

Annual Report 2020

Lockmore Financial
Services Limited

ABN 41 106 113 599

Community Bank
Elmore, Lockington and Rochester



Contents

Chair's report	2
Manager's report	5
Bendigo and Adelaide Bank report	7
Directors' report	8
Auditor's independence declaration	13
Financial statements	14
Notes to the financial statements	18
Directors' declaration	50
Independent audit report	51

Chair's report

For year ending 30 June 2020



It is with great pleasure that I present to you the Lockmore Financial Services Limited Annual Report for the year ending 30 June 2020. Partnering with Australia's fifth largest retail bank, we're proud of the contribution we make to one of Australia's most trusted brands.

Our results at a glance

In a challenging year, your Community Bank company has again achieved some positive headline financial results that you can read more about in this report. Competition for customers amongst banks and low interest rates we have experienced in recent years, combined with some disruptions in the latter half of the year, have continued to challenge our company. Notwithstanding, we have maintained a sustainable position.

At a glance, as of 30 June 2020 we had just over \$208 million in banking business across our three branches. Our revenue for the year was \$1,403,872, a slight decrease of approximately 1% on last year and inclusive of a government coronavirus (COVID-19) cashflow boost. We have further reduced our expenses, achieving another 1% decrease, before allowing for donations, sponsorship, advertising, and promotions. Our spend in this area recorded a 10% increase with a total spend of \$162,073 on supporting community priorities and growing our business.

As an overall result we have posted a profit of \$86,045 after tax for the year, which is an 11% increase on our 2018/19 profit and continues our record of profit growth from prior years. Following a challenging year, it is pleasing to see this.

Our work supporting community

Underscoring these positive headline results is our ongoing focus on providing a return to our communities. We continue to be a strong local employer, we made a fully franked dividend payment of 4.5c per share late in 2019 (an increase of 0.5c per share on the year prior), we returned around \$85,184 to our communities in sponsorship across the year, and we have set aside a further \$60,000 for future community projects.

Through two rounds of our Community Sponsorship Program we helped to support the fabric of our communities by contributing to the important work of our community organisations including:

Bamawm Golf Club
Calivil Bowling Club
Elmore Light Harness Racing Club
Elmore Primary Health
Kamarooka Recreation Reserve
Lockington Bush Nursing
Lockington Kindergarten
Lockington Senior Citizens Inc.
Nanneella Community Incorporated

Campaspe Golf Club
Elmore Bowls Club
Elmore Football Netball Club
Elmore Progress Association
Lockington Bowls Club
Lockington Golf Club
Lockington Landcare
Lockington & District Living Heritage Complex
Pine Grove Gun Club

Chair's report (continued)

REDHS Community Transport Program	Rochester Secondary College
Rochester Fire Brigade	Rochester Mural Festival
Rochester Lions Club	Rochester Lockington United Cricket Club
Rochester & Elmore District Health Service	Strathallan Landcare
St. Joseph's Primary School	

We partnered for success in Elmore and Lockington with our \$15,000 15th Birthday Grants. In Elmore we are working with the Elmore Progress Association to develop the Elmore Community Hub into a place where the community can connect, create and celebrate. In Lockington we are partnering with the Lockington and District Planning Group to develop the Lockington Rail Trail Walking Track.

Our partnership with the Elmore Field Days continued for another year and we provided cash sponsorship and prizes to the final year of the Ag Art Competition. At Rochester Secondary College the Campaspe Academy of Sport - a specialised sporting program that helps our region's talented youth to achieve their sporting potential - also benefited from our support.

Our partnership with Campaspe Shire and the Rochester community, supporting the Rochester Economic Development Plan, has enabled big ideas to become reality in exciting developments for the town. Priority projects to take big steps include a new play space, further public art and the caravan park and river access platform and canoe launch.

Our committed team

We are a committed and passionate team at Lockmore Financial Services. Our staff and our Directors provide our customers and our community with wonderful service.

I must recognise the hard work of our Community Bank staff team. Alex Rosaia has settled in as our Branch Manager and led the team through a challenging and disrupted year. At 30 June 2020, our team was 13 staff strong and they always provide exceptional service to our customers. I also need to thank the team who have worked in less visible roles to keep our company running smoothly - Sandra Wade, our Administration and Marketing Coordinator, Meagan Keating, our Marketing Consultant and Leo Bruinier, our Business Consultant.

I also extend a sincere thank you to the Directors who have guided the company this year. The Board maintains an even keel - always looking forward, ensuring the sustainability of the company and responding to the needs of our communities. I take this opportunity to thank Troy Holmberg and Shari Rankin who both joined us briefly however changes in their circumstances saw them depart the Board.

Our future challenge

We have delivered sustained positive results over recent years and have grown our total community return to more than \$1.765 million. However, the far-reaching economic disruption of COVID-19 will challenge this positive performance and growth in coming years.

During these uncertain times, we will stick to our core reason for being: we will respect our customers; identify and tailor banking solutions to their needs; and create and nurture customer advocates for your Community Banks.

To the extent we can we will keep supporting the fabric of our communities with a focus on community groups, essential services and business development; partner for success by being approachable and open to new opportunities; and identify and enable big ideas for our towns.

As a company we will focus on being a strong team of exceptional individuals; we will be compliant and sustainable; and we will maximise our profits for the benefits of our shareholders and our communities.

Specific priorities across the year will include: maintaining growth in our rural business in partnership with Rural Bank; reinvigorating our presence in Elmore and Lockington and continuing to service strong demand in Rochester; and working closely with our partner, Bendigo and Adelaide Bank Limited, on ways to improve customer experience and plan for future customer needs in each town.

Chair's report (continued)

Our biggest thankyou

Thank you, as always, to the shareholders who got this company off the ground and those who have since joined this visionary group. There are now 754 of you and we trust that the mounting returns to you and to the communities you care about have been satisfying to see.

Thank you also to our 3,989 customers who choose to bank with us. It matters where you bank and when you bank with your local Community Bank, you help to support your community. This is your bank in your community.

I put the challenge to all of our shareholders and customers to take the time to help us grow your business. Given the challenges that lie ahead we need your help more than ever. We need you to be vocal supporters of the Community Bank and encourage everyone in the community to get on board.

Our model has been held up as an example of a great way of doing business and we are proud to be part of it.

A handwritten signature in black ink, appearing to read 'Brad Drust', with a stylized, flowing script.

Brad Drust
Chair

Manager's report

For year ending 30 June 2020



It is a great honor to present my second Manager's report for Lockmore Financial Services Limited. I'd like to thank again the Directors for giving me the opportunity to lead the Community Banks in our District.

We celebrated passing the \$200 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 \$208.1 million, an increase of \$11 million on that figure the same time a year prior.

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

Total Loans	\$71.5 million
Total Deposit	\$95.4 million
Wealth Products	\$21.3 million
Other Business	\$19.9 million
Total Business	\$208.1 million

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

We are excited about the challenge ahead. The next twelve months will present many hurdles; through economic uncertainty and health precaution, 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 Banks to continue to contribute much needed community investment through grants, sponsorship and donations into this great community.

One of the distinct advantages customers experience when banking with us is access to local dedicated Managers who specialise in Business Banking, Agribusiness and Home Lending. This is not always available at the other Big 4 Banks. I would like to thank Donna Slevin and her Rural Bank team Jami Thompson, Matt Gill, Grant Thomas, Darryl Wensley and Amy Ryan. They provide us with great support and have opened the door for us to expand into the Agribusiness space by helping us achieve Rural accreditation. Also, to our Business Banking team of Paul Smith and Brent Taylor, thank you for your support.

We have welcomed Karen Dimsey and Georgia Waters to our team, it has been very rewarding to see the impact they have already had on our customers and community. They have joined existing staff Alison Cooper, Helen McCaskie, Kerri Mcphee, Wendy Wright, Fiona Cuttriss, Lauren Mckee, Tanya Niven, Tish Serpell and Lily Wareham to complement an experienced, professional and knowledgeable team that go above and beyond for our customers every day.

Manager's report (continued)

I would like to thank my team for such a challenging year. Your resilience and can-do attitude has been a pleasure to manage. I am very proud of how you have all handled this year.

Last financial year brought upon many challenges, particularly here in Australia. 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 needs and requirements throughout these times and beyond.

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 Paul Rains and our Rural Regional Manager Donna Slevin.

Finally, 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 \$1.7 million back into our local communities 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 go 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.



Alex Rosaia
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2020

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:

Bradley Adrian Drust

Chair

Occupation: Chief Executive Officer

Qualifications, experience and expertise: 17 years' experience in natural resource management in technical and management roles. Currently Chief Executive Officer at the North Central Catchment Authority, leading the organisation to deliver a range of community, environment and compliance programs. Bachelors of Arts (Geography) / Bachelors of Science (Environmental Science) and Masters of Business Administration. Also Chairperson of the Elmore Swimming Pool Committee Inc and Director with Rochester and Elmore District Health Service.

Special responsibilities: Chair, Human Resources, Risk & Audit and Facilities

Interest in shares: nil share interest held

Ian Anthony Maddison

Non-executive director

Occupation: Livestock Agent

Qualifications, experience and expertise: Principal of Maddison Livestock & Property Pty Ltd (2002 - 2018), managing 10 full time and part time employees. Business Manager of Gippsland & Northern / Dalgety's / Wesfarmers Echuca (1992 - 2002). Dairy Farmer from 1980 to 1990. Committee member of Lockington Bamawm United Football Netball Club Inc. including 3 years as President. Two terms as Campaspe Shire Councillor, including two years as Mayor. Eighteen month Board member for Echuca Community For the Aged. Married to Kathi for 46 years with 5 children and 11 grandchildren.

Special responsibilities: Deputy Chair

Interest in shares: nil share interest held

Patrick Augustine Rochford

Non-executive director

Occupation: Construction

Qualifications, experience and expertise: Bachelor of Business (Accounting), small business experience in the farming sector with both dairy and beef. Worked in large water organisation in both accounting & governance. Experience in Community Consultation, Chair of the Farm & Environment Working Group, Goulburn Broken Catchment Management Authority, member of Shepparton Irrigation Region People & Planning Integration Committee (SIRPPIC).

Special responsibilities: Nil

Interest in shares: nil share interest held

Directors' report (continued)

Directors (continued)

Annemarie Martin Trewick

Non-executive director

Occupation: Farmer & Small Business Owner

Qualifications, experience and expertise: Over 20 years working in various roles in the rural water industry.

Owner of Riverine Gluten Free and partner in her husband's family farm, doing the accounts. Member of the Ag Art committee (Elmore Field Days), assisted the EFNC to obtain new lighting and have many roles in the local Primary School, Preschool, EFD catering and now running own small business.

Special responsibilities: Human Resources, Marketing

Interest in shares: 3,000 ordinary shares

Rebecca Christine Crawford

Non-executive director

Occupation: Administration

Qualifications, experience and expertise: Attended local schools, pharmacy traineeship in Rochester, hairdressing apprenticeship in Lockington, administration at Murray Goulburn and now in health administration in Rochester. Bringing up two children. Involvement in many sporting and community groups in varying roles. She believes that our district offers something for all ages.

Special responsibilities: Marketing

Interest in shares: nil share interest held

Troy Jarrad Holmberg

Non-executive director (appointed 12 November 2019 and resigned 10 February 2020)

Occupation: Merchandise Manager, Landmark Elmore

Qualifications, experience and expertise: Attended local primary and secondary schools and a Tertiary education of Bachelor of Business (Accounting) and business work experience. Has spent eight years as Merchandise Manager at Landmark Elmore and 13 years as Office Manager at H & R Holmberg, Elmore.

Community interests include football, tennis and golf.

Special responsibilities: Nil

Interest in shares: 725 ordinary shares

Shari Eve Rankin

Non-executive director (resigned 16 September 2019)

Occupation: Project Manager

Qualifications, experience and expertise: Time spent working in Oil and Gas Company, Farming, Environmental/Cultural Heritage and Community Leadership and has a unique perspective on Business/Farming.

Special responsibilities: Marketing, Risk & Audit

Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Sandra Joy Wade. Sandra was appointed to the position of secretary on 20 March 2019.

Qualifications, experience and expertise: Sandra has had over 40 years in administrative and personal assistant roles including local government, aged care, Victorian wine industry and essential services. Sandra has been the Administration/Marketing Coordinator for Lockmore Financial Services Ltd for over 5 years.

Principal activity

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

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

Directors' report (continued)

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 \$
	86,045	77,271

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Bradley Adrian Drust	-	-	-
Ian Anthony Maddison	-	-	-
Patrick Augustine Rochford	-	-	-
Annemarie Martin Trewick	3,000	-	3,000
Rebecca Christine Crawford	-	-	-
Troy Jarrad Holmberg	725	-	725
Shari Eve Rankin	-	-	-

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

Dividends

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

	Cents per share	Total amount \$
Final fully franked dividend	4.5	71,517
Total amount	4.5	71,517

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.

Directors' report (continued)

Significant changes in the state of affairs (continued)

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

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

Directors' meetings

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

	Board Meetings Attended	
	E	A
Bradley Adrian Drust	11	11
Ian Anthony Maddison	11	11
Patrick Augustine Rochford	11	2
Annemarie Martin Trewick	11	11
Rebecca Christine Crawford	11	11
Troy Jarrad Holmberg	3	2
Shari Eve Rankin	4	-

E - eligible to attend
A - number attended

Directors' report (continued)

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 27 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 Elmore, Victoria.



Bradley Adrian Drust,
Chair

Dated this 14th day of September 2020

Auditor's independence declaration



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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 14 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	1,273,509	1,340,470
Other revenue	9	122,500	60,000
Finance income	10	7,863	10,386
Employee benefit expenses	11e)	(789,521)	(799,354)
Charitable donations, sponsorship, advertising and promotion	11d)	(162,073)	(147,105)
Occupancy and associated costs		(30,561)	(76,330)
Systems costs		(62,452)	(63,676)
Depreciation and amortisation expense	11a)	(87,398)	(48,708)
Finance costs	11b)	(15,425)	-
General administration expenses		(157,985)	(166,730)
Profit before income tax expense		98,457	108,953
Income tax expense	12a)	(12,412)	(31,682)
Profit after income tax expense		86,045	77,271
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		86,045	77,271
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	5.41	4.86

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	635,014	602,351
Trade and other receivables	14a)	118,411	113,668
Current tax assets	18a)	7,935	-
Total current assets		761,360	716,019
Non-current assets			
Property, plant and equipment	15a)	191,454	192,845
Right-of-use assets	16a)	184,814	-
Intangible assets	17a)	44,869	76,256
Deferred tax asset	18b)	20,059	4,225
Total non-current assets		441,196	273,326
Total assets		1,202,556	989,345
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	48,418	63,025
Current tax liabilities	18a)	-	5,358
Lease liabilities	20b)	31,535	-
Employee benefits	22a)	65,737	66,961
Total current liabilities		145,690	135,344
Non-current liabilities			
Lease liabilities	20c)	206,144	-
Employee benefits	22b)	14,685	13,584
Provisions	21a)	55,379	-
Total non-current liabilities		276,208	13,584
Total liabilities		421,898	148,928
Net assets		780,658	840,417
EQUITY			
Issued capital	23a)	1,344,664	1,344,664
Accumulated losses	24	(564,006)	(504,247)
Total equity		780,658	840,417

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018		1,344,664	(517,949)	826,715
Total comprehensive income for the year		-	77,271	77,271
Dividends provided for or paid	29a)	-	(63,569)	(63,569)
Balance at 30 June 2019		1,344,664	(504,247)	840,417
Balance at 1 July 2019		1,344,664	(504,247)	840,417
Effect of AASB 16: Leases	3d)	-	(74,287)	(74,287)
Restated balance at 1 July 2019		1,344,664	(578,534)	766,130
Total comprehensive income for the year		-	86,045	86,045
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(71,517)	(71,517)
Balance at 30 June 2020		1,344,664	(564,006)	780,658

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		1,525,976	1,551,789
Payments to suppliers and employees		(1,327,955)	(1,425,006)
Interest received		7,469	10,508
Lease payments (interest component)	11b)	(12,840)	-
Lease payments not included in the measurement of lease liabilities	11f)	(23,684)	-
Income taxes paid		(13,358)	(25,279)
Net cash provided by operating activities	25	155,608	112,012
Cash flows from investing activities			
Payments for property, plant and equipment		(22,164)	(13,645)
Net cash used in investing activities		(22,164)	(13,645)
Cash flows from financing activities			
Lease payments (principal component)	20a)	(29,264)	-
Dividends paid	29a)	(71,517)	(63,569)
Net cash used in financing activities		(100,781)	(63,569)
Net cash increase in cash held		32,663	34,798
Cash and cash equivalents at the beginning of the financial year		602,351	567,553
Cash and cash equivalents at the end of the financial year	13a)	635,014	602,351

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 Lockmore Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office

62 Railway Place
Elmore VIC 3558

Principal Place of Business

62 Railway Place
Elmore VIC 3558

9-11 Lockington Road
Lockington VIC 3563

24 Gillies Street
Rochester VIC 3561

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 28.

Note 2. Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 14 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.

Notes to the financial statements (continued)

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

a) Definition of a lease

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

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

b) As a lessee

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

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

Notes to the financial statements (continued)

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

d) Impact on financial statements

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

	Note	1 July 2019 \$
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	16b)	231,462
Deferred tax asset	18b)	28,179
Liability		
Lease liabilities	20a)	(281,134)
Provision for make-good	21b)	(52,794)
Equity		
Accumulated losses		(74,287)

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	190,676
Add: additional options now expected to be exercised	286,120
Less: AASB 117 lease commitments reconciliation	(115,760)
Less: present value discounting	(79,902)
Lease liability as at 1 July 2019	281,134

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 stream	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.

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

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.

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

b) Other revenue (continued)

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

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

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

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

Current income tax

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

e) Taxes (continued)

Deferred tax

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

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

Deferred tax is not recognised for:

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

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

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

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

Goods and Services Tax

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

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

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

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

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.

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	4 to 40 years
Plant and equipment	Straight-line and diminishing value	1 to 40 years
Motor vehicles	Straight-line	5 years

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

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise. The company has also acquired an agency from Bendigo Bank.

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Other intangible assets	Straight-line	3 years

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset 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 and leases.

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

j) Impairment (continued)

Non-derivative financial assets (continued)

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) Provisions

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

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

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

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Policy applicable before 1 July 2019

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

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessor (continued)

- 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.

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) Standards issued but not yet effective

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

Note 5. Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;

Notes to the financial statements (continued)

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

a) Judgements (continued)

	Judgement
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: <ul style="list-style-type: none">- the amount;- the lease term;- economic environment; and- other relevant factors.

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6. Financial risk management

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

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

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

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

Notes to the financial statements (continued)

Note 6. Financial risk management (continued)

a) Credit risk

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

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

b) Liquidity risk

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

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

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

30 June 2020 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	237,679	42,225	128,322	128,796
Trade payables	17,078	17,078	-	-
	254,757	59,303	128,322	128,796
30 June 2019 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade payables	50,864	50,864	-	-
	50,864	50,864	-	-

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price risk

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

Cash flow and fair value interest rate risk

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

Notes to the financial statements (continued)

Note 6. Financial risk management (continued)

c) Market risk (continued)

Cash flow and fair value interest rate risk (continued)

The company held cash and cash equivalents of \$635,014 at 30 June 2020 (2019: \$602,351). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7. Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 8. Revenue from contracts with customers

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

	2020 \$	2019 \$
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	1,273,509	1,340,470
	1,273,509	1,340,470
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	1,031,555	1,074,581
- Fee income	90,860	94,469
- Commission income	151,094	171,420
	1,273,509	1,340,470

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

Notes to the financial statements (continued)

Note 9. Other revenue

The company generated other sources of revenue from discretionary contributions received from the franchisor and cash flow boost from the Australian Government.

	2020 \$	2019 \$
Other revenue		
Revenue:		
- Market development fund income	60,000	60,000
- Cash flow boost	62,500	-
	122,500	60,000

Note 10. Finance income

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

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

	2020 \$	2019 \$
Finance income		
At amortised cost:		
- Term deposits	7,863	10,386
	7,863	10,386

Note 11. Expenses

a) Depreciation and amortisation expense

Depreciation of non-current assets:

- Leasehold improvements	8,648	8,744
- Plant and equipment	6,478	4,674
- Motor vehicles	8,429	8,429
	23,555	21,847

Depreciation of right-of-use assets

- Leased land and buildings	32,455	-
	32,455	-

Amortisation of intangible assets:

- Franchise fee	4,477	4,477
- Franchise renewal process fee	22,384	22,384
- Other intangible assets	4,527	-
	31,388	26,861

Total depreciation and amortisation expense	87,398	48,708
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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).

Notes to the financial statements (continued)

Note 11. Expenses (continued)

	Note	2020 \$	2019 \$
b) Finance costs			
Finance costs:			
- Lease interest expense	20a)	12,840	-
- Unwinding of make-good provision		2,585	-
		15,425	-

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

c) Impairment loss on trade receivables and contract assets

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

d) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

	2020 \$	2019 \$
- Direct sponsorship, advertising, and promotion payments	162,073	147,105
	162,073	147,105

e) Employee benefit expenses

Wages and salaries	676,003	714,910
Non-cash benefits	7,688	267
Contributions to defined contribution plans	60,694	61,586
Expenses related to long service leave	3,724	(17,803)
Other expenses	41,412	40,394
	789,521	799,354

f) 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.

Expenses relating to low-value leases	23,684	-
	23,684	-

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.

Notes to the financial statements (continued)

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.

	2020 \$	2019 \$
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Current tax	64	21,080
- Movement in deferred tax	(16,988)	10,602
- Adjustment to deferred tax on AASB 16 retrospective application	28,179	-
- Reduction in company tax rate	1,157	-
	12,412	31,682

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a gain of \$1,157 related to the remeasurement of deferred tax assets and liabilities of the company.

	2020 \$	2019 \$
b) Prima facie income tax reconciliation		
Operating profit before taxation	98,457	108,953
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	27,076	29,962
Tax effect of:		
- Other deductible expenses	1,365	1,720
- Temporary differences	(11,189)	(10,602)
- Other assessable income	(17,188)	-
- Movement in deferred tax	(16,988)	10,602
- Adjustment to deferred tax to reflect reduction of tax rate in future periods.	1,157	-
- Leases initial recognition	28,179	-
	12,412	31,682

Note 13. Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 \$	2019 \$
- Cash at bank and on hand	335,014	302,351
- Term deposits	300,000	300,000
	635,014	602,351

Notes to the financial statements (continued)

Note 14 .Trade and other receivables

	2020 \$	2019 \$
a) Current assets		
Trade receivables	103,384	98,657
Prepayments	12,134	12,512
Other receivables and accruals	2,893	2,499
	118,411	113,668

Note 15. Property, plant and equipment

a) Carrying amounts

Leasehold improvements

At cost	326,280	309,912
Less: accumulated depreciation and impairment	(183,566)	(174,918)
	142,714	134,994

Plant and equipment

At cost	157,411	151,615
Less: accumulated depreciation and impairment	(129,064)	(122,586)
	28,347	29,029

Motor vehicles

At cost	42,147	42,147
Less: accumulated depreciation and impairment	(21,754)	(13,325)
	20,393	28,822

Total written down amount	191,454	192,845
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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

Leasehold improvements

Carrying amount at beginning	134,994	143,738
Additions	16,368	-
Depreciation	(8,648)	(8,744)
Carrying amount at end	142,714	134,994

Plant and equipment

Carrying amount at beginning	29,029	20,057
Additions	5,796	13,646
Depreciation	(6,478)	(4,674)
Carrying amount at end	28,347	29,029

Motor vehicles

Carrying amount at beginning	28,822	37,251
Depreciation	(8,429)	(8,429)
Carrying amount at end	20,393	28,822
Total written down amount	191,454	192,845

Notes to the financial statements (continued)

Note 15. Property, plant and equipment (continued)

c) Changes in estimates

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

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

Note 16. Right-of-use assets

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

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

	Note	2020 \$	2019 \$
a) Carrying amounts			
Leased land and buildings			
At cost		439,440	-
Less: accumulated depreciation and impairment		(254,626)	-
Total written down amount		184,814	-
b) Reconciliation of carrying amounts			
Leased land and buildings			
Initial recognition on transition	3d)	453,632	-
Accumulated depreciation on adoption	3d)	(222,170)	-
Remeasurement adjustments		(14,193)	-
Depreciation		(32,455)	-
Carrying amount at end		184,814	-

Note 17. Intangible assets

a) Carrying amounts

Franchise fee			
At cost		108,984	108,984
Less: accumulated amortisation and impairment		(103,015)	(98,538)
		5,969	10,446
Franchise renewal process fee			
At cost		194,922	194,922
Less: accumulated amortisation and impairment		(165,076)	(142,692)
		29,846	52,230
Other intangible assets - Agency payout Rochester			
At cost		13,580	13,580
Less: accumulated amortisation and impairment		(4,526)	-
		9,054	13,580
Total written down amount		44,869	76,256

Notes to the financial statements (continued)

Note 17. Intangible assets (continued)

	2020 \$	2019 \$
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	10,446	14,923
Amortisation	(4,477)	(4,477)
Carrying amount at end	5,969	10,446
Franchise renewal process fee		
Carrying amount at beginning	52,230	74,614
Amortisation	(22,384)	(22,384)
Carrying amount at end	29,846	52,230
Other intangible assets - Agency payout Rochester		
Carrying amount at beginning	13,580	13,580
Amortisation	(4,526)	-
Carrying amount at end	9,054	13,580
Total written down amount	44,869	76,256

c) Changes in estimates

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

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

The financial effect of the reassessment, assuming the assets are held until the end of their revised useful lives and no other impairment indicators are present, on actual and expected amortisation expense was as follows:

	2020	2021	2022
Increase in amortisation expense	4,526	4,527	4,527

Note 18. Tax assets and liabilities

	2020 \$	2019 \$
a) Current tax		
Income tax payable/(refundable)	(7,935)	5,358

Notes to the financial statements (continued)

Note 18. Tax assets and liabilities (continued)

b) Deferred tax

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

	30 June 2019 \$	Recognised in profit or loss \$	Recognised in other comprehensive income \$	Recognised in equity \$	30 June 2020 \$
Deferred tax assets					
· expense accruals	1,045	(31)	-	-	1,014
· employee provisions	22,150	(1,240)	-	-	20,910
· make-good provision	-	(119)	-	14,518	14,399
· lease liability	-	(15,515)	-	77,312	61,797
Total deferred tax assets	23,195	(16,905)	-	91,830	98,120
Deferred tax liabilities					
· income accruals	687	65	-	-	752
· property, plant and equipment	18,283	10,974	-	-	29,257
· right-of-use assets	-	(15,599)	-	63,651	48,052
Total deferred tax liabilities	18,970	(4,560)	-	63,651	78,061
Net deferred tax assets (liabilities)	4,225	(12,345)	-	28,179	20,059

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

	30 June 2018 \$	Recognised in profit or loss \$	Recognised in other comprehensive income \$	Recognised in equity \$	30 June 2019 \$
Deferred tax assets					
· expense accruals	1,018	27	-	-	1,045
· employee provisions	29,065	(6,915)	-	-	22,150
Total deferred tax assets	30,083	(6,888)	-	-	23,195
Deferred tax liabilities					
· income accruals	721	(34)	-	-	687
· property, plant and equipment	14,535	3,748	-	-	18,283
Total deferred tax liabilities	15,256	3,714	-	-	18,970
Net deferred tax assets (liabilities)	14,827	(10,602)	-	-	4,225

Notes to the financial statements (continued)

Note 18. Tax assets and liabilities (continued)

c) Uncertainty over income tax treatments

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

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

Note 19. Trade creditors and other payables

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

	2020 \$	2019 \$
a) Current liabilities		
Trade creditors	17,078	50,864
Other creditors and accruals	31,340	12,161
	48,418	63,025

Note 20. Lease liabilities

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

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

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

Lease portfolio

Prior to 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The company's lease portfolio includes:

- Elmore branch

The lease agreement is a non-cancellable lease with an initial term of 5 years which commenced in December 2008. An extension option term of 5 years was exercised in December 2013. A Deed of Extension and Variation of Lease for a further five years with two further five year extensions was exercised in December 2018.

- Rochester branch

The lease agreement is a non-cancellable lease with an initial term of 5 years which commenced in December 2013. An extension option term of 5 years was exercised in December 2018.

- Lockington branch

The lease agreement is a non-cancellable lease with an initial term of 5 years which commenced in March 2014. An extension option term of 5 years was exercised in March 2019.

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.

Notes to the financial statements (continued)

Note 20. Lease liabilities (continued)

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.

	Note	2020 \$	2019 \$
Lease liabilities on transition			
Initial recognition on AASB 16 transition	3d)	281,134	-
Remeasurement adjustments		(14,191)	-
Lease payments - interest		12,840	-
Lease payments		(42,104)	-
		237,679	-

b) Current lease liabilities

Property lease liabilities		42,225	-
Unexpired interest		(10,690)	-
		31,535	-

c) Non-current lease liabilities

Property lease liabilities		257,118	-
Unexpired interest		(50,974)	-
		206,144	-

d) Maturity analysis

- Not later than 12 months		42,225	-
- Between 12 months and 5 years		128,322	-
- Greater than 5 years		128,796	-
Total undiscounted lease payments		299,343	-
Unexpired interest		(61,664)	-
Present value of lease liabilities		237,679	-

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 \$4,188.

Notes to the financial statements (continued)

Note 20. Lease liabilities (continued)

e) Impact on the current reporting period (continued)

Comparison under current AASB 16 and former AASB 117 (continued)

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
· Occupancy and associated costs	42,104	(42,104)	-
· Depreciation and amortisation expense	-	32,455	32,455
· Finance costs	-	15,425	15,425
Increase in expenses - before tax	42,104	5,776	47,880
· Income tax expense / (credit) - current	(11,579)	11,579	-
· Income tax expense / (credit) - deferred	-	(13,167)	(13,167)
Increase in expenses - after tax	30,525	4,188	34,713

Note 21. 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.

	2020 \$	2019 \$
a) Non-current liabilities		
Make-good on leased premises	55,379	-
	55,379	-

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.

	Note	2020 \$	2019 \$
Provision			
Face-value of make-good costs recognised	3d)	75,000	-
Present value discounting	3d)	(36,432)	-
Present value unwinding		16,811	-
		55,379	-

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.

Notes to the financial statements (continued)

Note 21. Provisions (continued)

c) Changes in estimates (continued)

The branch premise leases are due to expire on the below dates at which time the expected face-value costs to restore the premises will fall due:

- Elmore branch - 30 November 2033
- Lockington branch - 29 February 2024
- Rochester branch - 30 November 2023

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

	2020	2021	2022	2023	2024+
Profit or loss					
Expense:					
- Finance costs	2,585	2,712	2,845	2,983	11,081
Statement of financial position					
Liability:					
- Make-good provision	55,379	58,091	60,936	63,919	75,000

Note 22. Employee benefits

	2020 \$	2019 \$
a) Current liabilities		
Provision for annual leave	38,281	41,855
Provision for long service leave	27,456	25,106
	65,737	66,961
b) Non-current liabilities		
Provision for long service leave	14,685	13,584
	14,685	13,584

c) Key judgement and assumptions

Employee attrition rates

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

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

Notes to the financial statements (continued)

Note 23. Issued capital

a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	1,409,233	1,409,233	1,409,233	1,409,233
Bonus shares - fully paid (4:1)	179,994	-	179,994	-
Less: equity raising costs (Elmore/Lockington)	-	(29,553)	-	(29,553)
Less: equity raising costs (Rochester)	-	(35,016)	-	(35,016)
	1,589,227	1,344,664	1,589,227	1,344,664

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 694. As at the date of this report, the company had 764 shareholders (2019: 765 shareholders).

Notes to the financial statements (continued)

Note 23. Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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

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

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

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

Note 24. Accumulated losses

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		(504,247)	(517,949)
Adjustment for transition to AASB 16	3d)	(74,287)	-
Net profit after tax from ordinary activities		86,045	77,271
Dividends provided for or paid	29a)	(71,517)	(63,569)
Balance at end of reporting period		(564,006)	(504,247)

Note 25. Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	86,045	77,271
Adjustments for:		
- Depreciation	56,010	21,847
- Amortisation	26,861	26,861
- Impairment losses on intangible assets	4,527	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(4,744)	14,382
- (Increase)/decrease in other assets	4,411	10,602
- Increase/(decrease) in trade and other payables	(14,606)	(9,602)
- Increase/(decrease) in employee benefits	(123)	-
- Increase/(decrease) in provisions	2,585	(25,150)
- Increase/(decrease) in tax liabilities	(5,358)	(4,199)
Net cash flows provided by operating activities	155,608	112,012

Notes to the financial statements (continued)

Note 26. Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2020 \$	2019 \$
Financial assets			
Trade and other receivables	14	106,277	101,156
Cash and cash equivalents	13	335,014	302,351
Term deposits	13	300,000	300,000
		741,291	703,507
Financial liabilities			
Trade and other payables	19	17,078	50,864
Lease liabilities	20	237,679	-
		254,757	50,864

Note 27. Auditor's remuneration

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

Audit and review services

- Audit and review of financial statements	6,100	5,900
	6,100	5,900

Non audit services

- Taxation advice and tax compliance services	1,630	1,595
- General advisory services	2,590	1,830
- Share registry services	7,310	7,245
	11,530	10,670

Total auditor's remuneration	17,630	16,570
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Note 28. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Bradley Adrian Drust
Ian Anthony Maddison
Patrick Augustine Rochford
Annemarie Martin Trewick
Rebecca Christine Crawford
Troy Jarrad Holmberg
Shari Eve Rankin

Notes to the financial statements (continued)

Note 28. Related parties (continued)

b) Key management personnel compensation

	2020 \$	2019 \$
Key management personnel compensation comprised the following.		
Short-term employee benefits	3,258	2,715
Post-employment benefits	342	285
	3,600	3,000

Compensation of the company's key management personnel includes salaries, non-cash benefits, contributions to a post-employment defined contribution plan, and long service leave entitlements.

c) Related party transactions

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

Note 29. 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	4.5	71,517	4	63,569
Total dividends provided for and paid during the financial year	4.5	71,517	4	63,569

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

b) Franking account balance

	2020 \$	2019 \$
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	29,543	28,376
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	118	4,447
- Franking credits from income tax instalments	13,240	20,832
- Franking debits from the payment of franked distributions	(27,127)	(24,112)
Franking account balance at the end of the financial year	15,774	29,543
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(7,935)	-
Franking credits available for future reporting periods	7,839	29,543

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

Notes to the financial statements (continued)

Note 30. Earnings per share

a) Based and diluted earnings per share

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

	2020 \$	2019 \$
Profit attributable to ordinary shareholders	86,045	77,271
	Number	Number
Weighted-average number of ordinary shares	1,589,227	1,589,227
	Cents	Cents
Basic and diluted earnings per share	5.41	4.86

Note 31. 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 20).

	2020 \$	2019 \$
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	41,922
- between 12 months and 5 years	-	148,754
- greater than 5 years	-	-
Minimum lease payments payable	-	190,676

b) Other commitments

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

Note 32. Contingencies

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

Note 33. Subsequent events

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 Lockmore Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'Bradley Drust', with a stylized flourish at the end.

Bradley Adrian Drust,
Chair

Dated this 14th day of September 2020

Independent audit report



Chartered Accountants

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PO Box 454, Bendigo 3552
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Independent auditor's report to the members of Lockmore Financial Services Limited

Report on the audit of the financial report

Our opinion

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

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

What we have audited

Lockmore Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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



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: 14 September 2020

Joshua Griffin
Lead Auditor

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