

# Annual Report 2020

Paynesville & District  
Financial Services Ltd

Community Bank  
Paynesville & District

ABN 80 115 308 015



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# Chairman's report

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For year ending 30 June 2020

It gives me great pleasure to present our 2020 Annual Report.

On behalf of the Board of Directors, I am pleased to report that this year the business growth of the branch has continued to increase, due to the hard work of our Branch Manager and staff.

During the year we said goodbye to our Branch Manager Ken Mutton, and Jack van Reyk was promoted into the position. This was the result of our strategic succession plan which was set in motion some 12 months earlier. Part of the succession plan was also to fill Jack's existing role and saw Natily Bulmer join the branch team. Jack and Nat have settled well into their new roles, and with Angela, Karen and Brod, the branch team provides excellent service for our customers.

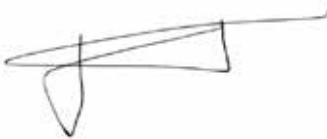
Part of our strategic focus over the past three years was a goal to build the organisations equity back to the original amount which was raised when the branch first opened. This goal was reached this year and we were able to use these funds to purchase our premises in June. After paying rent for almost 15 years, this is a great accomplishment for the Board and branch, and not only will it result in yearly savings in rental, but it will also provide us with ongoing security for our branch site.

In 2019/20, several community groups were funded through the Community Funding Partnership Program, which assisted local organisations in conducting events, activities and projects within our local area, which is a vital part of the Bendigo Bank Community Bank model. This year we have supported events such as the Paynesville Music Festival, the Australia Day Awards, the Classic Boat Rally, and the Lions Club Senior Citizens Christmas Luncheon, plus many other local activities and projects. Through the support of these community groups and their activities, our branch contributes towards Paynesville's development into a strong, inclusive community.

I would like to thank the branch staff, my fellow volunteer Board members and our Secretary for the support provided throughout the year. 2020 has proved to be a very challenging year with drought, bushfires and COVID-19, however the staff have dealt with the extra demands regarding social distancing and hygiene requirements in an efficient and competent manner. We expect that some businesses in our region will take a long time to recover from the effects of the pandemic.

As a Board, our priority is to support the branch to provide excellent financial services, to support our community organisations, to ensure sound governance of the business, and to deliver long-term growth and profitability for our shareholders.

We thank our shareholders and our customers for their support and we look forward to a successful year ahead in 2021.



**Janet McLeod**  
**Chairman**

# Manager's report

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For year ending 30 June 2020

It is with great pleasure I present to you my first Manager's report having transitioned into the role in early April. For some of you, I will be a familiar face having been with Community Bank Paynesville & District for over five years. I'd like to take this opportunity to thank my predecessor, Ken Mutton, for the support he provided to me and his contribution to the branch over the years. I would also like to thank the branch staff, Board members, shareholders, customers and the Paynesville and District community who have welcomed me into my new role.

What a year it has been with unprecedented bushfires in East Gippsland and the ongoing COVID-19 pandemic. Like all businesses, our branch has had to adapt the way in which we do business complying with all the relevant social distancing measures and hygiene standards. Despite this and the low interest rate environment, the branch has had a consistent year as this annual report will show. I'd like to acknowledge our staff of Karen, Angela, Brod and our newest staff member Nat who started in September, for their dedication, enthusiasm and commitment to provide the best customer service experience possible for our customers. Their efforts are truly valued.

This year will mark our 15th year since opening in December 2005 and we will have contributed over \$550,000 in community grants. A figure in which we are hoping to significantly build on in the years to come. To allow us to do this we need your help. The more you support our branch, the more we can give back to the community. I urge you to ask yourself whether you want your banking to contribute to your community, if it doesn't so already.

We would love the opportunity to discuss any banking, wealth and insurance needs you may have or any existing products held we can review to see if we can find a suitable product to help you grow your financial wellbeing. Hope to see you soon.



**Jack van Reyk**  
**Branch Manager**

# Directors' report

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

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## Directors

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

Janet Louise McLeod

Chair and Treasurer

Occupation: Chartered Accountant

Qualifications, experience and expertise: Qualifications, experience and expertise: Over 30 years experience in Professional Accounting. Janet has a Master of Applied Taxation, a Master of Business Administration and is a Chartered Accountant (CA SMSF Specialist) and Chartered Tax Adviser.

Special responsibilities: Human Resources Committee; Audit, Risk, Governance & Finance Committee and Marketing and Business Development Committee

Interest in shares: 5,000 ordinary shares

Andrew Charles Quirke

Non-executive director

Occupation: Small Business Owner

Qualifications, experience and expertise: Andrew is the owner and operator of a local small business, a Motor Mechanic, a Computer Technician, a Member of the Paynesville Business & Tourism Association and a Committee Member of the Bairnsdale Tennis Club.

Special responsibilities: Marketing and Business Development Committee; Audit, Risk, Governance & Finance Committee; Human Resources Committee

Interest in shares: 3,001 ordinary shares

Peter John Markwell

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Peter has worked as a stock exchange floor operator, a money market operator in cash and securities, a Chief Executive Officer at the National Mortgage Market Corporation Ltd (a Victorian government-sponsored corporation), a mortgage lending consultant at National Mortgage Services, the Inaugural President at Raymond Island Community Association Inc., and has volunteered as a helper at Paynesville Sea Scouts for over 10 years and Meals on Wheels for five years.

Special responsibilities: Marketing and Business Development Committee and Risk, Audit, Finance & Governance Committee

Interest in shares: nil share interest held

Lynette Joy Wallace

Non-executive director

Occupation: Booking Administrator

Qualifications, experience and expertise: Currently working at TAFE Gippsland (formerly Federation Training) as Campus Administrator. Business Manager and Executive Assistant at the local indigenous corporation for land management (Gunaikurnai Land and Waters Aboriginal Corporation). Personal Assistant to the Managing Director of a family offset printing company.

Production Manager at manufacturing printing company. Client Service Manager for a national retail company. Studio / Production Manager for various design studios. Voluntary work for many groups such as local business and tourism association, regional marketing board, sailing clubs, committee member of many sailing clubs and associations in roles from general committee to Commodore to sailing school principal. Board Member of East Gippsland Marketing Inc.

Special responsibilities: Chairperson of Marketing and Business Development Committee

Interest in shares: nil share interest held

# Directors' report (continued)

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## Directors (continued)

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Matthew John Butler

Non-executive director

Occupation: Information Technology Officer

Qualifications, experience and expertise: Worked in the ICT industry for over 30 years; currently working in ICT at the Bairnsdale Secondary College. A member of a number of local Paynesville organisations including the Football Netball Club, the Cricket Club, the Bowling Club, the RSL and the Maritime Museum.

Special responsibilities: Marketing and Business Development Committee and Risk, Audit, Finance & Governance Committee

Interest in shares: nil share interest held

Peter Blackie

Non-executive director

Occupation: Chartered Accountant

Qualifications, experience and expertise: Peter is a Chartered Accountant. He was a partner in two Sydney firms over a period of 16 years and a Consultant to another for 4 years. He specialised in taxation and forensic accounting. Peter then entered Commerce and was the Chief Financial Officer (CFO) of two international high-tech companies (one a publicly listed company) for a period of 10 years. He then returned to practice as a forensic accountant for a further 3 years before moving to Paynesville. Most recently he was the CFO of the Gippsland & East Gippsland Aboriginal Cooperative (5 years) and from 2014 was the CFO to the Whelans Group of Companies. In July 2018 he returned to the Gippsland & East Gippsland Aboriginal Cooperative as CFO.

Throughout his career Peter has been the Auditor of a number of Not-For-Profit organisations and has been a board member of the Not-For-Profit organisations Bondi Pavilion Theatre, the Sydney Philharmonic Choirs, and the Ski Club of East Gippsland.

Special responsibilities: Audit, Risk, Governance & Finance Committee and Strategic Planning Committee

Interest in shares: nil share interest held

Nicholas Walter George Fordham

Non-executive director

Occupation: Business Analyst

Qualifications, experience and expertise: Nicholas is a Business Analyst with Bairnsdale Regional Health Service. He is the Chair of Paynesville Primary School Council. He has been an Executive Director of Federation Training, an IT Manager at Advance TAFE and Project Manager at East Gippsland Institute of TAFE.

Special responsibilities: Audit, Risk, Governance & Finance Committee

Interest in shares: nil share interest held

Gary John Maskiell

Non-executive director (appointed 24 October 2019)

Occupation: Driving Instructor

Qualifications, experience and expertise: Sales, Management, Marketing. Certificate IV Road Transport Logistics (Driving Instructor). Member of Gippsland Lakes Yacht Club.

Special responsibilities: Marketing and Business Development Committee

Interest in shares: 500 ordinary shares

Timothy (Tom) Wilfred Webster Ponting

Non-executive director (resigned 12 February 2020)

Occupation: Business and Marketing Consultant

Qualifications, experience and expertise: Tom has extensive experience in senior management roles in FMCG companies and has run his own business development and marketing consultancy for over twenty years. This has given both Australian and international business exposure on many levels. Tom has served on the 'Steering Committee for Gippsland Food Plan' the 'Steering Committee' for training programs for improving Team Productivity in Agribusiness and skills for successful supervision in Agribusiness. Tom is a past member of the Paynesville Coast Guard.

Special responsibilities: Marketing and Business Development Committee, Human Resources Committee and Strategic Planning Committee

Interest in shares: nil share interest held

Sarah Janice Johnston

Non-executive director (resigned 21 January 2020)

Occupation: Business Manager, Gippsland Region, DELWP

Qualifications, experience and expertise: Sarah has a Bachelor of Commerce, Bachelor of Law and a CPA, she is a Fellow of the Institute of Water Administration and a graduate of the Australia Institute of Company Directors. Over 10 years experience in various parts of the water industry, long time East Gippsland resident and has a young family in the area.

Special responsibilities: Audit, Risk, Governance & Finance Committee and Strategic Planning Committee

Interest in shares: nil share interest held

# Directors' report (continued)

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## Directors (continued)

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

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

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## Company Secretary

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The company secretary is Angela Dunkley. Angela was appointed to the position of secretary in June 2013.

Qualifications, experience and expertise: Angela has worked in banking and finance for 21 years, 10 years with ANZ Bank in Gippsland and Melbourne, and was then self employed in a finance broking/financial planning business. She has spent the previous 6 years working as a PA to the CEO of a Registered Training Organisation, where she was involved with the administration of the board and co-ordination of special projects.

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## Principal activity

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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.

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## Operating results

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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
\$	\$
84,347	124,147

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## Directors' interests

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	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Janet Louise McLeod	5,000	-	5,000
Andrew Charles Quirke	3,001	-	3,001
Peter John Markwell	-	-	-
Lynette Joy Wallace	-	-	-
Matthew John Butler	-	-	-
Peter Blackie	-	-	-
Nicholas Walter George Fordham	-	-	-
Gary John Maskiell	500	-	500
Timothy (Tom) Wilfred Webster Ponting	-	-	-
Sarah Janice Johnston	-	-	-

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

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## Dividends

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

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## New Accounting Standards implemented

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The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases(AASB 16) was applicable from 1 July 2019. The company has assessed its leasing arrangements and noted the AASB 16 does not have a significant impact.

# Directors' report (continued)

## Significant changes in the state of affairs

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

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

## Events since the end of the financial year

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

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 25 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## Indemnification and insurance of directors and officers

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

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

## Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Marketing		Human Resources		Audit, Risk, Finance & Governance	
	E	A	E	A	E	A	E	A
Janet Louise McLeod	12	12	2	2	2	2	-	-
Andrew Charles Quirke	12	12	2	1	2	2	2	-
Peter John Markwell	12	11	2	2	-	-	-	-
Lynette Joy Wallace	12	10	2	2	-	-	-	-
Matthew John Butler	12	12	2	2	-	-	-	-
Peter Blackie	12	5	-	-	-	-	-	-
Nicholas Walter George Fordham	12	12	-	-	-	-	2	2
Gary John Maskiell	8	6	2	1	-	-	-	-
Timothy (Tom) Wilfred Webster Ponting	7	4	-	-	-	-	-	-
Sarah Janice Johnston	6	3	-	-	-	-	2	2

E - eligible to attend

A - number attended



## Directors' report (continued)

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### Proceedings on behalf of the company

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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*.

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### Non audit services

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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 24 to the accounts.

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

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

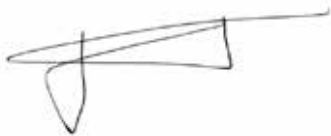
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### Auditor's independence declaration

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A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

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



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**Janet Louise McLeod, Chair**

Dated this 12th day of August 2020

# Auditor's independence declaration

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

As lead auditor for the audit of Paynesville & District 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: 12 August 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	613,736	685,140
Other revenue	9	74,053	29,136
Finance income	10	10,055	10,916
Employee benefit expenses	11d)	(404,418)	(356,890)
Charitable donations, sponsorship, advertising and promotion	11c)	(26,907)	(26,583)
Occupancy and associated costs		(66,243)	(67,193)
Systems costs		(18,947)	(19,191)
Depreciation and amortisation expense	11a)	(23,071)	(23,678)
General administration expenses		(55,321)	(59,135)
<b>Profit before income tax expense</b>		<b>102,937</b>	<b>172,522</b>
Income tax expense	12a)	(18,590)	(48,375)
<b>Profit after income tax expense</b>		<b>84,347</b>	<b>124,147</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>84,347</b>	<b>124,147</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	27a)	10.63	15.65

The accompanying notes form part of these financial statements

# Financial statements (continued)

## Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13a)	285,636	733,643
Trade and other receivables	14a)	59,477	70,547
Current tax assets	17a)	14,611	-
<b>Total current assets</b>		<b>359,724</b>	<b>804,190</b>
<b>Non-current assets</b>			
Property, plant and equipment	15a)	520,386	39,115
Intangible assets	16a)	72,384	24,550
Deferred tax asset	17b)	9,502	6,580
<b>Total non-current assets</b>		<b>602,272</b>	<b>70,245</b>
<b>Total assets</b>		<b>961,996</b>	<b>874,435</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18a)	33,802	34,804
Current tax liabilities	17a)	-	6,413
Employee benefits	19a)	41,612	30,755
<b>Total current liabilities</b>		<b>75,414</b>	<b>71,972</b>
<b>Non-current liabilities</b>			
Employee benefits	19b)	13,265	13,493
<b>Total non-current liabilities</b>		<b>13,265</b>	<b>13,493</b>
<b>Total liabilities</b>		<b>88,679</b>	<b>85,465</b>
<b>Net assets</b>		<b>873,317</b>	<b>788,970</b>
<b>EQUITY</b>			
Issued capital	20a)	769,708	769,708
Retained earnings	21	103,609	19,262
<b>Total equity</b>		<b>873,317</b>	<b>788,970</b>

The accompanying notes form part of these financial statements

## Financial statements (continued)

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

	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2018</b>	769,708	(104,885)	664,823
Total comprehensive income for the year	-	124,147	124,147
<b>Balance at 30 June 2019</b>	<b>769,708</b>	<b>19,262</b>	<b>788,970</b>
<b>Balance at 1 July 2019</b>	769,708	19,262	788,970
Total comprehensive income for the year	-	84,347	84,347
<b>Balance at 30 June 2020</b>	<b>769,708</b>	<b>103,609</b>	<b>873,317</b>

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 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		808,765	789,197
Payments to suppliers and employees		(683,183)	(593,492)
Interest received		10,919	10,732
Lease payments exempt from the measurement of lease liabilities	11e)	(53,217)	-
Income taxes paid		(42,536)	(70,055)
<b>Net cash provided by operating activities</b>	22	<b>40,748</b>	<b>136,382</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(488,755)	(1,064)
<b>Net cash used in investing activities</b>		<b>(488,755)</b>	<b>(1,064)</b>
<b>Net cash increase/(decrease) in cash held</b>		<b>(448,007)</b>	<b>135,318</b>
Cash and cash equivalents at the beginning of the financial year		733,643	598,325
<b>Cash and cash equivalents at the end of the financial year</b>	13a)	<b>285,636</b>	<b>733,643</b>

The accompanying notes form part of these financial statements

# Notes to the financial statements

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For year ended 30 June 2020

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**Note 1      Reporting entity**

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This is the financial report for Paynesville & District 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	Principal Place of Business
61 The Esplanade Paynesville, VIC 3880	61 The Esplanade Paynesville, VIC 3880

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 25.

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**Note 2      Basis of preparation and statement of compliance**

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*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 12 August 2020.

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**Note 3      Changes in accounting policies, standards and interpretations**

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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) was applicable from 1 July 2019. The impact of applying AASB 16 has been assessed as insignificant by the company.

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**Note 4      Summary of significant accounting policies**

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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.

# Notes to the financial statements (continued)

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

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

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:

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

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

#### *Revenue calculation*

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

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

#### *Margin*

Margin is arrived at through the following calculation:

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

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

#### *Commission*

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

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

#### *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.



# Notes to the financial statements (continued)

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

### 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.

<u>Revenue</u>	<u>Revenue recognition policy</u>
Discretionary financial contributions (also "Market Development Fund" or "MDF")	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)

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

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### 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)

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

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### 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.

# Notes to the financial statements (continued)

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

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### g) Property, plant and equipment

#### *Recognition and measurement*

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

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

#### *Subsequent expenditure*

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

#### *Depreciation*

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Building	Straight-line	40 years
Leasehold improvements	Straight-line	5 to 15 years
Furniture, fixtures and fittings	Straight-line and diminishing value	4 to 40 years
Computer equipment	Diminishing value	3 to 10 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 customer list 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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled customer accounts	Straight-line	Finite

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

# Notes to the financial statements (continued)

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

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### 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.

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

<u>Acronym</u>	<u>Meaning</u>
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)

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

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### 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.

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

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

This approach is applicable to:

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

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

##### Recognition of expected credit losses in financial statements

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

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

# Notes to the financial statements (continued)

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

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### j) Impairment (continued)

#### 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) Leases

#### 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.

### m) 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.

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## Note 5 Significant accounting judgements, estimates, and assumptions

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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:

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

### 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:

<u>Note</u>	<u>Assumptions</u>
- Note 8 - revenue recognition	estimate of expected returns;
- Note 17 - 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 19 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;

# Notes to the financial statements (continued)

## Note 6 Financial risk management

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

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

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

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

### a) Credit risk

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

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

### b) Liquidity risk

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

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

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

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Trade payables	24,702	24,702	-	-
	<u>24,702</u>	<u>24,702</u>	<u>-</u>	<u>-</u>

30 June 2019

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Trade payables	5,674	5,674	-	-
	<u>5,674</u>	<u>5,674</u>	<u>-</u>	<u>-</u>



# Notes to the financial statements (continued)

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## **Note 6 Financial risk management (continued)**

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### **c) Market risk**

#### *Market risk*

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

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

#### *Price risk*

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

#### *Cash flow and fair value interest rate risk*

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of \$285,636 at 30 June 2020 (2019: \$733,643). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

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## **Note 7 Capital management**

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

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

The distribution limit is the greater of:

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

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

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

## Notes to the financial statements (continued)

### 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.

<i>Revenue from contracts with customers</i>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Revenue:		
- Revenue from contracts with customers	613,736	685,140
	<u>613,736</u>	<u>685,140</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	510,182	579,912
- Fee income	61,051	65,563
- Commission income	42,503	39,665
	<u>613,736</u>	<u>685,140</u>

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

### Note 9 Other revenue

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

<i>Other revenue</i>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Revenue:		
- Market development fund income	33,333	27,500
- Cash flow boost	40,720	-
- Other income	-	1,636
	<u>74,053</u>	<u>29,136</u>

### 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.

<i>Finance income</i>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
At amortised cost:		
- Term deposits	10,055	10,916
	<u>10,055</u>	<u>10,916</u>

## Notes to the financial statements (continued)

### Note 11 Expenses

#### a) Depreciation and amortisation expense

	2020 \$	2019 \$
<i>Depreciation of non-current assets:</i>		
- Buildings	23	-
- Leasehold improvements	2,530	2,530
- Furniture and fittings	3,317	3,901
- Computer Software	259	305
	<u>6,129</u>	<u>6,736</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,260	2,260
- Franchise renewal process fee	11,296	11,296
- Domiciled customer accounts	3,386	3,386
	<u>16,942</u>	<u>16,942</u>
Total depreciation and amortisation expense	<u>23,071</u>	<u>23,678</u>

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

#### b) 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.

#### c) 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	26,907	26,583
	<u>26,907</u>	<u>26,583</u>

#### d) Employee benefit expenses

	2020 \$	2019 \$
Wages and salaries	349,590	307,082
Contributions to defined contribution plans	34,858	31,194
Expenses related to long service leave	6,348	6,577
Other expenses	13,622	12,037
	<u>404,418</u>	<u>356,890</u>

# Notes to the financial statements (continued)

## Note 11 Expenses (continued)

### e) Recognition exemption

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

	2020 \$	2019 \$
Expenses relating to low-value leases	6,084	-
Expenses relating to short-term leases	47,133	-
	<u>53,217</u>	<u>-</u>

Expenses relating to leases exempt from recognition are included in system costs and general administration expenses.

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

The company's lease for the branch premises ended 30 June 2020. The company has elected to exempt from recognition under AASB 16 leases as the lease term expired within 12 months of initial application date.

## Note 12 Income tax expense

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

### a) Amounts recognised in profit or loss

	2020 \$	2019 \$
<i>Current tax expense</i>		
- Current tax	21,512	45,872
- Movement in deferred tax	(3,470)	2,503
- Reduction in company tax rate	548	-
	<u>18,590</u>	<u>48,375</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of \$548 related to the remeasurement of deferred tax assets and liabilities of the company.

### b) *Prima facie* income tax reconciliation

	2020 \$	2019 \$
Operating profit before taxation	102,937	172,522
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	28,308	47,444
Tax effect of:		
- Non-deductible expenses	931	931
- Temporary differences	3,471	(2,503)
- Other assessable income	(11,198)	-
- Movement in deferred tax	(3,470)	2,503
- Reduction in company tax rate	548	-
	<u>18,590</u>	<u>48,375</u>

# Notes to the financial statements (continued)

## 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	185,636	108,643
- Term deposits	100,000	625,000
	<u>285,636</u>	<u>733,643</u>

## Note 14 Trade and other receivables

### a) Current assets

	2020 \$	2019 \$
Trade receivables	764	56,968
Prepayments	9,904	12,655
Other receivables and accruals	48,809	924
	<u>59,477</u>	<u>70,547</u>

## Note 15 Property, plant and equipment

### a) Carrying amounts

	2020 \$	2019 \$
<i>Land</i>		
At cost	145,935	-
Less: accumulated impairment	-	-
	<u>145,935</u>	<u>-</u>
<i>Buildings</i>		
At cost	340,515	-
Less: accumulated depreciation and impairment	(23)	-
	<u>340,492</u>	<u>-</u>
<i>Leasehold improvements</i>		
At cost	136,363	136,363
Less: accumulated depreciation and impairment	(123,691)	(121,161)
	<u>12,672</u>	<u>15,202</u>
<i>Furniture and fittings</i>		
At cost	135,597	138,161
Less: accumulated depreciation and impairment	(115,780)	(115,977)
	<u>19,817</u>	<u>22,184</u>
<i>Computer software</i>		
At cost	16,053	16,053
Less: accumulated depreciation and impairment	(14,583)	(14,324)
	<u>1,470</u>	<u>1,729</u>
Total written down amount	<u>520,386</u>	<u>39,115</u>

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

## Notes to the financial statements (continued)

### Note 15 Property, plant and equipment (*continued*)

#### b) Reconciliation of carrying amounts

	2020 \$	2019 \$
<i>Land</i>		
Carrying amount at beginning	-	-
Additions	145,935	-
Carrying amount at end	145,935	-
<i>Buildings</i>		
Carrying amount at beginning	-	-
Additions	340,515	-
Depreciation	(23)	-
Carrying amount at end	340,492	-
<i>Leasehold improvements</i>		
Carrying amount at beginning	15,202	17,732
Depreciation	(2,530)	(2,530)
Carrying amount at end	12,672	15,202
<i>Furniture and fittings</i>		
Carrying amount at beginning	22,184	25,021
Additions	2,305	1,064
Disposals	(1,355)	-
Depreciation	(3,317)	(3,901)
Carrying amount at end	19,817	22,184
<i>Computer software</i>		
Carrying amount at beginning	1,729	2,034
Depreciation	(259)	(305)
Carrying amount at end	1,470	1,729
Total written down amount	520,386	39,115

During the period the company purchased the branch premises land and building.

#### 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.

## Notes to the financial statements (continued)

### Note 16 Intangible assets

<b>a) Carrying amounts</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise fee</i>		
At cost	43,663	32,867
Less: accumulated amortisation and impairment	(31,863)	(29,603)
	<u>11,800</u>	<u>3,264</u>
<i>Franchise renewal process fee</i>		
At cost	168,318	114,337
Less: accumulated amortisation and impairment	(109,316)	(98,019)
	<u>59,002</u>	<u>16,318</u>
<i>Cash-generating unit - domiciled accounts</i>		
At cost	45,000	45,000
Less: accumulated amortisation and impairment	(43,418)	(40,032)
	<u>1,582</u>	<u>4,968</u>
Total written down amount	<u>72,384</u>	<u>24,550</u>
<b>b) Reconciliation of carrying amounts</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise fee</i>		
Carrying amount at beginning	3,264	5,523
Additions	10,796	-
Amortisation	(2,260)	(2,259)
Carrying amount at end	<u>11,800</u>	<u>3,264</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	16,318	27,614
Additions	53,980	-
Amortisation	(11,296)	(11,296)
Carrying amount at end	<u>59,002</u>	<u>16,318</u>
<i>Cash-generating unit - domiciled accounts</i>		
Carrying amount at beginning	4,968	8,354
Amortisation	(3,386)	(3,386)
Carrying amount at end	<u>1,582</u>	<u>4,968</u>
Total written down amount	<u>72,384</u>	<u>24,550</u>

### c) Changes in estimates

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

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

# Notes to the financial statements (continued)

## Note 17 Tax assets and liabilities

### a) Current tax

	2020 \$	2019 \$
Income tax payable/(refundable)	(14,611)	6,413

### 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 \$
<i>Deferred tax assets</i>					
- expense accruals	1,242	(462)	-	-	780
- employee provisions	12,168	2,101	-	-	14,269
Total deferred tax assets	13,410	1,639	-	-	15,049
<i>Deferred tax liabilities</i>					
- income accruals	255	(239)	-	-	16
- property, plant and equipment	6,575	(1,044)	-	-	5,531
Total deferred tax liabilities	6,830	(1,283)	-	-	5,547
Net deferred tax assets (liabilities)	6,580	2,922	-	-	9,502

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 \$
<i>Deferred tax assets</i>					
- expense accruals	1,527	(285)	-	-	1,242
- employee provisions	10,839	1,329	-	-	12,168
Total deferred tax assets	12,366	1,044	-	-	13,410
<i>Deferred tax liabilities</i>					
- income accruals	203	52	-	-	255
- property, plant and equipment	3,080	3,495	-	-	6,575
Total deferred tax liabilities	3,283	3,547	-	-	6,830
Net deferred tax assets (liabilities)	9,083	(2,503)	-	-	6,580

### 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.



## Notes to the financial statements (continued)

### Note 18 Trade creditors and other payables

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

a) Current liabilities	2020 \$	2019 \$
Trade creditors	24,702	5,674
Other creditors and accruals	9,100	29,130
	<u>33,802</u>	<u>34,804</u>

### Note 19 Employee benefits

a) Current liabilities	2020 \$	2019 \$
Provision for annual leave	23,771	19,489
Provision for long service leave	17,841	11,266
	<u>41,612</u>	<u>30,755</u>

#### b) Non-current liabilities

Provision for long service leave	13,265	13,493
	<u>13,265</u>	<u>13,493</u>

#### 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 20 Issued capital

### a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	793,513	793,513	793,513	793,513
Less: equity raising costs	-	(23,805)	-	(23,805)
	<u>793,513</u>	<u>769,708</u>	<u>793,513</u>	<u>769,708</u>

### b) Rights attached to issued capital

#### *Ordinary shares*

#### Voting rights

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

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

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

#### Dividends

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

#### Transfer

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

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

#### *Prohibited shareholding interest*

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

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

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

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

# Notes to the financial statements (continued)

## Note 20 Issued capital (continued)

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

#### Prohibited shareholding interest (continued)

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 21 Retained earnings

	2020 \$	2019 \$
Balance at beginning of reporting period	19,262	(104,885)
Net profit after tax from ordinary activities	84,347	124,147
Balance at end of reporting period	103,609	19,262

## Note 22 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	84,347	124,147
Adjustments for:		
- Depreciation	6,129	6,736
- Amortisation	16,942	16,942
- loss on disposal of non-current assets	1,354	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	11,071	4,241
- (Increase)/decrease in other assets	(17,533)	2,503
- Increase/(decrease) in trade and other payables	(65,779)	1,163
- Increase/(decrease) in employee benefits	10,630	4,833
- Increase/(decrease) in tax liabilities	(6,413)	(24,183)
Net cash flows provided by operating activities	40,748	136,382

## Notes to the financial statements (continued)

### Note 23 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 \$
<b>Financial assets</b>			
Trade and other receivables	14	49,573	57,892
Cash and cash equivalents	13	185,636	108,643
Term deposits	13	100,000	625,000
		<u>335,209</u>	<u>791,535</u>
<b>Financial liabilities</b>			
Trade and other payables	18	24,702	5,674
		<u>24,702</u>	<u>5,674</u>

### Note 24 Auditor's remuneration

	2020 \$	2019 \$
Amount received or due and receivable by the auditor of the company for the financial year.		
<i>Audit and review services</i>		
- Audit and review of financial statements	4,800	4,600
	<u>4,800</u>	<u>4,600</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,400	1,830
- Share registry services	2,300	192
	<u>5,300</u>	<u>2,622</u>
Total auditor's remuneration	<u>10,100</u>	<u>7,222</u>

### Note 25 Related parties

#### a) Details of key management personnel

The directors of the company during the financial year were:

Janet Louise McLeod  
 Andrew Charles Quirke  
 Sarah Janice Johnston  
 Peter John Markwell  
 Lynette Joy Wallace  
 Timothy (Tom) Wilfred Webster Ponting  
 Matthew John Butler  
 Peter Blackie  
 Nicholas Walter George Fordham  
 Gary John Maskiell

# Notes to the financial statements (continued)

## Note 25 Related parties (continued)

### b) Key management personnel compensation

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

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

### c) Related party transactions

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

	2020 \$	2019 \$
<i>Transactions with related parties</i>		
- Andrew Quirke sold stationary and printing supplies to the company.	545	1,503
Total transactions with related parties	545	1,503

#### *Community bank Directors' Privileges Package*

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

## Note 26 Franking account

a) Franking account balance	2020 \$	2019 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	92,616	22,561
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	(6,740)	21,075
- Franking credits from the payment of income tax instalments during the financial year	49,276	48,980
Franking account balance at the end of the financial year	135,152	92,616
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(14,611)	6,413
Franking credits available for future reporting periods	120,541	99,029

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

## Notes to the financial statements (continued)

### Note 27 Earnings per share

#### a) Basic and diluted earnings per share

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

	2020 \$	2019 \$
Profit attributable to ordinary shareholders	84,347	124,147
	Number	Number
Weighted-average number of ordinary shares	793,513	793,513
	Cents	Cents
Basic and diluted earnings per share	10.63	15.65

### Note 28 Commitments

#### a) Lease commitments

The branch premises was purchased by the company during the financial year, as such the company has no lease commitments to disclose as at 30 June 2020.

	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	-	45,836
- between 12 months and 5 years	-	22,919
Minimum lease payments payable	-	68,755

#### b) Other commitments

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

### Note 29 Contingencies

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

### Note 30 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

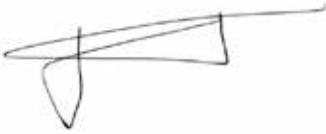
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In accordance with a resolution of the directors of Paynesville & District Financial Services Limited, we state that:

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.



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**Janet Louise McLeod, Chair**

Dated this 12th day of August 2020

# Independent audit report

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## Independent auditor's report to the members of Paynesville & District Financial Services Limited

### Report on the audit of the financial report

#### Our opinion

In our opinion, the accompanying financial report of Paynesville & District 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

Paynesville & District 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: 12 August 2020

**Joshua Griffin**  
Lead Auditor

Taxation | Audit | Business Services

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