Annual Report 2020

Lara District Community Enterprise Limited

Community Bank
Lara District

ABN 67 134 347 087

Contents

Chairman’s report

For year ending 30 June 2020

I am delighted to provide this report to our shareholders for this year, and what a year it has been. Following on from our 10th anniversary last year who could have predicted how this year would finish?

Firstly, a huge thank you to our shareholders who had the foresight to provide the backing we needed to get started, because it is in times like these that a Community Bank really counts.

Of course, this year has been different due to the stresses put on families, businesses and first responders due to the COVID- 19 pandemic. As a Board we undertook a range of initiatives to boost the morale of impacted groups and say a thank you to those who have been on the front line looking after our community. With the support of our local cafés we delivered free coffees to the staff at Costa House. We provided coffee vouchers to the staff at Woolworths, Coles, childcare centres and the local ambulance, police and fire stations. In addition, our staff visited many of the small businesses in town bringing a coffee order with them. Local medical centre staff were even provided with cupcakes. Another initiative was to provide each of the community groups who hold fundraising BBQ’s outside Lara Quality Meats and Coles on Saturdays with $600 to help offset the loss of income they receive from this iconic feature of shopping in Lara.

From a business perspective this year, our customer base has grown in both overall numbers and products per customer. It is very important that we continue to grow our business to support the rapid growth of groups in this region.

Our profit from banking operations was $413,000, with a net profit (after donations, grants etc) of $214,000. Our total banking business grew to $173 million, which was a $10 million increase on last year’s result.

From a grants, donations and sponsorship perspective, this year we paid out in excess of $300,000 (including payments from the Bendigo Bank Community Enterprise Foundation™ who hold retained funds on our behalf), supporting a total of 35 organisations across our Lara, Little River and Anakie communities.

During the year we paid out a regular dividend of 8 cents with an extra 2 cent bonus for a total dividend of 10 cents in celebration of our 10 years in making things happen in Lara, Little River and Anakie.

In terms of our staff, I would like to pass on the Board’s appreciation for two long term members who left us for new roles during the year. Firstly, Damien Foster who was our inaugural Manager. Damien has taken a role with Bendigo Bank as a Senior Branch Manager on the Bellarine Peninsula. A big thank you for all his work in getting our business up and running and setting us on the path to success. The Board were pleased to recruit Galen Munari as our new Branch Manager. Galen was previously the Castlemaine Branch Manager. The other long-term staff member who has taken up another opportunity is our Admin Support Officer Belinda Jacometti who played a vital role in our team for over six years. Belinda was a huge asset and friend of the Board and was very well respected by the groups she interacted with on a regular basis. We have been fortunate to welcome Sheyne Berry as our new Admin Support Officer, replacing Belinda. Thank you to all our staff who have contributed so much during this challenging business and personal environment.

Chairman's report (continued)

I am truly appreciative for the support I have received from the other Directors who have given so much of their time and expertise to support our company.

As a business we are in a strong position, but we need to continue growing our customer numbers and banking business to maintain the current level of support we provide to our community. The low interest rate environment, whilst great for borrowers, does put pressure on profit margins. Our branch staff and the Board are working hard to make sure our community understand the undeniable benefits of banking locally.

Banking is our business; Community is our purpose.

Andrew Hilliard

Andrew Hilliard
Chairman

Manager's report

For year ending 30 June 2020

It is with much honour that I present my first Manager's report for the Lara District Community Enterprise Limited Annual Report. I'd like to thank the Directors for giving me the opportunity to lead Community Bank Lara District in growing the Lara district. The Board and branch team have made me feel very welcome.

We celebrated passing the $170 million mark in branch footings which is a significant achievement and one that all staff, Board members and customers should be very proud of in their contribution to what was a successful 2019/20 financial year for our business.

As at 30 June 2020, our overall footings were at $173.3 million, an increase of $10.1 million on this figure at the same time as last year.

In summary, as at the end of 2019/20 financial year, the combined branch's business is noted as:

- Total Loans $72.7 million
- Total Deposit $92.4 million
- Wealth Products $7.7 million
- Other Business $0.5 million
- Total Business $173.3 million.

This impressive result was achieved in a low interest rate environment where customers are traditionally paying off debt, and term deposit rates being less attractive than what we have been accustomed to the past 10 years. With decreasing net interest margins throughout the industry, our non-margin income items were also a highlight.

Last financial year brought many challenges; from devastating bushfires to the Coronavirus pandemic, our people, businesses, and communities have all been impacted in varying ways. We have sought to play our part as a key community partner. I would like to personally thank our extraordinary staff for their passion, versatility and teamwork in supporting our broader community's needs and requirements throughout these times and beyond.

We are excited about the challenge ahead. The next twelve months will present many hurdles; through economic uncertainty and health precautions, our business is rapidly adapting in new ways. We will focus on lending activity and retention and provide a market-leading level of banking services to ensure our sustainable growth allows our Community Bank Lara District to continue to contribute much needed community investment through grants, sponsorship and donations.

Earlier this year Damien Foster took on a new opportunity managing multiple branches along the Bellarine, while Beckie Plumridge started a new role with Bendigo Bank in Geelong and Callum Paterson completed his 12-month traineeship. We thank Beckie, Callum and in particular our inaugural Manager, Damien for their amazing contributions to the Community Bank Lara District and wish them the very best for the future.

On the back of this, we welcomed Dylan Lyall and Daina Howard to our team as Customer Service Officers and it has been very rewarding to see the impact they have already had on our customers and community. They have joined existing staff Michelle Duncan, Dianne Van Doren, Kyna Woodford and Jesse Church to complement an experienced, professional and knowledgeable team that go above and beyond for our customers every day.

Manager's report (continued)

I would also like to thank the Board of Directors for their vital role in advocating our business in the community and supporting us with governance, strategic direction and idea sharing. This is in conjunction with thanking Regional Manager David Tudor; Business Bankers Craig McFarlane and Kaushik Luhar; and the regional office team in Geelong for their pivotal part in growing and sustaining our business.

Finally, it's a big thank you to our valued customers for their amazing and ongoing contribution to our success. Your banking is very powerful and makes a difference in our community. To date, it has enabled us to contribute well over $1.3 million back into Lara and surrounds.

If you are new to how our business model works, I like to explain it like this; when you bank with us, you have the unique opportunity to bank with Australia's fifth biggest retail bank, however the profits from your banking goes straight back to your community.

If you haven't compared your personal or business banking with our innovative and competitive range of products – there's no better time like the present.

In closing, I wish you, your families and friends all the very best in these times and thank you for your ongoing support.

Galen Munari
Branch Manager

Organisation	Project
Community	
Kevin Hoffman Walk	Photo Exhibition
Lara Chamber of Commerce	Mental Health Night
COGG/ Lara & District Men's Shed	Hovell's Creek Bike Path
Lara Community Carols	Carols by Candlelight Event
Little River Station	Pull-up Banners
Little Teapot Café & Play	Summer Project
Lara RSL Sub-branch	Outdoor Project
Little River Mechanics Institute & Free Library	Facility Repairs
Lara District Rotary Club	Food Van Refurbishment
Little River Fire Brigade	Facility Equipment
Lara CFA	Ultra-Light Tanker Fundraiser
Lara Community Centre	IT Equipment
Sport	
Lara Bowls Club	Sponsorship
Lara Tennis Club	Installation of storage shed
North Geelong Warriors Football Club	Lawnmower, fencing and goal shields
Lara Cricket Club	Sponsorship, storage shed and equipment
Lara Netball Club	Scholarship Program
Lara United Football Club	Room fit out, spectator seating and fencing
Lara Golf Club	Sponsorship and Outdoor Deck Area
Junior Quarter Midgets	Pads and scales
Lara Runners	Teardrop Banners
Little River Pony Club	Ribbons and Prizes
Anakie Football & Netball Club	Installation of oval lights
Friends of Elcho Park	Solar Project
Lara Football Club	Sponsorship
Lara Swimming Club	Equity Scholarship
Education	
Camp Awakenings	Sponsorship
Lara Secondary College	Sponsorship of Breakfast Club and Alpine School Program
Lara Primary School	Reading tables program
St Anthony's Primary School	Technology room
Lara Secondary College	Sponsorship of Year 9 Colour Run
Lara Secondary College	Sponsorship of Scholarship Program

Community contributions 2019/20

I want to ride my bicycle

Hovell's Creek Bike Path – A few years ago we held a community session looking at 'bigger picture' ideas for improving our district. Better connected bike paths was high on the priority list so we were pleased to join with the City of Greater Geelong and jointly fund the extension of the bike path taking it from Station Lake Road to Flinders Avenue. Hopefully in the future, the path will go all the way to the You Yangs.

Fancy a snag?

Virtual Sausage Sizzle – Many of you will have stopped for a 'snag' outside the butchers on a Saturday morning. The sausages outside Lara Quality Meats are donated by the butcher, Andrew and cooked by CFA members, the Lions Club of Lara, Lara CWA and Lara Historical and Heritage Society on a rotating roster. The Lara & District Men's Shed use Coles as their venue. With restrictions in place this meant no sausage sizzle, so no fundraising for those groups involved. To make up for this in a small way we held a virtual 'Sausage Sizzle' via Zoom and donated $600 to each group.

Letting our community know we care

Community Kindness Coffee for Essential Workers – When COVID-19 hit we discussed ideas on how best to support our community. Our new Branch Manager, Galen came to us with a great idea. He and other staff members visited local businesses to check on how they were doing and offer them a hot beverage or a box of chocolates. We also offered coffee vouchers to other essential front-line workers; emergency personnel, childcare workers and staff at our supermarkets. Scott and the Millars Coffee Van visited Gen U for the Costa House staff and we supplied morning tea to all our Medical Centres along with staff at Ingenia Lifestyle Village. Thanks to local businesses, Millars, Rod's Bakery, M1 Takeaway and Routley's Bakery Lara for partnering with us on this initiative.

Taking a bit of stress out of school

Lara Secondary Scholarship Program – This program supports students at Lara Secondary College with scholarships available for students entering Year 7 and Year 10. Each scholarship runs over three years with the money paid to the school for students to pay for expenses like excursions and books. Our agreement with Lara Secondary College means 12 students will be supported over a three year period. In addition, each student is awarded a voucher to open or add to their bank account with our Community Bank.

A round of golf, then a round of drinks

Lara Golf Club – Wow! Doesn't this outdoor deck area look fantastic? The perfect way to relax after golf. What a great addition it will be for members and guests of the Lara Golf Club when conditions allow. We were pleased to support this project through the Lara District Community Investment Program.

Throwing light on the subject

Anakie Football & Netball Club Lights – Another partnership for Lara District Community Enterprise Limited, this time working with the State Government to bring lights to Anakie Sports Reserve. No excuse for short training sessions with these powerful lights allowing for longer sessions. A wonderful asset for the Anakie community!

A new home

Serendip Sanctuary – A partnership between Parks Victoria and Lara District Community Enterprise Limited resulted in a complete overhaul of the water bird pond area. Within a caged area of Serendip Sanctuary, the pond was completely rebuilt with a proper filtration system, a small observation platform and all the necessary garden landscaping. The bird life are in a much better environment and we're sure all visitors are enjoying the improvements.

Sit back, relax, all the work's done

Lara RSL Sub-Branch Outdoor Project – After their 'Project Moving Forward' which saw major upgrades inside and out, the final touches have now been added to the outside area. We were pleased through our Lara District Community Investment Program to allocate funds that enabled the installation of synthetic lawn and landscaping. The RSL now have a great, safe outdoor entertaining area not only for members but also for other community groups who might wish to make use of the facility.

Directors' report

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

Directors

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

Andrew MacKenzie Hilliard
Chairman
Occupation: Semi-Retired Human Resource Consultant
Qualifications, experience and expertise: Andrew holds a Bachelor of Training and Development. He has an extensive experience in the Human Resources profession across a range of industries. Since retiring from full time employment in 2015, a range of short term assignments have been undertaken. Most recently a three-month assignment with the Gold Mining Industry.
Special responsibilities: Governance and Community Investment Program
Interest in shares: 14,500 ordinary shares

Elizabeth Joy Bate
Deputy Chair
Occupation: Retired School Teacher
Qualifications, experience and expertise: A retired school teacher who takes an active role in the Lara Community and beyond. A founding member of the Lara Chamber of Commerce, a member of the Lara Fire Brigade, on the organising committee of the Lara Food and Wine Festival and President of Cancer After Care Group Geelong.
Special responsibilities: Convenor Community Support Program Committee
Interest in shares: 6,001 ordinary shares

Ann Elizabeth Butcher
Company Secretary
Occupation: Aged Care Quality and Compliance Specialist
Qualifications, experience and expertise: Ann Butcher is the Aged Care Quality and Compliance Specialist at genU following 11 years as the Executive General Manager. She has a Masters in Health Management and has studied Foundations for Directors through the AICD. In 2020 Ann has been part of genU COVID 19 response team. Ann was previously a Director for Leading Aged Services Australia, Victorian Branch and now sits on the Victorian Member Advisory Committee. Ann is Vice President of Geelong Society of Operatic and Dramatic Arts Inc.
Special responsibilities: Governance Committee
Interest in shares: nil share interest held

Charles John Saliba
Non-executive director
Occupation: Registered Tax Agent
Qualifications, experience and expertise: Charles has operated a small taxation business from home for the past 35 years. He has a strong banking, finance and taxation background. Charles is currently the accountant for the Laverton Catholic Parish.
Special responsibilities: Finance Committee
Interest in shares: 5,001 ordinary shares

Directors *(continued)*

Jürgen Ulrich Günther Strauss
Non-executive director
Occupation: Self-employed
Qualifications, experience and expertise: Jürgen is the founder of Innovabiz, specialising in digital marketing, website development and lead generation strategies. He also hosts the InnovaBuzz innovation podcast. Jürgen holds B.Sc. (Hons) and PhD in Chemistry, has marketing qualifications from the Wharton Business School and Melbourne Business School. Jürgen has had a 27 year corporate career in chemical R&D, marketing, business management and people management.
Special responsibilities: Major Community Project Committee
Interest in shares: 1,000 ordinary shares

Natalie Grace Salcombe Candy
Non-executive director
Occupation: Employer Relationship Consultant NAB
Qualifications, experience and expertise: Bachelor of Arts - Melbourne University. Business Analyst - Mercer, Ensign Pensions (UK) and Unisuper. Employer Relationship Consultant - NAB. Corporate Superannuation Consultant for MLC and Plum. Team Leader - The Mix Australia. President - Lara Chamber of Commerce (finished 2016).
Special responsibilities: Governance and Community Investment Program, Social Media Editor
Interest in shares: nil share interest held

Ian Graeme Duff
Treasurer
Occupation: Accountant
Qualifications, experience and expertise: Graeme has over 35 years' experience in Banking, Financial Planning and Accounting. He is self-employed in the accounting industry and has run his own business for over 15 years. Graeme is community focused and has been involved with Give Where You Live for the past 3 years.
Special responsibilities: Finance Committee
Interest in shares: 6,000 ordinary shares

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

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

Company Secretary

The company secretary is Ann Butcher. Ann was appointed to the position of secretary on 1 April 2020.

Qualifications, experience and expertise: Ann Butcher is the Aged Care Quality and Compliance Specialist at genU following 11 years as the Executive General Manager. She has a Masters in Health Management and has studied Foundations for Directors through the AICD. In 2020 Ann has been part of genU COVID 19 response team. Ann was previously a Director for Leading Aged Services Australia, Victorian Branch and now sits on the Victorian Member Advisory Committee. Ann is Vice President of Geelong Society of Operatic and Dramatic Arts Inc.

Principal activity

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

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

Operating results

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

Year ended 30 June 2020 $	Year ended 30 June 2019 $
146,344	205,183

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Andrew MacKenzie Hilliard	14,500	-	14,500
Elizabeth Joy Bate	6,001	-	6,001
Ann Elizabeth Butcher	-	-	-
Charles John Saliba	5,001	-	5,001
Jürgen Ulrich Günther Strauss	-	1,000	1,000
Natalie Grace Salcome Candy	-	-	-
Ian Graeme Duff	6,000	-	6,000

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	10.00	88,001
Total amount	10.00	88,001

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	*Attended*
Andrew MacKenzie Hilliard	11	11
Elizabeth Joy Bate	11	10
Ann Elizabeth Butcher	11	9
Charles John Saliba	11	10
Jürgen Ulrich Günther Strauss	11	9
Natalie Grace Salcome Candy	11	10
Ian Graeme Duff	11	10

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28 to the accounts.

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

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

Auditor's independence declaration

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

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

Andrew MacKenzie Hilliard, Chairman

Dated this 24th 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 Lara District Community Enterprise Limited

As lead auditor for the audit of Lara District Community Enterprise 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: 24 September 2020

Joshua Griffin
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	1,218,666	1,256,882
Other revenue	9	65,444	62,324
Finance income	10	18,232	27,295
Employee benefit expenses	11c)	(525,315)	(549,467)
Charitable donations, sponsorship, advertising and promotion		(266,801)	(241,342)
Occupancy and associated costs		(26,401)	(88,499)
Systems costs		(30,415)	(31,007)
Depreciation and amortisation expense	11a)	(55,679)	(25,604)
Finance costs	11b)	(38,128)	-
General administration expenses		(130,050)	(136,224)
Other expenses	11e)	(45,165)	
Profit before income tax expense		**184,388**	**274,358**
Income tax expense	12a)	(38,044)	(69,175)
Profit after income tax expense		**146,344**	**205,183**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**146,344**	**205,183**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	31a)	16.63	23.32

The accompanying notes form part of these financial statements

Lara District Community Enterprise Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	988,615	912,362
Trade and other receivables	15a)	78,901	88,936
Current tax assets	19a)	44,282	15,482
Total current assets		1,111,798	1,016,780
Non-current assets			
Other investments	14a)	427,273	446,044
Property, plant and equipment	16a)	69,710	70,118
Right-of-use assets	17a)	606,730	-
Intangible assets	18a)	52,735	65,919
Deferred tax asset	19b)	46,761	2,811
Total non-current assets		1,203,209	584,892
Total assets		2,315,007	1,601,672
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	84,825	63,816
Lease liabilities	21b)	26,177	-
Employee benefits	23a)	19,354	36,525
Total current liabilities		130,356	100,341
Non-current liabilities			
Trade and other payables	20b)	29,004	43,507
Lease liabilities	21c)	765,050	-
Employee benefits	23b)	5,719	4,827
Provisions	22a)	8,064	-
Total non-current liabilities		807,837	48,334
Total liabilities		938,193	148,675
Net assets		1,376,814	1,452,997
EQUITY			
Issued capital	24a)	857,526	857,526
Retained earnings	25	519,288	595,471
Total equity		1,376,814	1,452,997

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2018		857,526	451,889	1,309,415
Total comprehensive income for the year		-	205,183	205,183
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(61,601)	(61,601)
Balance at 30 June 2019		**857,526**	**595,471**	**1,452,997**
Balance at 1 July 2019		857,526	595,471	1,452,997
Effect of AASB 16: Leases	3d)	-	(134,526)	(134,526)
Restated balance at 1 July 2019		857,526	460,945	1,318,471
Total comprehensive income for the year		-	146,344	146,344
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(88,001)	(88,001)
Balance at 30 June 2020		**857,526**	**519,288**	**1,376,814**

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,341,559	1,416,267
Payments to suppliers and employees		(1,011,707)	(1,175,821)
Interest received		18,232	20,837
Lease payments (interest component)	11b)	(37,751)	-
Lease payments not included in the measurement of lease liabilities	11d)	(13,219)	-
Dividends received		17,919	19,985
Income taxes paid		(75,526)	(73,174)
Net cash provided by operating activities	26	**239,507**	**208,094**
Cash flows from investing activities			
Payments for property, plant and equipment		(11,019)	(6,373)
Payments for intangible assets		(13,184)	-
Payments for investments		(26,614)	(19,505)
Net cash used in investing activities		**(50,817)**	**(25,878)**
Cash flows from financing activities			
Lease payments (principal component)	21a)	(24,436)	-
Dividends paid	30a)	(88,001)	(61,601)
Net cash used in financing activities		**(112,437)**	**(61,601)**
Net cash increase in cash held		**76,253**	**120,615**
Cash and cash equivalents at the beginning of the financial year		912,362	791,747
Cash and cash equivalents at the end of the financial year	13a)	**988,615**	**912,362**

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
5 Waverley Road Lara VIC 3212	5 Waverley Road Lara VIC 3212

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

Note 2 Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 24 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.

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

d) Impact on financial statements

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

Impact on equity presented as increase (decrease)	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	17b)	621,348
Deferred tax asset	19b)	51,027
Liability		
Lease liabilities	21a)	(799,214)
Provision for make-good	22b)	(7,687)
Equity		
Retained earnings		(134,526)

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

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	310,932
Add: additional options now expected to be exercised	932,796
Less: present value discounting	(444,514)
Lease liability as at 1 July 2019	799,214

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

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.

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

Revenue	Revenue recognition policy
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
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).

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

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

b) Other revenue *(continued)*

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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:

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

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

- 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.

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

e) Taxes *(continued)*

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

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.

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

g) Property, plant and equipment *(continued)*

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	40 years
Plant and equipment	Straight-line and diminishing value	2 to 10 years
Furniture, fixtures and fittings	Straight-line and diminishing value	2 to 10 years
Motor vehicles	Diminishing value	3 to 8 years

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

h) Intangible assets

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

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Subsequent expenditure

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

Amortisation

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

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

Asset class	Method	Useful life
Franchise 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.

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

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

i) Financial instruments *(continued)*

Classification and subsequent measurement (continued)

Financial assets - subsequent measurement and gains and losses

-	Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
-	Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

- 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.).

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

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

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

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.

<u>As a lessee</u>

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

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

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

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

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

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee *(continued)*

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 company is reasonably certain to exercise that option, and penalties for early termination of a lease unless the company 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 a 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.

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

m) Leases *(continued)*

Policy applicable before 1 July 2019 (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.

The company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument 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.

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

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 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 27 - fair value	determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs;
- Note 16 - 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 5 Significant accounting judgements, estimates, and assumptions *(continued)*

c) Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The company recognises transfers between levels of the fair value hierarchy at the end of each reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 14 - other investments;
- Note 27 - financial instruments.

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 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.

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	791,227	63,507	254,027	889,093
Trade payables	600	600	-	-
	791,827	64,107	254,027	889,093

30 June 2019

No non-derivative financial liabilities

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 primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

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

Sensitivity analysis - equity price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX).

	Profit or loss: 10% increase	Profit or loss: 10% decrease
30 June 2020:		
Equity securities	42,727	(42,727)
	42,727	(42,727)

	Profit or loss: 10% increase	Profit or loss: 10% decrease
30 June 2019:		
Equity securities	44,604	(44,604)
	44,604	(44,604)

Note 6 Financial risk management *(continued)*

c) Market risk *(continued)*

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 $988,615 at 30 June 2020 (2019: $912,362). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 8 Revenue from contracts with customers

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

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	1,218,666	1,256,882
	1,218,666	1,256,882

Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	1,054,213	1,056,229
- Fee income	91,236	108,170
- Commission income	73,217	92,483
	1,218,666	1,256,882

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 dividends, distributions of financial instruments, discretionary contributions received from the franchisor and the cash flow boost from the Australian Government.

Other revenue	2020 $	2019 $
Revenue:		
- Dividend and distribution income	17,919	19,985
- Market development fund income	10,000	10,000
- Cash flow boost	37,525	-
- At FVTPL - equity instruments	-	26,265
- Other income	-	6,074
	65,444	62,324

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	18,232	27,295
	18,232	27,295

Note 11 Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	487	484
- Plant and equipment	818	379
- Furniture and fittings	4,946	4,734
- Motor vehicles	5,177	6,090
	11,428	11,687
Depreciation of right-of-use assets		
- Leased land and buildings	31,067	-
	31,067	-

Note 11 Expenses *(continued)*

a) Depreciation and amortisation expense *(continued)*

	2020 $	2019 $
Amortisation of intangible assets:		
- Franchise fee	2,198	2,323
- Franchise renewal process fee	10,986	11,594
	13,184	13,917
Total depreciation and amortisation expense	55,679	25,604

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

b) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Lease interest expense	21a)	37,751	-
- Unwinding of make-good provision		377	-
		38,128	-

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

c) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	463,218	464,472
Non-cash benefits	10,138	9,881
Contributions to defined contribution plans	39,140	43,169
Expenses related to long service leave	(18,174)	7,541
Other expenses	30,993	24,404
	525,315	549,467

d) Recognition exemption

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

	2020 $	2019 $
Expenses relating to low-value leases	13,219	-
	13,219	-

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.

e) Other expenses

	2020 $	2019 $
- Decrease in market value	45,165	-

This expense relates to the market movement of the listed shares held.

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		
- Current tax	38,941	68,891
- Movement in deferred tax	(46,648)	9,392
- Net benefit of franking credits on dividends received	(7,679)	(8,565)
- Adjustment to deferred tax on AASB 16 retrospective application	51,027	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	2,698	-
- Under/over provision in respect to prior years	(295)	(543)
	38,044	69,175

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $2,698 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	184,388	274,358
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	50,707	75,448
Tax effect of:		
- Non-deductible expenses	821	2,835
- Temporary differences	(4,379)	(9,392)
- Other assessable income	(8,208)	-
- Movement in deferred tax	(46,648)	9,392
- Net benefit of franking credits on dividends received	(7,679)	(8,565)
- Leases initial recognition	51,027	-
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	2,698	
- Under/Over provision in respect to prior years	(295)	(543)
	38,044	69,175

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	107,571	72,362
- Term deposits	881,044	840,000
	988,615	912,362

Note 14 Other investments

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

a) Non-current investments	2020 $	2019 $
Equity securities - at FVTPL	427,273	446,044
	427,273	446,044

Note 15 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	65,541	75,578
Prepayments	5,088	5,088
Other receivables and accruals	8,272	8,270
	78,901	88,936

Note 16 Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Leasehold improvements		
At cost	19,341	19,341
Less: accumulated depreciation	(1,451)	(964)
	17,890	18,377
Plant and equipment		
At cost	9,211	5,482
Less: accumulated depreciation	(3,790)	(2,972)
	5,421	2,510
Furniture and fittings		
At cost	272,824	265,533
Less: accumulated depreciation	(255,760)	(250,814)
	17,064	14,719

Note 16 Property, plant and equipment *(continued)*

a) Carrying amounts *(continued)*

	2020 $	2019 $
Motor vehicles		
At cost	42,968	42,968
Less: accumulated depreciation	(13,633)	(8,456)
	29,335	34,512
Total written down amount	69,710	70,118

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

b) Reconciliation of carrying amounts

	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	18,377	18,861
Depreciation	(487)	(484)
Carrying amount at end	17,890	18,377
Plant and equipment		
Carrying amount at beginning	2,510	903
Additions	3,729	1,986
Depreciation	(818)	(379)
Carrying amount at end	5,421	2,510
Furniture and fittings		
Carrying amount at beginning	14,719	17,180
Additions	7,291	4,387
Disposals	-	(2,114)
Depreciation	(4,946)	(4,734)
Carrying amount at end	17,064	14,719
Motor vehicles		
Carrying amount at beginning	34,512	40,602
Depreciation	(5,177)	(6,090)
Carrying amount at end	29,335	34,512
Total written down amount	69,710	70,118

c) Changes in estimates

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

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

Note 17 Right-of-use assets

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

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

a) Carrying amounts	Note	2020 $	2019 $
Leased land and buildings			
At cost		948,471	-
Less: accumulated depreciation		(341,741)	-
Total written down amount		606,730	-

b) Reconciliation of carrying amounts	Note	2020 $	2019 $
Leased land and buildings			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	932,022	-
Accumulated depreciation on adoption	3d)	(310,674)	-
Remeasurement adjustments		16,449	-
Depreciation		(31,067)	-
Carrying amount at end		606,730	-

Note 18 Intangible assets

a) Carrying amounts	2020 $	2019 $
Franchise fee		
At cost	22,604	22,604
Less: accumulated amortisation	(13,815)	(11,617)
	8,789	10,987
Franchise renewal process fee		
At cost	112,192	112,192
Less: accumulated amortisation	(68,246)	(57,260)
	43,946	54,932
Total written down amount	52,735	65,919

b) Reconciliation of carrying amounts	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	10,987	2,323
Additions	-	10,987
Amortisation	(2,198)	(2,323)
Carrying amount at end	8,789	10,987

Note 18 Intangible assets *(continued)*

b) Reconciliation of carrying amounts *(continued)*

	2020 $	2019 $
Franchise renewal process fee		
Carrying amount at beginning	54,932	11,594
Additions	-	54,932
Amortisation	(10,986)	(11,594)
Carrying amount at end	43,946	54,932
Total written down amount	52,735	65,919

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 19 Tax assets and liabilities

a) Current tax

	2020 $	2019 $
Income tax refundable	(44,282)	(15,482)

b) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$
- expense accruals	495	(27)	-	468
- employee provisions	11,373	(4,854)	-	6,519
- make-good provision	-	(17)	2,114	2,097
- lease liability	-	(14,065)	219,784	205,719
- fair value of investments	-	2,029	-	2,029
- carried-forward capital losses	-	3,302	-	3,302
Total deferred tax assets	11,868	(13,632)	221,898	220,134
Deferred tax liabilities				
- income accruals	2,275	(125)	-	2,150
- fair value of investments	6,782	(6,782)	-	-
- property, plant and equipment	-	13,473	-	13,473
- right-of-use assets	-	(13,121)	170,871	157,750
Total deferred tax liabilities	9,057	(6,555)	170,871	173,373
Net deferred tax assets (liabilities)	2,811	(7,077)	51,027	46,761

Note 19 Tax assets and liabilities *(continued)*

b) Deferred tax *(continued)*

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

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$
- expense accruals	798	(303)	-	495
- employee provisions	11,463	(90)	-	11,373
- fair value of investments	441	(441)	-	-
Total deferred tax assets	12,702	(834)	-	11,868
Deferred tax liabilities				
- income accruals	499	1,776	-	2,275
- fair value of investments	-	6,782	-	6,782
Total deferred tax liabilities	499	8,558	-	9,057
Net deferred tax assets (liabilities)	12,203	(9,392)	-	2,811

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 20 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	600	-
Other creditors and accruals	84,225	63,816
	84,825	63,816

b) Non-current liabilities

Other creditors and accruals	29,004	43,507
	29,004	43,507

Note 21 Lease liabilities

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

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

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

Lease portfolio

The company's lease portfolio includes:

- Lara Branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in July 2009. An extension option term of five years was exercised in July 2014 and July 2019. The lease has three further five year extension options available. The company is reasonably certain to exercise the final five-year lease terms.

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

a) Lease liability measurement

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

Lease liabilities on transition	Note	2020 $	2019 $
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	799,214	-
Remeasurement adjustments		16,449	-
Lease payments - interest		37,751	-
Lease payments		(62,187)	-
		791,227	-

b) Current lease liabilities

		2020 $	2019 $
Property lease liabilities		63,507	-
Unexpired interest		(37,330)	-
		26,177	-

c) Non-current lease liabilities

		2020 $	2019 $
Property lease liabilities		1,143,120	-
Unexpired interest		(378,070)	-
		765,050	-

Note 21 Lease liabilities *(continued)*

d) Maturity analysis	2020 $	2019 $
- Not later than 12 months	63,507	-
- Between 12 months and 5 years	254,027	-
- Greater than 5 years	889,093	-
Total undiscounted lease payments	1,206,627	-
Unexpired interest	(415,400)	-
Present value of lease liabilities	791,227	-

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 $5,080.

Profit or loss - increase (decrease) in expenses	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
- Occupancy and associated costs	62,187	(62,187)	-
- Depreciation and amortisation expense	-	31,067	31,067
- Finance costs	-	38,128	38,128
Increase in expenses - before tax	62,187	7,008	69,195
- Income tax expense / (credit) - current	(17,101)	17,101	-
- Income tax expense / (credit) - deferred	-	(19,029)	(19,029)
Increase in expenses - after tax	45,086	5,080	50,166

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	8,064	-
	8,064	-

Note 22 Provisions *(continued)*

b) Make-good provision

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

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

Provision	Note	2020 $	2019 $
Balance at the beginning		-	-
Face-value of make-good costs recognised	3d)	20,000	-
Present value discounting	3d)	(12,313)	-
Present value unwinding		377	-
		8,064	-

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 2039 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23 Employee benefits

a) Current liabilities

	2020 $	2019 $
Provision for annual leave	7,875	7,262
Provision for long service leave	11,479	29,263
	19,354	36,525

b) Non-current liabilities

	2020 $	2019 $
Provision for long service leave	5,719	4,827
	5,719	4,827

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.

Note 24 Issued capital

a) Issued capital

	2020 Number	2020 $	2019 Number	2019 $
Ordinary shares - fully paid	880,011	880,011	880,011	880,011
Less: equity raising costs	-	(22,485)	-	(22,485)
	880,011	857,526	880,011	857,526

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.

Note 24 Issued capital *(continued)*

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

Prohibited shareholding interest (continued)

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

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

Note 25 Retained earnings

	Note	2020 $	2019 $
Balance at beginning of reporting period		595,471	451,889
Adjustment for transition to AASB 16	3d)	(134,526)	-
Net profit after tax from ordinary activities		146,344	205,183
Dividends provided for or paid	30a)	(88,001)	(61,601)
Balance at end of reporting period		519,288	595,471

Note 26 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	146,344	205,183
Adjustments for:		
- Depreciation	42,495	11,687
- Amortisation	13,184	13,917
- (Increase)/decrease in fair value of equity instruments designated at FVTPL	45,165	(26,265)
- (Profit)/loss on disposal of non-current assets	-	2,114
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	10,038	15,700
- (Increase)/decrease in other assets	(21,508)	(69,918)
- Increase/(decrease) in trade and other payables	19,690	56,006
- Increase/(decrease) in employee benefits	(16,280)	(330)
- Increase/(decrease) in provisions	379	-
Net cash flows provided by operating activities	239,507	208,094

Note 27 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classifications and fair values for the year ended 30 June 2020:

		Carrying amount			Fair value		
	Note	FVTPL	At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:							
Equity securities	14	427,273	-	427,273	427,273	-	427,273
		427,273	-	427,273	427,273	-	427,273
Financial assets not measured at fair value:							
Trade and other receivables	15	-	65,541	65,541	-	-	-
Cash and cash	13	-	107,571	107,571	-	-	-
Term deposits	14	-	881,044	881,044	-	-	-
		-	1,054,156	1,054,156	-	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	20	-	600	600	-	-	-
		-	600	600	-	-	-

Accounting classifications and fair values for the year ended 30 June 2019:

		Carrying amount			Fair value		
	Note	FVTPL	At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:							
Equity securities	14	446,044	-	446,044	446,044	-	446,044
		446,044	-	446,044	446,044	-	446,044
Financial assets not measured at fair value:							
Trade and other receivables	15	-	75,578	75,578	-	-	-
Cash and cash	13	-	72,362	72,362	-	-	-
Term deposits	14	-	840,000	840,000	-	-	-
		-	987,940	987,940	-	-	-

Note 27 Financial instruments - fair value *(continued)*

Valuation techniques and significant unobservable inputs

There were no Level 2 or Level 3 classifications held during the relevant financial years.

Transfers between Levels 1 and 2

There were no transfers between Level 1 and Level 2 during the financial year. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the financial year.

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		
- General advisory services	3,160	2,930
- Share registry services	3,534	4,775
	6,694	7,705
Total auditor's remuneration	11,494	12,305

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Andrew MacKenzie Hilliard
Elizabeth Joy Bate
Ann Elizabeth Butcher
Charles John Saliba
Jürgen Ulrich Günther Strauss
Natalie Grace Salcome Candy
Ian Graeme Duff

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.

Note 29 Related parties *(continued)*

c) Related party transactions

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

Transactions with related parties	2020 $	2019 $
- Jürgen Strauss received payments from the company for the website care plan. The total benefit received was:	-	1,280
Total transactions with related parties	-	1,280

Community Bank Directors' Privileges Package

The board has adopted the Community Bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders. The total benefits received by the directors from the Directors' Privilege Package are $242 for the year ended 30 June 2020 (2019: $647).

Note 30 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	10.00	88,001	7.00	61,601
Total dividends provided for and paid during the financial year	10.00	88,001	7.00	61,601

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	259,262	203,154
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	66,397	73,544
- Franking credits from franked distributions received	7,679	8,565
- Franking debits from the payment of franked distributions	(33,380)	(23,366)
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(15,776)	(2,635)
Franking account balance at the end of the financial year	284,182	259,262
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(28,524)	3,641
Franking credits available for future reporting periods	255,658	262,903

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	146,344	205,183
	Number	Number
Weighted-average number of ordinary shares	880,011	880,011
	Cents	Cents
Basic and diluted earnings per share	16.63	23.32

Note 32 Commitments

a) Lease commitments

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

Operating lease commitments - lessee Non-cancellable operating leases contracted for but not capitalised in the financial statements	2020 $	2019 $
Payable - minimum lease payments:		
- not later than 12 months	-	62,186
- between 12 months and 5 years	-	248,746
Minimum lease payments payable	-	310,932

Note 32 Commitments *(continued)*

b) Other commitments

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

Note 33 Contingencies

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

Note 34 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Lara District Community Enterprise 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.

Andrew MacKenzie Hilliard, Chairman

Dated this 24th day of September 2020

Independent audit report

Partners in success
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PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Independent auditor's report to the members of Lara District Community Enterprise Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Lara District Community Enterprise 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
Lara District Community Enterprise 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 *APE*S 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

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

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

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

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: 24 September 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

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