
Carrying amount at end	-	18,333

Note 17 Intangible assets *(continued)*

b) Reconciliation of carrying amounts

Franchise renewal process fee	2020 $	2019 $
Additions	54,588	-
Carrying amount at end	54,588	-
Total written down amount	65,506	20,166

c) Changes in estimates

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

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

Note 18 Tax assets and liabilities

a) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$
- expense accruals	879	(99)	-	780
- employee provisions	4,716	1,918	-	6,634
- make-good provision	-	(1,262)	6,580	5,318
- lease liability	-	(18,360)	18,360	-
- property, plant and equipment	-	18,800	-	18,800
- carried-forward tax losses	262,824	10,433	-	273,257
Total deferred tax assets	268,419	11,430	24,940	304,789
Deferred tax liabilities				
- income accruals	28	(13)	-	15
- property, plant and equipment	13,047	(13,047)	-	-
- right-of-use assets	-	(16,541)	16,541	-
Total deferred tax liabilities	13,075	(29,601)	16,541	15
Net deferred tax assets (liabilities)	255,344	41,031	8,399	304,774

Note 18 Tax assets and liabilities *(continued)*

a) Deferred tax *(continued)*

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

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$
- expense accruals	770	109	-	879
- employee provisions	3,254	1,462	-	4,716
- carried-forward tax losses	204,730	58,094	-	262,824
Total deferred tax assets	208,754	59,665	-	268,419
Deferred tax liabilities				
- income accruals	28	-	-	28
- property, plant and equipment	9,233	3,814	-	13,047
Total deferred tax liabilities	9,261	3,814	-	13,075
Net deferred tax assets (liabilities)	199,493	55,851	-	255,344

b) Uncertainty over income tax treatments

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

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

Note 19 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	15,237	2,000
Other creditors and accruals	22,085	19,130
	37,322	21,130

Note 19 Trade creditors and other payables *(continued)*

b) Non-current liabilities	2020 $	2019 $
Other creditors and accruals	59,581	-
	59,581	-

Note 20 Loans and borrowings

	2020 $	2019 $
a) Current liabilities		
Bank overdraft	182,191	125,614
	182,191	125,614

Bank overdraft

The company has an approved overdraft limit of $300,000 which was drawn down to $182,191. The company has $117,809 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 2.13% (2019: 3.94%).

b) Terms and repayment schedule

	Weighted Average	Year of maturity	30 June 2020 Face value	30 June 2020 Carrying value	30 June 2019 Face value	30 June 2019 Carrying value
Bank overdraft	2.1%	Floating	182,191	182,191	125,614	125,614

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 4.79%.

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

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

Lease portfolio

The company's lease portfolio includes:

- Kwinana Branch — The lease agreement was a non-cancellable lease with an initial term of five years which commenced in June 2015. The lease had one further five year extension option available, however the company has elected not to exercise this option and will be relocating premises. The lease arrangement continues on a month to month arrangement and as such was exempted from recognition as at 31 May 2020 under the short term lease exemption.

Note 21 Lease liabilities *(continued)*

a) Lease liability measurement

Lease liabilities on transition	Note	2020 $	2019 $
Initial recognition on AASB 16 transition	3d)	66,764	-
Lease payments - interest	3d)	1,610	-
Lease payments		(68,374)	-
		-	-

b) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is an increase in profit after tax of $4,019.

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	68,374	(68,374)	-
- Depreciation and amortisation expense	-	60,149	60,149
- Finance costs	-	2,682	2,682
Decrease in expenses - before tax	68,374	(5,543)	62,831
- Income tax expense / (credit) - current	(18,803)	18,803	-
- Income tax expense / (credit) - deferred	-	(17,279)	(17,279)
Decrease in expenses - after tax	49,571	(4,019)	45,552

Note 22 Provisions

a) Current liabilities

	2020 $	2019 $
Make-good on leased premises	20,455	-
	20,455	-

Note 22 Provisions *(continued)*

b) Make-good provision

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

The company has estimated the provision based on experience and consideration of the expected future costs be paid to the landlord upon leaving the leased premises.

Provision	Note	2020 $	2019 $
Balance at the beginning		-	-
Face-value of make-good costs recognised	3d)	25,000	-
Present value discounting	3d)	(1,072)	-
Present value unwinding		1,072	-
Provision remeasurements		(4,545)	-
		20,455	-

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 expired on 18 June 2020 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23 Employee benefits

a) Current liabilities	2020 $	2019 $
Provision for annual leave	16,982	12,738
	16,982	12,738

b) Non-current liabilities

Provision for long service leave	8,535	4,410
	8,535	4,410

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	1,160,008	1,160,008	1,160,008	1,160,008
Less: equity raising costs	-	(39,890)	-	(39,890)
	1,160,008	1,120,118	1,160,008	1,120,118

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

Note 24 Issued capital *(continued)*

b) Rights attached to issued capital *(continued)*

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 326. As at the date of this report, the company had 361 shareholders (2019: 361 shareholders).

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

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

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

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

Note 25 Accumulated losses

	Note	2020 $	2019 $
Balance at beginning of reporting period		(723,684)	(561,836)
Adjustment for transition to AASB 16	3d)	(22,144)	-
Net loss after tax from ordinary activities		(156,578)	(161,848)
Balance at end of reporting period		(902,406)	(723,684)

Note 26 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net loss after tax from ordinary activities	(156,578)	(161,848)
Adjustments for:		
- Depreciation	187,925	17,077
- Amortisation	20,166	22,000
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(12,228)	612
- (Increase)/decrease in other assets	(40,459)	(55,851)
- Increase/(decrease) in trade and other payables	10,271	(5,225)
- Increase/(decrease) in employee benefits	3,823	5,316
- Increase/(decrease) in provisions	1,072	-
Net cash flows provided by/(used in) operating activities	13,992	(177,919)

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	46,390	25,896
Cash and cash equivalents	13	57	25
Term deposits	13	24,259	23,725
		70,706	49,646
Financial liabilities			
Trade and other payables	19	15,237	2,000
Bank overdrafts	20	182,191	125,614
		197,428	127,614

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	600	600
- General advisory services	2,210	1,930
- Share registry services	1,900	1,885
	4,710	4,415
Total auditor's remuneration	9,510	9,015

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Johannes Maria Iriks
Wayne Milnes
Stephen Paul Williams
Maxwell John Bird
Sarah Rachel Mahoney
Leslie Harris Whiddett
Robert George Cooper
Sissi Tran Lombardo
Lee Anthony Milward
Lorraine May Lucas

b) Key management personnel compensation

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

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

c) Related party transactions

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

Note 30 Earnings per share

a) Basic and diluted earnings per share

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

	2020 $	2019 $
Loss attributable to ordinary shareholders	(156,578)	(161,848)
	Number	Number
Weighted-average number of ordinary shares	1,160,008	1,160,008
	Cents	Cents
Basic and diluted loss per share	(13.50)	(13.95)

Note 31 Commitments

a) Lease commitments

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

Operating lease commitments - lessee Non-cancellable operating leases contracted for but not capitalised in the financial statements	2020 $	2019 $
Payable - minimum lease payments:		
- not later than 12 months	-	93,885
Minimum lease payments payable	-	93,885

b) Other commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

Since the end of the financial year, the company is in the process of relocating the branch premise to Suite 1, 4 Challenger Avenue, Kwinana. At this point in time the agreement is yet to be finalised and signed.

There have been no other 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.

Kwinana Community Financial Services Ltd
Directors' Declaration

In accordance with a resolution of the directors of Kwinana Community Financial Services Ltd, 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.

Johannes Maria Iriks, Chairman

Dated this 25th day of September 2020

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
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Independent auditor's report to the members of Kwinana Community Financial Services Ltd

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Kwinana Community Financial Services Ltd, 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
Kwinana Community Financial Services Ltd's (the company) financial report comprises the:

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

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

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

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

Material uncertainty related to going concern
Our opinion is not modified for this matter. We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss after tax of $156,578 during the year ended 30 June 2020, further reducing the company's net assets to $217,712. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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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: 25 September 2020

Joshua Griffin
Lead Auditor

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Bendigo Bank