Annual Report 2020

Lancefield & Romsey Community Financial Services Limited

Community Bank
Lancefield & Romsey

ABN 44 093 517 714

Contents

Senior branch manager's report.

For year ending June 30 2020.

2020 will be a year we will never forget due to the COVID-19 pandemic. Thankfully, the number of infections was very low in our communities; however, it did impact us in many other ways. For many locals that were stood down, or businesses forced to close, we were able to support by deferring loan repayments or provided business support loans. We also supported passbook clients with debit cards to enable them to shop contactless.

I would like to congratulate and thank the teams at both our branches and our customers for embracing the restrictions we had to undertake to keep everyone safe.

Congratulations also to two of our staff members who commenced with us under a traineeship and have both secured full time employment in other departments within the Bendigo & Adelaide Bank Group this year.

Both branches still continue to grow in lending and deposits. Lending grew by $6.4m and deposit by a whopping by $14.2 million. This would largely be contributed to our customers seeking a safe haven in such uncertain times and our communities embracing us as their bank of choice. Our customer numbers grew by 2.3% and this is not just through borrowers and depositors, but by clients taking out insurance, discussing their retirement plans with our consultants, and taking out our award-winning Smart Start Superannuation product.

Both branches continue to operate profitably, which comes as a benefit to our communities. We will be able to support projects such as the Ecotherapy Park, Relay for Life, both Mechanics Institutes and sponsorship of many of the local sporting clubs and the schools of both towns.

The more successful our customers are, the more successful our local community will be, which in turn makes our Community Bank branches successful.

Congratulations and thankyou to our volunteer board of Directors for all their hard work, in another successful but challenging year.

And for anyone who hasn't experienced our friendly, professional service, please call in for a friendly chat about what we can do for you. If you are a customer, please tell your colleagues and neighbours who haven't yet made the change.

Michael O'Gorman
Senior Manager

Chairman's report.

For year ending June 30 2020.

I am pleased to be reporting to you again as the Chairman of our **Community Bank** branches in Lancefield and Romsey. Our continued commitment to our community has once again resulted in us achieving growth, strong financial performance and providing excellent customer service.

This year has been unprecedented with the outbreak of the Coronavirus Disease 2019 (COVID-19), deemed a pandemic by the World Health Organisation. There have been unparalleled measures put in place by the Australian Government, as well as governments across the globe, to contain COVID-19, which has had a significant impact on the economy. Victoria has been severely impacted with the occurrence of a second wave, and subsequent lockdowns in Melbourne metro (Stage 4) on July 7th and Regional Victoria (Stage 3). This has had a major impact on local businesses and consequently, our branches, as essential services, have had restrictions on the numbers allowed in the branches at any one time together with the wearing of appropriate PPE.

In response to COVID-19, the banks have also put in place loan deferral mechanisms to assist our borrowers during these uncertain times. I would like to express my gratitude to all of our staff who continued to service our customers diligently during this period. Our customers are front of mind during these difficult times and our team stands ready to assist in any way possible. There still remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of the economic recovery.

Our results have remained strong, with our net profitability increasing by 49% during the financial year. Pleasingly, our revenue from customers increased by 5.2% whilst our employee and general administration expenses decreased by over 7% contributing to this result. 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. Our company received $62,500 from this support. In addition, in 2019, a fourth valuation of the property at 105 Main Street, Romsey, resulted in a reversal of impairment losses already recognised of $200,201. Our ongoing profitability allowed us to declare an annual dividend of 7 cents per share.

Through the dedication of our branch teams, our gross profit before the payment of community grants and sponsorships was approximately $560,000. This was an increase from last year's result, and demonstrates the wealth and prosperity that can be generated and retained in our communities through our collective ability to work together to achieve great things. Notwithstanding the challenges in the economy and in our communities, our continued work with our communities continues to build on the trust and faith that our shareholders and customers show in us by bringing their business to our **Community Bank** branches. Thank you to all.

This year we will be using the Community Enterprise Foundation to assist us with our investment in the community. Due to COVID-19 restrictions on events and gatherings, the total number of requests is understandably down and at the time of writing, the board has not been able to meet to determine this year's allocation. With restrictions easing as COVID-19 numbers fall, we anticipate being able to do this shortly. In addition, a second round will be announced for early next year, where we expect a greater number of events will be able to be held. During the financial year to June 30th 2020, we invested another $141,000 towards community groups, clubs and events, making the total amount contributed back to the community since we first opened in 2001, **to over $1.6 million**. During the financial year, our Community Investment Program (grants and sponsorships) contributed about 60 local groups including local schools and emergency services, sporting clubs and associations.

It is this investment and co-contribution to our communities' wealth that is the foundation of the **Community Bank** model. A large proportion of our profits are invested back into the community in the form of grants and sponsorships. This allows our community to grow, having access to better services, bringing more customers to the doors of our **Community Bank** branches in Romsey and Lancefield to allow us to continue our contribution. The more customers we have, the more we can invest in the community. It's a virtuous and incredibly powerful circle.

In fact, if you include employment costs and dividends (with virtually all of our shareholders having a community connection), of the $1.8 million that our **Community Bank** branches earn in revenue, approximately $1.2 million is returned to the community.

Bendigo Bank

Sadly in April 2020, we lost one of our treasured staff members, Rebecca Harrison who succumbed to cancer after a very short battle. Her enormous courage and zest for life never diminished and she will be fondly remembered by all of us for her sense of humour and her dedicated service to customers and the community. She taught us all very valuable lessons and is sorely missed.

In December 2019, Ken Allender, our General Manager, stepped down from the role where he assisted with the governance and structure of the organization and assisted the branch teams identify growth opportunities. We thank Ken for his contribution during this time. Our continued profitability and contribution to our community, demonstrates our Senior Branch Manager, Michael O'Gorman and the teams' commitment to the branches, the customers and the community. Our thanks and congratulations to Michael and both of our branch teams for another outstanding year supporting our business particularly during these difficult and challenging times.

I would also like thank our Company Secretary and Executive Officer, Bronwyn Meadows Smith, for her significant contribution during the year. Bronwyn has also assumed responsibility for many marketing and strategic activities and her efforts are greatly appreciated.

In November 2019, after 21 years involvement with the bank, (18 as a Director), Russell Pattinson retired. In 1998, he was a member of the initial steering committee that established the bank in Lancefield when the town had been deserted by the major banks. He then became a founding Director in 2001 and served on the board until his retirement. Russell served as Chair as well as playing a key role in establishing the Romsey Branch in 2005. He has also chaired the Marketing and Community Investment Committee helping to identify the needs of our community and where our investment dollars are needed. Russell has developed a successful consultancy business from his Lancefield base with clients throughout Australia. He has been actively involved in Relay for Life since its inception some 18 years ago. Russell is a passionate cricket fan – a player for many years and a life member of the Lancefield Cricket Club for over 20 years. Our sincere thanks are expressed to Russell for his dedicated service.

Damien Tyrrell, who joined the board in 2017, also resigned in May 2020 to take up a role with his employer in Colorado, USA. Damien was a member of the Property committee and Risk and Governance committee. We thank Damien for his strong contribution to the board and extend our best wishes and success to him in the USA.

In July 2020, we welcomed two new directors to the Board: Tracey Costar and Adam Cullinger, both residents of Romsey. With their respective strong financial and project management skills, we look forward to their continued contribution to our company.

I would like to sincerely thank all of our Directors for their hard work and dedication to our **Community Bank** and for the enthusiastic contribution they continue to make to ensure that we are feeding prosperity back into the community not feeding off it. During the year, the board has continued to meet, mainly via video conferencing and I thank all for their dedication and patience.

It all began with you, our shareholders. Your faith, trust and commitment to our community allowed these **Community Bank** branches to begin. Thank you. With your support we will continue to grow and prosper and I very much look forward to building the wealth and prosperity of our community together.

S.M. Ewart

Suzie Ewart
Chairman

Director's report.

The Directors present their report of the company for the financial year ended 30 June 2020.

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

Suzanne Ewart (Chair)

Occupation: Non-Executive Director / Business Advisor.

Qualifications, experience and expertise: Bachelor of Economics, CPA and Fellow of the Australian Institute of Company Directors, Suzanne is a Company Director and business adviser with a strong background in strategy, treasury, risk management and finance for some of Australia's major ASX listed companies, including NAB, BTR, Nylex, Pacific Dunlop, Fosters Group and Woodside Petroleum. She has served on several boards and has expansive corporate governance and leadership skills drawn from many years' experience in large global businesses. Her board and business experience cover a range of sectors including health, biotech, education, financial services and infrastructure. She also holds directorships in TT Line Pty Ltd and Dexus Wholesale Property Fund Ltd. She was formerly Chair of au Domain Administration Ltd, Peter MacCallum Cancer Institute and Cell Therapies, and a director of Treasury Corporation Victoria.

Special responsibilities: Board chairman since June 2018, Member of Finance & Audit Committee.

Interest in shares: nil share interest held.

David Ross Plunkett (Non-executive director)

Occupation: Lawyer.

Qualifications, experience and expertise: David has been a practicing Lawyer since graduating with a LLB in 1994. He was the General Counsel and Company Secretary for Qenos Pty Ltd from 2001 until March 2019, at which time he commenced as General Manager - Legal and Company Secretary at SIMEC Energy Australia, being responsible for all legal and governance related matters. He has two children that attend schools in the Macedon Region and enjoys playing golf courses across the Macedon Ranges shire.

Special responsibilities: Chair of Governance & Risk Committee.

Interest in shares: nil share interest held.

Robert William Bryant (Non-executive director)

Occupation: Business Owner/Operator.

Qualifications, experience and expertise: Robert was a Director on the Board of a public company from 1996 to 1999. Robert brings his extensive local community awareness and retail expertise to his Directorship, having been a local Hardware Owner/Operator since 2000.

Special responsibilities: Co-Chair of Property Committee.

Interest in shares: 3,750 ordinary shares.

Antony James Ede (Non-executive director)

Occupation: Segment Business Manager APAC.

Qualifications, experience and expertise: Antony has extensive experience in business management, sales and marketing management, business development and P&L management in Australian and International business environments. Having managed start-ups and established business and business units in Australia, Indonesia, China and the Middle East, he brings a strong level of results accountability as well as experience in developing and coaching teams which are culturally and ethnically diverse. His strengths include strategic and business growth leadership, marketing and brand development as well as the ability to relate to a diverse range of people understanding individual need and drivers.

Special responsibilities: Chair of Marketing & Community Investment Committee.

Interest in shares: nil share interest held.

Georgia Morgan (Non-executive director)

Occupation: Senior Manager Business Foreign Exchange - Financial Markets.

Qualifications, experience and expertise: Georgia has more than 25 years' experience in the banking industry. Her roles have ranged across Treasury, Corporate Finance, Marketing and Sales. Georgia holds a B. of Economics and a Masters of App. Finance. She is also a graduate and Member of the Australian Institute of Company Directors. She is an active member in the local community, most recently as President of the Lancefield Football Netball Club and also having served as past non-executive board member in the health industry and past Treasurer for the Macedon Ranges Vignerons Association.

Special responsibilities: Board Treasurer since November 2018, Chair of Finance & Audit Committee.

Interest in shares: nil share interest held.

Tracey Leanne Costar (Non-executive director (appointed 6 July 2020))

Occupation: Analyst.

Qualifications, experience and expertise: Tracey has attained a Bachelor of Business (Accounting/Banking & Finance) and is a registered Associate CPA. Tracey has extensive experience in the Resources, Utilities and not-for-profit sectors in both Australia & International. Tracey brings with her a wealth of knowledge in business process assessment & information systems management, and is currently focused on financial/accounting & Technology management.

Special responsibilities: Member of Finance & Audit and Governance & Risk Committee.

Interest in shares: nil share interest held.

Adam James Cullinger Non-executive director (appointed 6 July 2020)

Occupation: Project Manager - Construction, Maintenance, Facilities Sectors.

Qualifications, experience and expertise: Adam is nearing completion of a Master of Project Management and has completed multiple undergraduate studies in Construction Management & Building. Adam has a strong background in small business, commercial building and more recently project management at leading infrastructure sites across Victoria. Adam has strong skills in project and program governance, risk management and procurement amongst others.

Special responsibilities: Member of Property Committee, Governance & Risk Committee and Marketing & Community Investment Committee.

Interest in shares: nil share interest held.

Russell Pattinson Non-executive director (resigned 27 November 2019)

Occupation: Management Consultant & Business Owner.

Qualifications, experience and expertise: Russell has comprehensive agribusiness experience alongside his B. Ag. Science (Hon) and Masters of Applied Science. He is a Director of a private Management Consulting Company and current Chairperson of various Australian industry committees. He has many local sporting, community and business interests.

Special responsibilities: Chair of Marketing & Community Investment Committee (until 27th November 2019).

Interest in shares: 3,000 ordinary shares.

Damien Wayne Tyrrell Non-executive director (resigned 6 May 2020)

Occupation: Director, Indo-Pacific.

Qualifications, experience and expertise: Damien brings his experience in the fields of information communications technology, business development, marketing, commercial and general business management to his directorship. He has a MBA, as well as having been active in social welfare, asset management and economic development committees and is also a JP. Damien has been Chairman for the Australia Defence Alliance – Victoria Inc. since November 2018. He served in the Australian Military for 13 years, and from 2000 has held senior leadership roles in several multi-national companies.

Special responsibilities: Co-Chair of Property Committee and Member of Governance & Risk Committee.

Interest in shares: nil share interest held.

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

Director's report. (continued)

The Directors present their report of the company for the financial year ended 30 June 2020.

Company Secretary

There have been two company secretaries holding the position during the financial year:

- Bronwyn Meadows Smith was appointed company secretary on 10 September 2019.
- Georgina Mary Davie was appointed company secretary on 6 February 2017 and ceased on 10 September 2019.

Qualifications, experience and expertise: Bronwyn has a degree in Engineering (B.Eng (Mining)) and over 25 years experience in administration and general management roles. She was Manager of Membership & Branches for The Australasian Institute of Mining & Metallurgy, and subsequently General Manager, Operations Support for international mining consultancy firm AMC Consultants.

Principal activity

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

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

Operating results

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

	Year ending	
	30 June 2020 $	1 July 2019 $
Profit after tax	266,095	178,018
Revaluation of investments	200,201	-
Total comprehensive income	**466,296**	**178,018**

Directors' interests

	Fully paid ordinary shares		
	Balance at start of year	Changes during the year	Balance at end of year
Suzanne Ewart	-	-	-
David Ross Plunkett	-	-	-
Robert William Bryant	3,750	-	3,750
Antony James Ede	-	-	-
Damien Wayne Tyrrell	-	-	-
Georgia Morgan	-	-	-
Tracey Leanne Costar	-	-	-
Adam James Cullinger	-	-	-
Russell Pattinson	3,000	-	3,000

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

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	7.00	70,749
Total amount	**7.00**	**70,749**

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

There are no 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.

Director's report. (continued)

For the financial year ended 30 June 2020.

Directors' meetings

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

	Board meetings attended		Committee Meetings Attended					
			Finance and audit		Governance & Risk		Marketing & Community Investment	
Director	E	A	E	A	E	A	E	A
Suzanne Ewart	12	12	5	5	-	-	-	-
David Ross Plunkett	12	9	-	-	1	1	-	-
Robert William Bryant	12	11	-	-	-	-	4	3
Antony James Ede	12	9	-	-	-	-	5	5
Georgia Morgan	12	12	6	6	-	-	-	-
Tracey Leanne Costar [1]	-	-	-	-	-	-	-	-
Adam James Cullinger [1]	-	-	-	-	-	-	-	-
Russell Pattinson [2]	5	4	-	-	-	-	-	-
Damien Wayne Tyrrell [3]	11	1	-	-	1	1	-	-

E: eligible to attend. **A:** number attended.

1: Appointed 6th July 2020; ineligible to attend meetings throughout the year. **2:** Resigned from board 27th November 2019. **3:** Resigned from the board 6th May 2020.

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, in accordance with the advice received from the Finance & Audit Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditor's independence declaration

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

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

S.M. Ewart.

Suzanne Ewart *Chair*

Dated this 9th day of September 2020

Auditor's independence declaration.

Partners in success
Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Lancefield & Romsey Community Financial Services Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 9 September 2020

Joshua Griffin
Lead Auditor

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Financial statements.

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

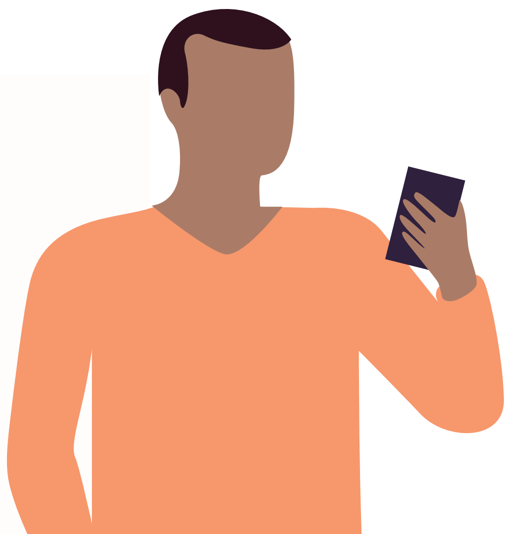
	Note	2020 $	2019 $
Revenue from contracts with customers	8	1,821,422	1,730,155
Other revenue	9	114,901	55,124
Finance income	10	2,984	5,535
Employee benefit expenses	11(d)	(925,583)	(985,406)
Charitable donations, sponsorship, advertising and promotion		(258,363)	(183,736)
Occupancy and associated costs		(55,935)	(88,645)
Systems costs		(64,358)	(65,048)
Depreciation and amortisation expense	11(a)	(76,546)	(67,239)
Financial costs	11(b)	(15,323)	(9,230)
General administration expenses		(125,803)	(145,842)
Profit before income tax expense		**417,396**	**245,668**
Income tax expense	12(a)	(151,301)	(67,650)
Profit after income tax expense		**266,095**	**178,018**

Other comprehensive income

Revaluation of investments	9	200,201	-
Total other comprehensive income for the period		**200,201**	**-**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**466,296**	**178,018**

Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	31(a)	26.33	17.61

The accompanying notes form part of these financial statements.



Bendigo Bank

Statement of Financial Position as of 30 June 2020.

Assets	Note	2020 $	2019 $
Current assets			
Cash and cash equivalents	13(a)	637,044	427,601
Trade and other receivables	14(a)	160,229	160,121
Current tax assets	18(a)	-	33,769
Total current assets		**797,273**	**621,491**
Non-current assets			
Property, plant and equipment	15(a)	1,631,144	1,468,296
Right-of-use assets	16(a)	127,183	-
Intangible assets	17(a)	9,702	31,681
Deferred tax asset	18(b)	-	18,869
Total non-current assets		**1,768,029**	**1,518,846**
Total assets		**2,565,302**	**2,140,337**
Liabilities			
Current liabilities			
Trade and other payables	19(a)	68,583	102,870
Current tax liabilities	18(a)	1,781	-
Loans and borrowings	20(a)	-	41,765
Lease liabilities	21(b)	12,018	-
Employee benefits	23(a)	93,650	112,144
Total current liabilities		**176,032**	**256,779**
Non-current liabilities			
Loans and borrowings	20(b)	-	56,212
Lease liabilities	21(c)	163,473	-
Employee benefits	23(b)	18,453	11,096
Provisions	22(a)	5,535	-
Deferred tax liability	18(b)	28,712	-
Total non-current liabilities		**216,173**	**67,308**
Total liabilities		**392,205**	**324,087**
Net assets		**2,173,097**	**1,816,250**
Equity			
Issued capital	24(a)	667,869	667,869
Retained earnings	25	1,505,228	1,148,381
Total equity		**2,173,097**	**1,816,250**

The accompanying notes form part of these financial statements.

Financial statements. (continued)

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

	Note	Issued capital $	Retained earnings	Total equity $
Balance at 1 July 2018		**667,869**	**1,020,898**	**1,688,767**
Total comprehensive income for the year		-	178,018	178,018
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30(a)	-	(50,535)	(50,535)
Balance at 30 June 2019		**667,869**	**1,148,381**	**1,816,250**
Balance at 1 July 2019		**667,869**	**1,148,381**	**1,816,250**
Effect of AASB 16: Leases	3(d)	-	(38,700)	(38,700)
Restated balance at 1 July 2019		**667,869**	**1,109,681**	**1,777,550**
Total comprehensive income for the year		-	466,296	466,296
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30(a)	-	(70,749)	(70,749)
Balance at 30 June 2020		**667,869**	**1,505,228**	**2,173,097**

The accompanying notes form part of these financial statements.

Statement of Cash Flows.

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		2,117,078	1,959,920
Payments to suppliers and employees		(1,627,774)	(1,634,195)
Interest received		3,073	5,731
Interest paid		(5,239)	(9,230)
Lease payments (interest component)	11(b)	(9,794)	-
Lease payments not included in the measurement of lease liabilities	11(e)	(28,644)	-
Income taxes paid		(53,491)	(126,059)
Net cash provided by operating activities	**26**	**395,209**	**196,167**
Cash flows from investing activities			
Payments for property, plant and equipment		(5,652)	(237,489)
Net cash used in investing activities		**(5,652)**	**(237,489)**
Cash flows from financing activities			
Repayment of loans and borrowings		(97,977)	(41,075)
Lease payments (principalcomponent)	21(a)	(11,388)	-
Dividends paid	30(a)	(70,749)	(50,535)
Net cash used in financing activities		**(180,114)**	**(91,610)**
Net cash increase/(decrease) in cash held		**209,443**	**(132,932)**
Cash and cash equivalents at the beginning of the financial year		427,601	560,533
Cash and cash equivalents at the end of the financial year	**13(a)**	**637,044**	**427,601**

The accompanying notes form part of these financial statements.

Notes to the financial statements.

For the financial year ended 30 June 2020.

NOTE 1. REPORTING ENTITY.

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

Registered Office:	**20A High Street, Lancefield VIC 3435**
Principal Place of Business:	**20A High Street, Lancefield VIC 3435** **105 Main Street, Romsey VIC 3434**

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 29.

NOTE 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE.

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 9 September 2020.

NOTE 3. CHANGES IN ACCOUNTING POLICIES, STANDARDS AND INTERPRETATIONS.

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

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

(a) Definition of a lease.

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

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

(b) As a lessee.

As a lessee, the company leases 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).

(b) As a lessee. (continued)

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

(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.

	Note	1 July 2019 $
Impact on equity presented as decrease		
Asset		
Right-of-use assets - land and buildings	16 (b)	138,745
Deferred tax asset	18 (b)	14,679
Liability		
Lease liabilities	21 (a)	(186,879)
Provision for make-good	22 (b)	(5,245)
Equity		
Retained earnings		(38,700)

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

(d) Impact on financial statements. (continued)

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

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	43,350
Add: additional options now expected to be exercised	208,080
Less: AASB 117 lease commitments reconciliation	2,760
Less: present value discounting	(67,311)
Lease liability as at 1 July 2019	**186,879**

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.

Bendigo Bank

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

(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.

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

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).

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.

(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.

(e) Taxes.

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

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

Current income tax

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

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

(e) Taxes. (continued)

Deferred tax

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

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

Deferred tax is 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. g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Usefull Life
Building	Straight-line	40 years
Leasehold improvements	Straight-line	5 to 15 years
Plant and equipment	Straight-line and diminishing value	2.5 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. The useful lives of intangible assets are assessed as either finite or indefinite.

Subsequent expenditure

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

Amortisation

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

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

Asset class	Method	Usefull Life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process 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.

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, 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.

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

i) Financial instruments. (continued)

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.

A debt instrument is measured at FVTOCI if it meets both of the following conditions and is not designated as FVTPL:

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

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

Financial assets - business model assessment

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

Financial assets - assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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.
- Debt instruments at FVTOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

i) Financial instruments. (continued)

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.

(j) Impairment.

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

ECL's are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument. The company uses the simplified approach to impairment. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime ECL at all times.

This approach is applicable to:

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

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

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

(j) Impairment. (continued)

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

(k) Issued capital.

Ordinary shares

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

(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.

(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.

(m) Leases. (continued)

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

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.

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

(m) Leases. (continued)

As a lessee

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

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

As a lessor

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

(n) Fair value measurement.

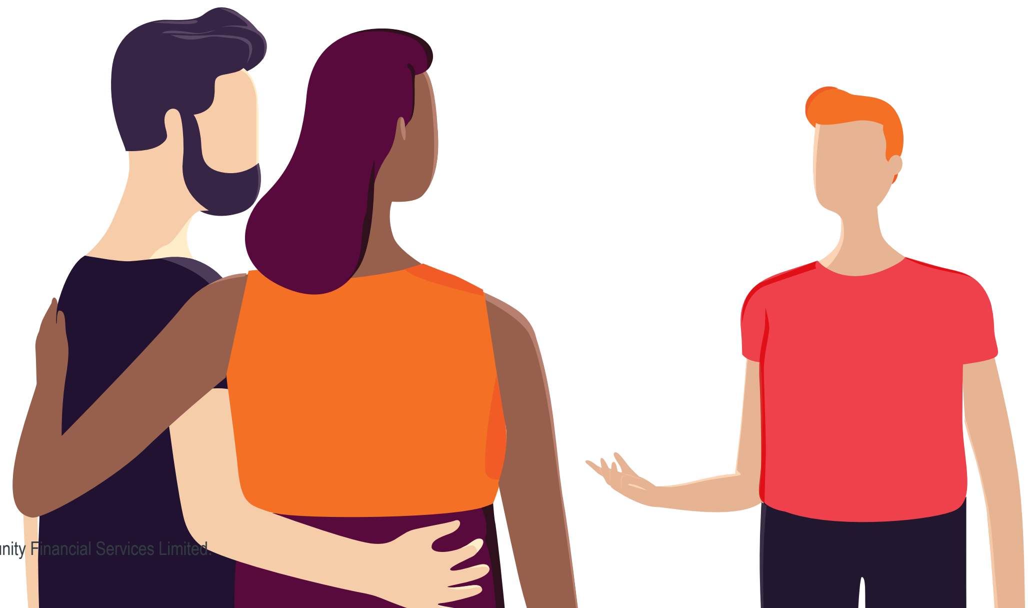
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, the company uses valuation techniques that maximise the use of relevant observable inputs and maximise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a property on initial recognition is the transaction price - i.e. the fair value of the consideration given or received.

(o) Standards issued but not yet effective.

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



NOTE 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS.

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

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

(a) Judgements.

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

Note	Judgement
Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
Note 21 - leases:	
(a) control	(a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
(b) lease term	(b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
(c) discount rates	(c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

(b) Assumptions and estimation uncertainties.

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

Note	Assumptions
Note 8: revenue recognition	estimate of expected returns;
Note 18: recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
Note 26: fair value	determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs;
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 believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

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

30 June 2020		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	175,491	21,183	84,730	127,095
Trade payables	8,497	8,497	-	-
	183,988	**29,680**	**84,730**	**127,095**

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 loans	97,977	41,765	56,212	-
Trade payables	16,690	16,690	-	-
	114,667	**58,455**	**56,212**	**-**

(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 at fair value. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $637,044 at 30 June 2020 (2019: $427,601). 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.

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

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.

	2020 $	2019 $
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	1,821,422	1,730,155
	1,821,422	**1,730,155**

Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	1,611,499	1,509,584
- Fee income	95,209	104,711
- ATM income	34,876	30,712
- Commission income	79,838	85,148
	1,821,422	**1,730,155**

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, cash flow boost from the Australian Government and revaluation of land at 105 Main Street, Romsey.

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	50,000	50,833
- Cash flow boost	62,500	-
- Other income	2,401	4,291
	114,901	**55,124**

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	2,984	5,535
	2,984	**5,535**

NOTE 11. EXPENSES.

(a) Depreciation and amortisation expense.	2020 $	2019 $
Depreciation of non-current assets:		
- Buildings	19,778	18,304
- Leasehold improvements	3,019	3,019
- Plant and equipment	20,208	23,937
	43,005	**45,260**
Depreciation of right-of-use assets		
- Leased land and buildings	11,562	-
	11,562	**-**
Amortisation of intangible assets:		
- Franchise fee	3,944	3,944
- Franchise renewal process fee	18,035	18,035
	21,979	**21,979**
Total depreciation and amortisation expense	**76,546**	**67,239**

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

(b) Finance costs.	Note	2020 $	2019 $
Finance costs:			
- Bank loan interest paid or accrued		5,239	9,230
- Lease interest expense	21 (a)	9,794	-
- Unwinding of make-good provision		290	-
		15,323	**9,230**

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

(c) Impairment loss on trade receivables and contract assets.

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

(d) Employee benefit expenses.	2020 $	2019 $
Wages and salaries	696,438	745,066
Contributions to defined contribution plans	68,403	68,698
Expenses related to long service leave	(113)	(5,681)
Other expenses	160,855	177,323
	925,583	**985,406**

(e) Recognition exemption.

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

	2020 $	2019 $
Expenses relating to low-value leases	28,644	-
	28,644	**-**

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.

NOTE 12. INCOME TAX EXPENSE.

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

(a) Amounts recognised in profit or loss.	2020 $	2019 $
Current tax expense/(credit)		
- Current tax	89,041	73,901
- Movement in deferred tax	49,237	(6,251)
- Adjustment to deferred tax on AASB 16 retrospective application	14,679	-
- Reduction in company tax rate	(1,656)	-
	151,301	**67,650**

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a gain of $1,656 related to the remeasurement of deferred tax assets and liabilities of the company.

(b) Prima facie income tax reconciliation.	2020 $	2019 $
Operating profit before taxation	617,597	245,668
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	169,839	67,559
Tax effect of:		
- Non-deductible expenses	306	91
- Temporary differences	(63,916)	6,251
- Other assessable income	(17,188)	-
- Movement in deferred tax	49,237	(6,251)
- Leases initial recognition	14,679	-
- Reduction in company tax rate	(1,656)	-
	151,301	**67,650**

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	387,044	177,601
Term deposits	250,000	250,000
	637,044	**427,601**

NOTE 14. TRADE AND OTHER RECEIVABLES.

(a) Current assets.	2020 $	2019 $
Trade receivables	147,864	141,238
Other receivables and accruals	12,365	18,883
	160,229	**160,121**

NOTE 15. PROPERTY, PLANT AND EQUIPMENT.

(a) Carrying amounts.	2020 $	2019 $
Land		
At fair value	918,120	850,000
	918,120	**850,000**
Buildings		
At fair value	481,882	424,027
Less: accumulated depreciation	(11,855)	(66,303)
	470,027	**357,724**
Leasehold improvements		
At cost	215,957	215,957
Less: accumulated depreciation	(101,716)	(98,697)
	114,241	**117,260**
Plant and equipment		
At cost	211,427	206,895
Less: accumulated depreciation	(113,497)	(93,289)
	97,930	**113,606**
Capital works in progress		
At cost	30,826	29,706
	30,826	**29,706**
Total written down amount	**1,631,144**	**1,468,296**

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.

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

(b) Reconciliation of carrying amounts.	**2020 $**	**2019 $**
Land		
Carrying amount at beginning	850,000	850,000
Reversal of impairment loss	68,120	-
Carrying amount at end	**918,120**	**850,000**
Buildings		
Carrying amount at beginning	357,724	376,028
Reversal of impairment loss	132,081	-
Depreciation	(19,778)	(18,304)
Carrying amount at end	**470,027**	**357,724**
Leasehold improvements		
Carrying amount at beginning	117,260	120,279
Depreciation	(3,019)	(3,019)
Carrying amount at end	**114,241**	**117,260**
Plant and equipment		
Carrying amount at beginning	113,606	137,543
Additions	4,532	-
Depreciation	(20,208)	(23,937)
Carrying amount at end	**97,930**	**113,606**
Capital works in progress		
Carrying amount at beginning	29,706	-
Additions	1,120	29,706
Carrying amount at end	**30,826**	**29,706**
Total written down amount	**1,631,144**	**1,468,296**

On 6 December 2019, a valuation was received from North Western Property Valuers showing the market value of the property at 105 Main Street, Romsey to be $1,400,000. This value has been recorded in the financial statements at 30 June 2020.

In 2013, a valuation of the property at 105 Main Street, Romsey resulted in the recognition of an impairment loss of $272,907 with respect to land and buildings. In 2015, a second valuation resulted in the recognition of a further impairment loss of $243,888. In 2016, a third valuation resulted in the recognition of a further impairment loss of $10,250. In 2019, a fourth valuation resulted in a reversal of impairment losses already recognised of $200,201.

(c) Changes in estimates.

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

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

(d) Fair value hierarchy.

The fair value of property, plant and equipment was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued.

The company's property, plant and equipment were independently valued effective 5 December 2019 by North Western Property Valuers. The valuation resulted in an increment to the carrying amount of the propety, plant and equipment resulting in a reversal of impairment of $200,201 in the statement of profit or loss and other comprehensive income.

The directors do not believe there has been a significant change in the assumptions as at balance date. The directors therefore believe the carrying amount of the property, plant and equipment reflects its fair value as at 30 June 2020.

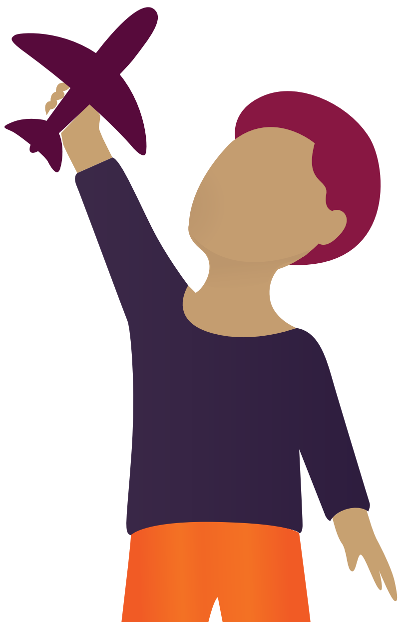
NOTE 16. RIGHT-OF-USE ASSETS.

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs. The company has elected to present right-of-use assets measured in right-of-use assets rather than the underlying asset class. Accordingly, leased assets recognised in the statement of financial position have been reallocated to right-of-use assets from property, plant and equipment. The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

(a) Carrying amounts.	Note	2020 $	2019 $
Leased land and buildings			
At cost		231,241	-
Less: accumulated depreciation and impairment		(104,058)	-
Total written down amount		**127,183**	**-**

(b) Reconciliation of carrying amounts.

Leased land and buildings			
Initial recognition on transition	3(d)	231,241	-
Accumulated depreciation on adoption	3(d)	(92,496)	-
Depreciation		(11,562)	-
Total written down amount		**127,183**	**-**



Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

NOTE 17. INTANGIBLE ASSETS.

(a) Carrying amounts.	2020 $	2019 $
Franchise fee		
At cost	151,290	151,290
Less: accumulated amortisation	(149,419)	(145,475)
	1,871	**5,815**
Franchise renewal process fee		
At cost	188,028	188,028
Less: accumulated amortisation	(180,197)	(162,162)
	7,831	**25,866**
Total written down amount	**9,702**	**31,681**

(b) Reconciliation of carrying amounts.	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	5,815	9,759
Amortisation	(3,944)	(3,944)
Carrying amount at end	**1,871**	**5,815**
Franchise renewal process fee		
Carrying amount at beginning	25,866	43,901
Amortisation	(18,035)	(18,035)
Carrying amount at end	**7,831**	**25,866**
Total written down amount	**9,702**	**31,681**

(c) Changes in estimates.

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

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

NOTE 18. TAX ASSETS AND LIABILITIES.

(a) Current tax.	2020 $	2019 $
Income tax payable/(refundable)	1,781	(33,769)

(b) Deferred tax.

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in other comprehensive income	Recognised in equity $	30 June 2020 $
Deferred tax assets					
- expense accruals	858	(26)		-	832
- employee provisions	33,891	(4,744)		-	29,147
- make-good provision	-	(3)		1,442	1,439
- lease liability	-	(5,764)		51,392	45,628
Total deferred tax assets	**34,749**	**(10,537)**	**-**	**52,834**	**77,046**
Deferred tax liabilities					
- income accruals	580	(462)		-	118
- property, plant and equipment	15,300	2,217	55,055	-	72,572
- right-of-use assets	-	(5,087)		38,155	33,068
Total deferred tax liabilities	**15,880**	**(3,332)**	**55,055**	**38,155**	**105,758**
Deferred taxes brought to account	-	-	-	-	-
Net deferred tax assets (liabilities)	**18,869**	**(7,205)**	**(55,055)**	**14,679**	**(28,712)**

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

	30 June 2018 $	Recognised in profit or loss $	Recognised in other comprehensive income	Recognised in equity $	30 June 2019 $
Deferred tax assets					
- expense accruals	1,030	(172)	-	-	858
- employee provisions	30,638	3,253	-	-	33,891
Total deferred tax assets	**31,668**	**3,081**	**-**	**-**	**34,749**
Deferred tax liabilities					
- income accruals	635	(55)	-	-	580
- property, plant and equipment	18,415	(3,115)	-	-	15,300
Total deferred tax liabilities	**19,050**	**(3,170)**	**-**	**-**	**15,880**
Deferred taxes brought to account	-	-	-	-	-
Net deferred tax assets (liabilities)	**12,618**	**6,251**	**-**	**-**	**18,869**

For the financial year ended 30 June 2020.

(c) Uncertainty over income tax treatments.

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

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

NOTE 19. TRADE CREDITORS AND OTHER PAYABLES.

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

(a) Current liabilities.	2020 $	2019 $
Trade creditors	8,497	16,690
Other creditors and accruals	60,086	86,180
	68,583	**102,870**

NOTE 20. LOANS AND BORROWINGS.

(a) Current liabilities.	2020 $	2019 $
Secured bank loans	-	41,765
	-	**41,765**

(b) Non-current liabilities.	2020 $	2019 $
Secured bank loans	-	56,212
	-	**56,212**

(c) Terms and repayment schedule.

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	3.24%	2035	-	-	97,977	97,977

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 5.39%.

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

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

NOTE 21. LEASE LIABILITIES. (continued)

Lease portfolio

The company's lease portfolio includes:

- Lancefield branch	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in July 2011. An extension option term of five years was exercised in July 2016. The lease has two further five year extension options available. The company is reasonably certain to exercise the final five-year lease term.

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

(a) Lease liability measurement.

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

Lease liabilities on transition	Note	2020 $	2019 $
Initial recognition on AASB 16 transition	3(d)	186,879	-
Lease payments - interest		9,794	-
Lease payments - principal		(21,182)	-
		175,491	**-**

(b) Current lease liabilities.

Property lease liabilities		21,183	-
Unexpired interest		(9,165)	-
		12,018	**-**

(c) Non-current lease liabilities.

Property lease liabilities		211,825	-
Unexpired interest		(48,352)	-
		163,473	**-**

(d) Maturity analysis.

- Not later than 12 months		21,183	-
- Between 12 months and 5 years		84,730	-
- Greater than 5 years		127,095	-
Total undiscounted lease payments		**233,008**	**-**
Unexpired interest		**(57,517)**	**-**
Present value of lease liabilities		**175,491**	**-**

(e) Impact on the current reporting period.

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of $336.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	21,182	(21,182)	-
- Depreciation and amortisation expense	-	11,562	11,562
- Finance costs	-	10,084	10,084
Increase in expenses - before tax	**21,182**	**464**	**21,646**
- Income tax expense / (credit) - current	(5,825)	5,825	-
- Income tax expense / (credit) - deferred	-	(5,953)	(5,953)
Increase in expenses - after tax	**15,357**	**336**	**15,693**

NOTE 22. PROVISIONS.

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

(a) Non-current liabilities.	2020 $	2019 $
Make-good on leased premises	5,535	-
	5,535	**-**

(b) Make-good provision.

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

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

Provision	Note	2020 $	2019 $
Face-value of make-good costs recognised	3(d)	10,000	-
Present value discounting	3(d)	(4,755)	-
Present value unwinding		290	-
		5,535	**-**

(c) Changes in estimates.

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

The lease is due to expire on 30 June 2031 at which time it is expected the face-value costs to restore the premises will fall due.

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

Profit or loss	2020	2021	2022	2023	2024+
Expense:					
- Finance costs	290	306	323	341	3,496
Statement of financial position					
Liability:					
- Make-good provision	5,535	5,841	6,163	6,504	10,000

NOTE 23. EMPLOYEE BENEFITS.

a) **Current liabilities.**	2020 $	2019 $
Provision for annual leave	50,962	61,986
Provision for long service leave	42,688	50,158
	93,650	**112,144**

b) **Non-current liabilities.**		
Provision for long service leave	18,453	11,096
	18,453	**11,096**

(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.

	2020		2019	
(a) **Issued capital.**	2020 Number	2020 $	2019 Number	2019 $
Ordinary shares - fully paid	1,010,700	970,700	1,010,700	970,700
Less: return of capital	-	(252,675)	-	(252,675)
Less: equity raising costs	-	(50,156)	-	(50,156)
	1,010,700	**667,869**	**1,010,700**	**667,869**

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

(b) Rights attached to issued capital.

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares. Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

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

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

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

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

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person

(and his or her associates) have a prohibited shareholding interest, are suspended.

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

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

NOTE 25. RETAINED EARNINGS.

	Note	2020 $	2019 $
Balance at beginning of reporting period		1,148,381	1,020,898
Adjustment for transition to AASB 16	3(d)	(38,700)	-
Net profit after tax from ordinary activities		**466,296**	**178,018**
Dividends provided for or paid	30(a)	(70,749)	(50,535)
Balance at end of reporting period		**1,505,228**	**1,148,381**

NOTE 26. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES.

	2020 $	2019 $
Net profit after tax from ordinary activities	466,296	178,018
Adjustments for:		
- Depreciation	54,567	45,260
- Amortisation	21,979	21,979
- (reversal of) impairment losses on property, plant and equipment	(200,201)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(108)	(7,464)
- (Increase)/decrease in other assets	67,317	(40,020)
- Increase/(decrease) in trade and other payables	(34,286)	4,955
- Increase/(decrease) in employee benefits	(11,137)	11,828
- Increase/(decrease) in provisions	289	-
- Increase/(decrease) in tax liabilities Net cash	30,493	(18,389)
flows provided by operating activities	**395,209**	**196,167**

NOTE 27. FINANCIAL INSTRUMENTS.

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14	160,229	160,121
Cash and cash equivalents	13	387,044	177,601
Term deposits	13	250,000	250,000
		797,273	**587,722**
Financial liabilities			
Trade and other payables	19	8,497	16,690
Secured bank loans	20	-	97,977
Lease liabilities	21	175,491	-
		8,497	**114,667**

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

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	3,255	2,520
- Share registry services	1,900	5,964
	5,755	**9,084**
Total auditor's remuneration	**10,555**	**13,684**

NOTE 29. RELATED PARTIES.

(a) Details of key management personnel.

The directors of the company during the financial year were:

- Suzanne Ewart David Ross Plunkett
- Robert William Bryant
- Antony James Ede
- Georgia Morgan
- Russell Pattinson
- Damien Wayne Tyrrell

(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. DIVIDENDS PROVIDED FOR OR PAID.

(a) Dividends provided for and paid during the period.

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	2019 $
Fully franked dividend	7.00	70,749	5.00	50,535
Total dividends paid during the financial year	7.00	70,749	5.00	50,535

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

NOTE 30. DIVIDENDS PROVIDED FOR OR PAID. (continued)

(b) Franking account balance.	2020 $	2019 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	742,328	637,888
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	(32,769)	18,390
- Franking credits from the payment of income tax instalments during the financial year	95,869	105,219
- Franking debits from the payment of franked dividends	(26,836)	(19,169)
Franking account balance at the end of the financial year	**778,592**	**742,328**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	1,781	(5,781)
Franking credits available for future reporting periods	**780,373**	**736,547**

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

NOTE 31. EARNINGS PER SHARE.

(a) Basic and diluted earnings per share.

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

	2020 $	2019 $
Profit attributable to ordinary shareholders	266,095	178,018
	Number	Number
Weighted-average number of ordinary shares	1,010,700	1,010,700
	Cents	Cents
Basic and diluted earnings per share	26.33	17.61

NOTE 32. 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	2020 $	2019 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	20,808
- between 12 months and 5 years	-	22,542
Minimum lease payments payable	**-**	**43,350**

(b) Other commitments.

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

Notes to the financial statements. (continued)

For the financial year ended 30 June 2020.

NOTE 33. CONTINGENCIES.

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

NOTE 34. SUBSEQUENT EVENTS.

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

Director's decloration.

In accordance with a resolution of the directors of Lancefield & Romsey Community Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

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

S.M. Ewart.

Suzanne Ewart
Chair

Dated this 9th day, September 2020

Independent audit report.

Partners in success

Chartered Accountants

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Independent auditor's report to the members of Lancefield & Romsey Community Financial Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Lancefield & Romsey Community Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

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

ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

Lancefield & Romsey Community Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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Independent audit report.

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

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

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

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

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: 9 September 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

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/LancefieldRomseyCommunityBankBranches

Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178, AFSL/Australian Credit Licence 237879 A1429506 OUT_1548975 02/10/2020