



Annual Report

30 June 2020

Picton & District Community
Enterprises Limited

ABN 73 145 546 121

Picton Community Bank® Branch

About Community Bank®

A **Community Bank**® branch is a locally owned and operated company, which functions as a franchise of Bendigo and Adelaide Bank. The Bank provides the coverage of its banking licence, a full range of banking products, training of staff and ongoing support.

Depositors are protected by the Bank's imposing track record when it comes to the security of depositors' funds. We are one of Australia's oldest financial institutions, we have operated since 1858 and have declared a profit in every year and we have without fail honoured our depositors.

The Bank and the community company are each entitled to agreed portions of the revenue of the local **Community Bank**® branch and the local company is responsible for paying branch running costs.

When the local company begins to make a regular operating surplus, after the payment of branch running costs, and the Bank's share of the revenue is received, the remaining funds are available to be reinvested back into the community through dividends to shareholders and grants to community groups and projects.

Annual Report

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Picton & District Community Enterprises Ltd.

WHAT WE WANT TO BE?

- At the forefront of peoples mind with banking and community involvement
- A profitable Community Bank and a Bank of choice
- Be invited as part of the community
- We want to be connected and engaged

WHAT IS OUR REASON FOR BEING?

To assist and strengthen our community

Our key strategies...

We Will:	By:
Support and develop the potential and growth of directors and staff	recognising achievements, maximising skills and staff retention
Develop a cohesive marketing strategy	extending our reach through a multi-media marketing campaign
Improve our engagement with shareholders customers and our community	increasing our presence in the community
Be an ethical, transparent and compliant organisation	implementing good governance practices
Grow the business	supporting the business plan.

About us...

Picton & District **Community Bank**[®] Branch opened its doors in 2011.

Starting off as a small business, we have grown steadily each year. Seven years on we continue to provide local banking with quality customer service. We are proud to support our community with funds and involvement. To get this far is a real milestone and testament to the commitment and support of the Picton and district local community.

The branch contributes profits back to the community through its sponsorships & grants program found on page 14 of this Annual Report. The program assists local community groups with a wide range of projects, events and initiatives.

Shares are available to invest in our company and we have been working hard towards being able to provide a dividend for our shareholders.

We are pleased to be able to provide a great opportunity to be a part of a local business with a sustainable future. We employ local people and support our local community.

Our People...

Chair:
Evelyn Szumski



Deputy Chair:
Phil Digger



Treasurer:
Leanne Anderson



Company Secretary:
Ally Dench



Director:
Tia Veech



Director:
Tristan Triffitt



Director:
Josh Muller



Director:
Hilton Gibbs



Director:
Linda Difrancesco



Our Staff...

Branch Manager:
Steve Homann



Senior Customer Service Officer:



Customer Service Officer:
Emma Hawkins



Customer Service Officer:
Rebecca Robertson



Customer Service Officer:
Julie Bird



Chairperson's Message...

30 June 2020

When I took on the role of chair I did so with the intention of taking us to the next level. Now that we have achieved the initial goal of becoming profitable it's now time to change the focus. We now plan to move into the next phase which is all about contributing to our community in a bigger and better way.

Who could have predicted the year that has just passed. We saw the worst drought in history that left many either leaving the land or questioning how much longer they could go on. We saw the worst bush fire season in history with fires traveling through our community and burning for many weeks and months. We then had drought breaking rains that gave some relief. Of course, all of this followed by COVID19, a pandemic that shut down economies globally that currently has no end date. The flow on effect is a global recession.

We also had the findings into the banking royal commission delivered which now seems so far away but had a huge impact into the way banks operated in Australia and had an immediate impact on lending practices.

All this being said, we still managed to maintain our profitability with another strong year and were able to reward our patient shareholders once again.

As the newly appointed chair I am excited for the prospects to grow that lie before us, with a great board (past & present) as our company is making great strides towards the vision that created this enterprise.

We are proudly able to pay dividends once again to our shareholders as a result of remaining in profit despite a tough year.

I was attracted to the Community Bank® model for the community aspect and see our role in these very trying times even more critical. I passionately believe that strong communities will be needed to support each other through what is yet to come. Our contribution to the community will become even more important over the coming years.

With this in mind, we are investing heavily in increased brand awareness with the engagement of the Pineapple Marketing Team to make sure our community understands that investing in us is investing in the community. We are also actively seeking opportunities to invest in those in need in our community on a much bigger scale. We also have one of our branch superstars, Julie, heavily involved in marketing activities and opportunities as they arise.

The last 12 months has been relatively quiet in the sponsorship space, firstly due to the fires prior to Christmas forcing many of our regular events to be cancelled, followed by the government forced shutdown of nearly all activity. We continue to partner with Wests Tigers Foundation and The Dona Faith Alliance Youth Think Tank in November. We continue to be

involved in the Dilly Drought Drive, Polo Cross, and riding for the disabled. We supported our young achievers along with providing Defibrillators to the Appin's men's shed.

This past twelve months our staff, Steve, Mandy, Rebecca, Emma and Julie have truly been amazing through all the challenges faced this year. You are all superstars and have my sincere gratitude for another great effort this year. Our loans have once again increased considerably. Our rate of growth is still one of the highest in the Community Bank® network in Australia.

My thanks go to all the Directors, branch staff and Bendigo Bank personally that I have had the pleasure of working with, and who have supported our efforts to establish a perpetual fundraising organisation for our local community.



Evelyn Szumski, Chair

Directors Report...

Your directors submit the financial statements of the company for the financial year ended 30 June 2020. The names and details of the company's directors who held office during or since the end of the financial year are as follows:

Evelyn Szumski

Chairperson

Occupation: Coach and Trainer

Qualifications, experience and expertise: Holding key management and leadership roles within the Telstra corporation for 23 years, Evelyn was regarded as the 'go to' person on a range of corporate areas including employee coaching, mentoring, employee rights, nationwide policies, procedures and rollout of systems, demonstrating the high regard held for her by the Telstra Corporation. She also specialises in coaching business owners and company CEOs. Evelyn helps business owners identify their goals, understand and formalise them and strategize the implementation of achieving these goals in simple, easy to manage steps over allocated time frames and practices brain-based coaching being an authorised YB12 coach. She is also an accredited SEI EQ Assessor, Six Seconds Certified EQ Assessor, YB12 Coach Authorisation, Neuro leadership coaching accreditation, Executive coach Master Business accelerator, Certified Leading Dimensions Profiler, Cert IV TAE, Diploma of Management, Deakin University - Team leader development program, Diploma of Business Administration.

Special responsibilities: Governance and Marketing Committee.

Interest in shares: Nil

Phillip Lee Digger

Deputy Chair

Occupation: Small Business Owner

Qualifications, experience and expertise: Upholsterer, Carpet Sales and Flooring layer. Life member of Picton Rugby League Football Club. Tafe in Upholstery & Carpet Laying.

Special responsibilities: Nil

Interest in shares: 2,001

Leanne Maree Anderson

Treasurer

Occupation: Licensed Conveyancer

Qualifications, experience and expertise: Worked in a legal practice for over 36 years. Volunteer Fire Fighter with Thirlmere Brigade. Treasurer for last 3 years with Thirlmere Fire Brigade. Volunteered for Thirlmere Roosters Footy Club for 10 years.

Special responsibilities: Governance and Finance Committee

Interest in shares: 1,000

Alison Nancy Dench

Company Secretary

Occupation: Executive Director, Local Government

Qualifications, experience and expertise: B. Social Science & BA Hons Politics. Over 25 years' experience in the human and community services sectors holding various roles in government and non-government services. Experience in direct care, service management, service delivery and policy development. Current Executive Director Community and Corporate with Wollondilly Shire Council.

Former directorships: Carrington Centennial Care

Special responsibilities: Company Secretary and Governance committee.

Interest in shares: 1,501

Josephus Huibertus Muller

Director

Occupation: Retired

Qualifications, experience and expertise: Teaching Certificate (Wagga Wagga Teachers College 1972), Bachelor of Financial Administration (UNE 1986) and Cert IV in Human Resources 2011 Macarthur TAFE. Has worked as a management accountant for New Zealand company, Ceramco, during 1984-90. Has helped form and subsequently manage a worker co-operative that functioned successfully for eleven years. During that period was appointed as a director of the Australian Co-Operatives Association. Is currently serving as a Secretary/Treasurer of Buxton Rural Fire Brigade having held the position for the past nine years.

Special responsibilities: Finance Committee; Governance Committee; Marketing Committee

Interest in shares: 500

Directors (continued)

Tia Louise Veech

Director

Occupation: Self-employed

Qualifications, experience and expertise: Aromatherapist currently self-employed. Market Organiser - Wollondilly Markets, Light Up the Oaks & Time Travelers World Fair. Previously: Family Day Care operator, clerical positions and various direct sales positions. Currently helping with the Dilly Drought Drive. Involved in local women's networking groups and admin on a variety of local community and networking Facebook pages.

Other former directorships: Our Community Pantry

Special Responsibilities: Marketing Committee

Interest in shares: 2,000

Linda Maree Difrancesco

Director

Occupation: Director

Qualifications, experience and expertise: Director of Sydney West Furniture Repairs. Began career in retail management before opening her own furniture and repairs restoration business in 1994. Has lived in Wollondilly since 2001 and worked for a local real estate agent. Is a Parramatta advocate for her local community.

Special responsibilities: Marketing Committee.

Interest in shares: 10,000

Tristan Triffitt

Director

Occupation: Real Estate Agent

Qualifications, experience and expertise: Being heavily involved in Real Estate for over a decade, Tristan Triffitt has achieved truly outstanding results. In his first year as an agent he sold a record number of properties. He was recognised by the Real Estate Institute of NSW for award of excellence. Every year since, Tristan has been awarded with a Top Sales Person award from his peers in the industry, this is a record that few can match. Today, Tristan is a partner at McGrath, sales manager and the licensee-in-charge of the Picton office. Not only is he a fully licensed real estate agent, he's also a licensed auctioneer, licensed stock and station agent and even a qualified real estate trainer. Given all this, Tristan is able to offer superb service to clients wishing to sell their home. Buyers also benefit dealing with Tristan. His knowledge of the local market allows him to provide sound advice to buyers and he is quick to advise when new listings become available.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Melissa Thompson

Director (resigned 27 November 2019)

Occupation: Disability Support Worker

Qualifications, experience and expertise: Employed by a local not for profit disability support organisation, Melissa has a strong focus on equality, community and customer service. In addition to her other qualifications Melissa is currently studying a Certificate IV in Disability.

Special responsibilities: Nil

Interest in shares: nil share interest held

Hilton James Gibbs

Director (resigned 11 June 2020)

Occupation: Retired

Qualifications, experience and expertise: Hilton is a retired business owner, President of the Oaks Community Chamber of Commerce and Councillor of Wollondilly Shire Council.

Special responsibilities: Nil

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Alison Nancy Dench. Alison was appointed to the position of secretary on 2 August 2010.

Qualifications, experience and expertise: B. Social Science & BA Hons Politics. Over 25 years in the human and community services sectors holding various roles within government and non-government agencies. Experience in direct care, service management and delivery and policy development. Current Executive Director Community Services and Corporate Support at Wollondilly Shire Council.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating results

Operations have continued to perform in line with expectations. 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
\$	\$
144,918	99,792

Dividends

	Year ended 30 June 2020	
	Cents	\$
Dividends paid in the year	5	44,225

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Governance & HR		Marketing		Finance	
	A	B	A	B	A	B	A	B
Tia Louise Veech	12	98			7	5	-	-
Josephus Huibertus Muller	12	8	-	-	7	1	10	8
Alison Nancy Dench	12	8	11	10	-	-	-	-
Philip Lee Digger	12	8	-	-	-	-	-	-
Evelyn Szumski	12	12	11	10	7	1	-	-
Linda Maree Difrancesco	12	-	-	-	7	1	-	-
Tristan Triffitt	12	5	-	-	7	5	-	-
Leanne Maree Anderson	12	11	11	11	-	-	10	10
Melissa Thompson	6*	-	-	-	-	-	-	-
Hilton James Gibbs	12	3	-	-	-	-	-	-

A – eligible to attend

* resigned 27/11/19

B – number attended

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the finance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

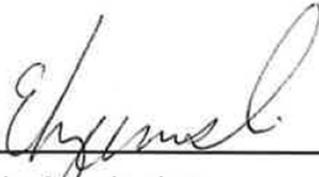
- all non-audit services have been reviewed by the finance committee to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants,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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Picton, New South Wales on

14 August 2020



Evelyn Szumski, Chair



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Picton & District Community Enterprises Limited

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 14 August 2020



Joshua Griffin
Lead Auditor

Managers' report...

Financial year 2019-2020

The year that was...WOW and what a year. Starting with the devastating bush fires during the summer, then the impact of the Covid-19 virus changing the world as we knew it. Lockdowns and restrictions stopping most people in their tracks. Throughout these events Picton and District Community Bank remained open and offering financial support and assistance to all our valued clients.

Through out the year we continued to grow our customer base with a 9.8% increase in customer numbers to 1,436 connections and our products per customer up 3% also to 1.937.

With all the turmoil of the year it was pleasing that we were able to maintain our footings, ending the financial year with a book of \$ \$88,288,017

Our loan book decreased by \$ 2,570,213 throughout the financial year ending at \$ 49,327,347. However, enquiries and applications have increase as the year progressed. Our pipeline at the years end was \$ 8,913,000.

Our deposit book also struggled going back by \$ 2,660,593 to \$ 34,217,429 in a world where investment rates are the lowest in decades. But our staff continued to fight to get the best possible investment terms for our clients.

Our team now consists of:

Steve Homann the Manager

Rebecca Robertson our lending manager, had her secondment from Bendigo Bank extended for a further 15 months.

Mandy Hunt Senior Customer Service Officer

Emma Hawkins and Julie Bird our front-line Customer Service staff.

Our focus has continued to be our customers offering friendly and professional "old fashion service" which was acknowledge by the Branch being nominated in the Outstanding Professional Service category in the 2020 Camden and Wollondilly Local Business Awards and I am proud to say we made the finals again, after taking home the winner's trophy in the 2019 awards. A great result for hard working team.

Finally, I would like to acknowledge the Board for their unwavering support throughout the year, under the leadership of Evelyn Szumski as Chairperson, Ally Dench our Secretary, Leanne Anderson the Treasurer, thank you to all board members for your contributions and I look forward to working together in the new financial year.

Stephen Homann

A handwritten signature in black ink, appearing to read 'Stephen Homann', is written over a horizontal line. The signature is somewhat stylized and loops back.

Branch Manager

A snapshot of some of our activities...

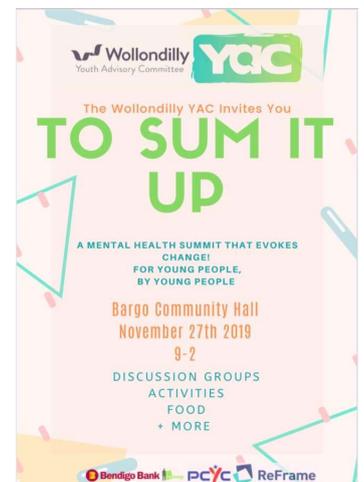
Christmas in the Gardens – Major Sponsor



Picton and District Community Bank Branch was a major sponsor of Wollondilly's fabulous Christmas in the Gardens community event.

Sponsoring Sum it Up!

Youth Advisory Committee Mental Health Summit



Australia Day 2019 Nominations!



Congratulations to our Board of Directors members Tristan & Tia, and Boards Admin Support Fern for your Wollondilly Australia Day nominations for your work in our great Community. Great to see such a diverse group of people & organisations recognised at the awards today and our congratulations to all nominees and all the award winners today 🇦🇺

Wollondilly Business Awards – Picton Community Bank

Professional Service of the Year for 2019!!!!

Picton & District Community Bank Branch was awarded the Professional Service of the Year at the 2019 Wollondilly Local Business Awards – WooHoo!!! Go Team!!!



Ongoing Relationship with the West Tigers

The Wests Tigers team visited our Wollondilly Primary Schools delivering a message about 'RESEPECT'. The players were very engaging but the kids had the most fun rubbing shoulders with their favourite League Stars!! Pass the ball way you want to receive it!!



Black Summer Bushfire support - Mayoral Relief Fund

Funds hit the ground in bushfire affected areas to help with immediate relief efforts.

Our branch focused our efforts on both immediate relief and long-term recovery – to meet specific needs as they change. This included funds to purchase feed for livestock, vital infrastructure and generators for essential power.

100% of the \$29.6 million already raised from the Bendigo Bank appeal was distributed directly to affected communities.



COVID -19 Support for our small business, consumer and agribusiness customers

To provide immediate COVID-19 support for our small business customers, a critical part of Australia's economic, employment and social wellbeing, we offered financially affected customers the option to defer principal and interest repayments for up to six months.

This support is part of a unified banking industry and government response to COVID-19, announced by the Australian Banking Association today.

The Small Business Relief Package was available from Monday 23 March. Businesses were encouraged to contact our relationship manager to discuss options. We also fast tracked approvals to ensure support was given soon as possible.

We also continue to offer our normal hardship provisions to affected business customers on a case-by-case basis.

Petal it forward initiative

Our staff participated in the Petal it forward initiative going around town. The flowers were provided by Jonima Flowers and definitely brightened our day



Dilly Drought Drive - our Partnership continues to help our Farmers

Picton & District Community Bank Branch & Lions Club of Tahmoor Inc & Dilly Drought Drive continue to work together for our community. For the last 12 months a couple of dedicated locals have been fundraising and advocating for our local farmers as part of the Dilly Drought Drive. The team had morning tea with the Governor of New South Wales His Excellency Sir David Hurley, his lovely wife Mrs Hurley and the CEO from Rural Aid at Gavana Dairy Farm and Educational Tours. It is truly amazing what locals can achieve when we all work together.

Supporting Wollondilly's Doggie Day Out

Our Picton and District Community Bank® branch were recently a sponsor for Wollondilly Shire Council's 2nd annual Dilly Dogs Day out. Special guest on the day was Dr Katrina Warren and the wonder dogs. It was a great success and we have been told all the doggies had a great day.



Supporting Appin Mens Shed

Recently we supported Appin Men's Shed by donating a defibrillator. It was a pleasure to meet Ray and the other gentlemen and to be able to support this worthy group.



Christmas Lights Competition – sponsorship

Picton & District Community Bank Branch was proud to sponsor the people's choice awards and the Grand Champion. Congratulations to all the winners!



Acknowledging our young achievers

The Bank again had the pleasure of sponsoring local schools with their end of year awards for the students who have shown great achievement over all aspects of their learning.

Representing our Board of Directors at Wilton Public School, Tia was proud to present the academic achievement award to this enthusiastic kindergarten student.



Thank you Picton High School and congratulations to all the students who achieved academic excellence.

We continue to sponsor Shenali Dona and the Dona Faith Alliance

The Dona Faith Alliance officially inaugurated on the 15th November 2019 alongside major supporters, Bendigo Bank & Australian Catholic University. The event was hosted at The Peter Cosgrove Centre, ACU North Sydney.

We continued to support the Alliance at the Youth Think Tank held at Club Menangle.

Founder Shenali Dona has set up this Think Tank to inspire our young people to lead in social entrepreneurship, innovation and the tackling of society's most complex issues.

The Donna Faith Alliance is a not-for-profit human rights organisation focused on the enforcement, empowerment and promotion of human rights. Check out this link for Shenali's story: <https://goodmorningmacarthur.com/dona-faith-alliance-will-help-empower-young-leaders/>



Supporting Wollondilly Riding for the Disabled



**PLEASE SUPPORT
OUR DISABLED
CHILDREN**

**HELP
FEED OUR
HORSES**

**RDA WOLLONDILLY
BENDIGO BANK
ACC: 163983646
BSB: 633000
RIDING FOR
DISABLED
WOLLONDILLY**



Continuing to provide shelter for our Community in more ways than one...

Our cabanas are out and about, we love being involved in our local community. Picton & District Community Bank Branch is your local community bank, all profits stay in our area



Sponsorship of the Wollondilly Polocrosse Encouragement Award



John Corbett – a sad Goodbye

The Board and staff of the Picton Community Bank® Branch, along with our community, were shocked and deeply saddened of the passing of John Corbett.

John was a founding member and a driving force behind the establishment of our Community Bank® and passionate about his community.

He will be sadly missed



Good-bye John Corbett

Thank you for being part of our
Community Bank® start up committee
and serving board member until 2017.
Your contribution, vision and passion
won't be forgotten. RIP



Getting the Bank out there....

Build it and they will come – right?

Launch the website and sales will start pinging through – right?

Have a great product – you'll always have customers – right?

WRONG!

This year has been another big one about getting our name out there!!

We have been working really hard this year on our marketing strategy to get the word out about the Picton Community Bank and the benefits our business has for our Community.

We continue to implement our sound market research, promoted our products and got the brand out there all within a well-considered budget.

Our strategy to use a number of ways to get the word out about our business without it “breaking the bank” continues and following are some of the initiatives that have been implemented:

- ✓ Using our Cabanas to have a physical presence in the Community
- ✓ Taking advantage of the Community Bank marketing initiatives and templates
- ✓ Designing and promoting our social media presence
- ✓ Collaborating with other key community players
- ✓ Offering our services and product as a competition prizes
- ✓ Promoting referral marketing with the help of our Branch Manger
- ✓ Getting our name out there through radio and the print media

Payment of Dividends!!!

On the 24 March 2020 the Board provided Shareholders an update on the progress of Picton and District **Community Bank**[®] Branch. We were pleased to announce that the branch continued to make a profit and had exceeded \$103 million in banking business.

The Board thanked shareholders of Picton and District Community Bank[®] Branch for their support and the instrumental role they had played in the success of the Community Bank[®] branch to date.

The Board also acknowledged for the past 10 years the people of Picton and the surrounding districts have supported their locally owned **Community Bank**[®] branch by transferring their banking business to Picton and District **Community Bank**[®] Branch.

As a result of this the Board was very pleased to advise that the Company's financial position was at a stage where the Board had approved a second dividend payment to shareholders.

An unfranked dividend of \$0.05 which equates to a 5% return on the original share investment, was paid on shareholdings for the period July 2019 to 30 June 2020. The payment was made on the 30 March 2020.

This dividend demonstrates the success of our venture and we thanked shareholders for their ongoing commitment to our community and their **Community Bank**[®] branch.

A letter was sent to all Shareholders requesting their details together with a certified copy of supporting identification, and this was requested to be returned as soon as possible to AFS & Associates Pty Ltd, by email to shareregistry@afsbendigo.com.au or post to PO Box 454, Bendigo, VIC 3552.

This was requested to ensure that our records were updated prior to the payment of the dividend and the dividend was electronically deposited to shareholders accounts. A dividend could only be paid once this occurred.

If you are a shareholder and you did not receive information or a dividend payment please contact the Bank and we will assist in ensuring you receive your dividend for the 2019/20 financial year.

Once again, the Board would like to thank Shareholders for your contribution to the success of the Picton and District **Community Bank**[®] Branch and look forward to providing you with further updates in the future.

If you have any queries please contact Steve Homann, Branch Manager of the Picton and District **Community Bank**[®] Branch on 02 4677 1601.

Trading Shares in Picton & District Community Enterprises Ltd.

Picton & District Community Bank[®] Branch of Bendigo Bank is operated by Picton & District Community Enterprises Limited. Picton & District Community Enterprises Limited also operates a Special Market called a Low Volume Market (LVM), to facilitate the trading of its shares.

There are no recent share trades for Picton & District Community Enterprises Limited. In order to buy or sell shares in Picton & District Community Enterprises Limited you must first register your interest formally with the Company Secretary.

If a registered buyer and seller agree to trade shares, the buyer must first seek approval from the Company's Board by completing the Share Purchase Form and sending it to the Company Secretary.

Once approved, the registered buyer and seller must complete the Security Transfer Form and send it to the Company Secretary.

Stamp Duty may also be payable and it is wise to check with the State Revenue Office for details. If Stamp Duty applies, the buyer must comply with State Revenue Office regulations prior to submitting the Security Transfer Form to the Company Secretary.

All LVM interest and transactions should be posted to:

Ally Dench
Company Secretary
Picton & District Community Enterprises Limited
PO Box 660, Picton NSW 2571

A full list of the current interested traders (including number of shares and desired trading price) is provided below.

Parcel	Min Sale Price (Per Share)	ID	Interest Lodged
500	\$1.00	20	23/11/2016
1000	\$1.20	19	13/07/2016
10000	\$1.00	18	09/11/2015
1000	\$1.00	17	25/08/2015
5000	\$1.00	16	17/08/2015
15000	\$1.00	15	04/08/2015
2500	\$1.00	13	07/04/2014

Parcel	Min Sale Price (Per Share)	ID	Interest Lodged
10000	\$1.10	10	25/02/2014
1000	\$1.10	9	14/11/2013
2500	\$1.00	7	09/09/2013
29000	\$0.80	6	01/05/2013
11200	\$0.80	5	01/05/2013
20000	\$1.00	4	06/11/2012
5000	\$2.00	3	03/09/2012
20000	\$1.50	2	19/08/2012
12700	\$1.00	1	15/03/2012

The identity of participants will be disclosed only to persons who register an interest

Special Market Condition Notices - Low Volume Market (LVM)

Picton & District Community Enterprises Limited does not hold a license to operate a financial market and is not subject to market obligations, in particular the obligation to ensure that the market is fair, transparent and orderly. The market is covered by an exemption under section 791C of the Corporations Act. Picton & District Community Enterprises Limited does not provide a settlement service for trading in the market – it is the responsibility of the parties to a transaction to arrange payment between themselves.

Shares in Picton & District Community Enterprises Limited have characteristics that may differ from mainstream securities.

Special characteristics of Community Bank[®] companies

- ‘One shareholder one vote’ constitutions rather than ‘one share one vote’.
- Shareholder limit of 10% of issued capital for individuals and related entities.
- There is a limit on profits that can be distributed to shareholders, including through dividends. By way of overview, the limit is the higher of: (a) 20% of the profits of the Company otherwise available for distribution to shareholders in the financial year, and (b) the relevant rate of return (being the weighted average interest rate on 90 day bank bills over the 12 month period plus 5%) multiplied by the average level of share capital over the 12 month period.

- Persons who do not possess a “close connection” with the community served by Picton & District Community Enterprises Limited can be prohibited from acquiring shares in the Company.
- Share transfers which result in the number of shareholders in Picton & District Community Enterprises Limited falling below a fixed “Base Number” will be prohibited.
- These restrictions are intended to embed the community nature of Picton & District Community Enterprises Limited.
- Directors of Picton & District Community Enterprises Limited have the right to refuse to register any transfer of shares in their unlimited discretion.
- Full details of the restrictions on holding shares and Directors’ powers to refuse to register a transfer of shares are set out in the Company’s constitution. A copy of the constitution is available on request from the Company Secretary
- Stamp duty may apply in your State/Territory. Please refer to the State Revenue Office in your State for details.

Investor relations...

Shareholders - Contact Us

Company Details:

Picton & District Community Enterprises Ltd
 ABN - 73 145 546 12
 PO Box 660
 Picton NSW 2571

Shop T20 Picton Mall,
 9-13 Margaret St
 Picton NSW 2571

Secretary Details:

Ally Dench
 c/- PO Box 660
 PICTON NSW 2571
 Phone: 0408 651 923

Share Registry Details:

AFS & Associates Pty Ltd
 61-65 Bull Street
 Bendigo VIC 3550

Postal Address
 PO Box 454
 Bendigo VIC 3552

Phone: 03 5443 0344
 Fax: 03 5443 5304
 Email: shareregistry@afsbendigo.com.au
 Web: www.afsbendigo.com.a

Picton & District Community Enterprises Limited

ABN: 73 145 546 121

Financial Report

For the year ended
30 June 2020

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

Picton & District Community Enterprises Limited
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	723,004	703,451
Other revenue	9	67,591	35,000
Finance income	10	318	606
Employee benefit expenses	11e	(383,069)	(371,666)
Charitable donations, sponsorship, advertising and promotion	11d	(36,780)	(62,786)
Occupancy and associated costs		(17,157)	(57,914)
Systems costs		(19,316)	(20,642)
Depreciation and amortisation expense	11a)	(46,715)	(20,644)
Finance costs	11b)	(11,429)	(156)
General administration expenses		(81,925)	(67,220)
Profit before income tax expense		194,522	138,029
Income tax expense	12a)	(49,604)	(38,237)
Profit after income tax expense		144,918	99,792
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		144,918	99,792
Earnings per share		¢	¢
Basic and diluted earnings per share:	30a)	16.38	11.28

The accompanying notes form part of these financial statements

Picton & District Community Enterprises Limited
Statement of Financial Position as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	309,052	184,159
Trade and other receivables	14a)	55,955	55,585
Total current assets		365,007	239,744
Non-current assets			
Property, plant and equipment	15a)	84,135	89,109
Right-of-use assets	16a)	160,107	-
Intangible assets	17a)	17,165	30,596
Deferred tax asset	18a)	99,756	131,711
Total non-current assets		361,163	251,416
Total assets		726,170	491,160
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	35,886	69,563
Lease liabilities	20b)	29,660	-
Employee benefits	22a)	21,056	20,326
Total current liabilities		86,602	89,889
Non-current liabilities			
Trade and other payable	19b)	-	15,580
Lease liabilities	20c)	171,564	-
Employee benefits	22b)	18,379	12,750
Provisions	21a)	22,520	-
Total non-current liabilities		212,463	28,330
Total liabilities		299,065	118,219
Net assets		427,105	372,941
EQUITY			
Issued capital	23a)	848,252	848,252
Accumulated losses	24	(421,147)	(475,311)
Total equity		427,105	372,941

The accompanying notes form part of these financial statements

Picton & District Community Enterprises Limited
Statement of Changes in Equity for the year ended 30 June
2020

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018		848,252	(522,032)	326,220
Total comprehensive income for the year		-	99,792	99,792
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)		(53,071)	(53,071)
Balance at 30 June 2019		848,252	(475,311)	372,941
Balance at 1 July 2019		848,252	(475,311)	372,941
Effect of AASB 16: Leases	3d)	-	(46,529)	(46,529)
Restated balance at 1 July 2019		848,252	(521,840)	326,412
Total comprehensive income for the year		-	144,918	144,918
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(44,225)	(44,225)
Balance at 30 June 2020		848,252	(421,147)	427,105

The accompanying notes form part of these financial statements

Picton & District Community Enterprises Limited
Statement of Cash Flows for the year ended 30 June 2020

		2020	2019
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers		850,201	812,950
Payments to suppliers and employees		(621,278)	(625,860)
Interest received		318	606
Interest paid		-	(156)
Lease payments (interest component)	11b)	(10,378)	-
Lease payments not included in the measurement of lease liabilities	11f)	(6,413)	-
Net cash provided by operating activities	25	212,450	187,540
Cash flows from investing activities			
Payments for property, plant and equipment		(1,625)	-
Payments for intangible assets		(13,431)	(13,431)
Net cash used in investing activities		(15,056)	(13,431)
Cash flows from financing activities			
Lease payments (principal component)	20a)	(28,276)	-
Dividends paid	29a)	(44,225)	(53,071)
Net cash used in financing activities		(72,501)	(53,071)
Net cash increase in cash held		124,893	121,038
Cash and cash equivalents at the beginning of the financial year		184,159	63,121
Cash and cash equivalents at the end of the financial year	13a)	309,052	184,159

The accompanying notes form part of these financial statements

Picton & District Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1 Reporting entity

This is the financial report for Picton & District Community Enterprises 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
Shop T20 Picton Mall 9 Margaret Street Picton NSW 2571	Shop T20 Picton Mall 9 Margaret Street Picton NSW 2571

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

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

Note 3 Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

Picton & District Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

b) As a lessee

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

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.
- The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.
- The company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include:
- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

c) As a lessor

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

Picton & District Community Enterprises Limited
Notes to the Financial Statements
for the year ended 30 June 2020

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

d) Impact on financial statements

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

		1 July 2019
<i>Impact on equity presented as increase (decrease)</i>	Note	\$
Asset		
Right-of-use assets - land and buildings	16b)	186,792
Deferred tax asset	18a)	17,649
Liability		
Lease liabilities	20a)	(229,501)
Provision for make-good	21b)	(21,469)
Equity		
Accumulated losses		<u>(46,529)</u>

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

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	273,469
Less: AASB 117 lease commitments reconciliation	(2,892)
Less: present value discounting	(41,076)
Lease liability as at 1 July 2019	<u>229,501</u>

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

Picton & District Community Enterprises Limited Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (continued)

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 judgment area.

Picton & District Community Enterprises Limited Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

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

Discretionary financial contributions

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

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (continued)

b) Other revenue (continued)

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (continued)

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

e) Taxes

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

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

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities.

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

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

e) Taxes (*continued*)

Deferred tax

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

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

Deferred tax is not recognised for:

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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

Goods and Services Tax

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

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

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

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

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line and diminishing value	4 to 40 years
Plant and equipment	diminishing value	1 to 8 years

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

h) Intangible assets

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

Recognition and measurement

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

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (continued)

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 establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

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

i) Financial instruments

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

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

<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.

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

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

i) Financial instruments (*continued*)

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.

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.

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (continued)

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.

Non-derivative financial assets (continued)

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.

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.

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

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

k) Issued capital

Ordinary shares

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

l) Provisions

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

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

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

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

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

m) Leases (*continued*)

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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

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

Picton & District Community Enterprises Limited Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

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

As a lessee

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

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

As a lessor

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

n) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

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

<u>Note</u>	<u>Judgement</u>
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: <ul style="list-style-type: none"> - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

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

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

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

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>No later than 12 months</u>	<u>Contractual Cash flows Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	201,224	38,653	154,615	38,654
Trade payables	3,067	3,067	-	-
	<u>204,291</u>	<u>41,720</u>	<u>154,615</u>	<u>38,654</u>

30 June 2019

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>No later than 12 months</u>	<u>Contractual Cash flows Between 12 months and five years</u>	<u>Greater than five years</u>
Trade payables	7,900	7,900	-	-
	<u>7,900</u>	<u>7,900</u>	<u>-</u>	<u>-</u>

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 6 Financial risk management (*continued*)

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$309,052 at 30 June 2020 (2019: \$184,159). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 8 Revenue from contracts with customers

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

<i>Revenue from contracts with customers</i>	2020	2019
	\$	\$
Revenue:		
- Revenue from contracts with customers	723,004	703,451
	723,004	703,451
 <i>Disaggregation of revenue from contracts with customers</i>	 2020	 2019
	\$	\$
At a point in time:		
- Margin income	672,642	646,582
- Fee income	29,802	30,221
- Commission income	20,560	26,648
	723,004	703,451

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

Note 9 Other revenue

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

<i>Other revenue</i>	2020	2019
	\$	\$
Revenue:		
- Market development fund income	32,500	35,000
- Cash flow boost	35,067	-
- Other income	24	-
	67,591	35,000

Note 10 Finance Income

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

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

<i>Finance income</i>	2020	2019
	\$	\$
At amortised cost:		
- Term deposits	318	606
	318	606

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 11 Expenses

a) Depreciation and amortisation expense	2020	2019
<i>Depreciation of non-current assets:</i>	\$	\$
- Leasehold improvements	3,262	3,478
- Plant and equipment		3,735
	3,337	
	<u>6,599</u>	<u>7,213</u>
 <i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	26,685	-
	<u>26,685</u>	<u>-</u>
 <i>Amortisation of intangible assets:</i>		
- Franchise fee		2,239
	2,239	
- Franchise renewal process fee	11,192	11,192
	<u>13,431</u>	<u>13,431</u>
	<u>46,715</u>	<u>20,644</u>
 Total depreciation and amortisation expense		

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

b) Finance costs	Note	2020	2019
<i>Finance costs:</i>		\$	\$
- Lease interest expense	20(a)	10,378	-
- Unwinding of make-good provision		1,051	-
- Other		-	156
		<u>11,429</u>	<u>156</u>

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

c) **Impairment loss on trade receivables and contract assets**

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

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 11 Expenses

d) Charitable donations, sponsorship, advertising and promotion

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

	2020	2019
	\$	\$
- Direct sponsorship, advertising, and promotion payments	36,780	62,786
	36,780	62,786

e) Employee benefit expenses

Wages and salaries	331,196	325,522
Contributions to defined contribution plans	31,217	30,601
Expenses related to long service leave	5,421	5,451
Other expenses	15,235	10,092
	383,069	371,666

f) Recognition exemption

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

	2020	2019
	\$	\$
Expenses relating to low-value leases	6,413	-
	6,413	-

Expenses relating to leases exempt from recognition are included in systems costs.

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

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss	2020	2019
	\$	\$
<i>Current tax expense/(credit)</i>		
- Recoupment of prior year tax losses	47,017	-
- Future income tax benefit attributable to losses	-	(3,065)
- Movement in deferred tax	(20,817)	41,302
- Adjustment to deferred tax on AASB 16 retrospective application	17,649	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	5,755	-
	49,604	38,237

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 12 Income tax expense (continued)

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a gain of \$5,605 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	194,522	138,029
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	53,494	37,958
Tax effect of:		
- Non-deductible expenses	-	279
- Temporary differences	3,168	3,065
- Other assessable income	(9,645)	-
- Movement in deferred tax	(20,817)	(3,065)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	5,755	-
- Leases initial recognition	17,649	-
	49,604	38,237

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 on hand	159,052	184,159
- Term Deposits	150,000	-
	309,052	184,159

Note 14 Trade and other receivables

a) Current assets	2020	2019
	\$	\$
Trade receivables	50,325	50,615
Prepayments	5,630	4,970
	55,955	55,585

Picton & District Community Enterprises Limited Notes
to the Financial Statements
for the year ended 30 June 2020

Note 15 Property, plant and equipment

	2020	2019
	\$	\$
a) Carrying amounts		
<i>Leasehold improvements</i>		
At cost	116,688	116,688
Less: accumulated depreciation and impairment	(46,000)	(42,738)
	70,688	73,950
	2020	2019
	\$	\$
<i>Plant and equipment</i>		
At cost	68,184	66,559
Less: accumulated depreciation and impairment	(54,737)	(51,400)
	13,447	15,159
Total written down amount	84,135	89,109

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.

	2020	2019
	\$	\$
b) Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning	73,950	77,428
Depreciation	(3,262)	(3,478)
Carrying amount at end	70,688	73,950
<i>Plant and equipment</i>		
Carrying amount at beginning	15,159	18,894
Additions	1,625	-
Depreciation	(3,337)	(3,735)
Carrying amount at end	13,447	15,159
Total written down amount	84,135	89,109

Note 16 Right-of-use assets

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

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

Picton & District Community Enterprises Limited Notes
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for the year ended 30 June 2020

Note 16 Right-of-use assets

a) Carrying amounts	2020	2019
	\$	\$
<i>Leased land and buildings</i>		
At Cost	400,268	-
Less: accumulated depreciation and impairment	(240,161)	-
Total written down amount	<u>160,107</u>	<u>-</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	3d) 400,268	-
Initial recognition on transition	3d) (213,476)	-
Accumulated depreciation on adoption	(26,685)	-
Carrying amount at end	<u>160,107</u>	<u>-</u>
Total written down amount	<u>160,107</u>	<u>-</u>

Note 17 Intangible assets

	2020	2019
	\$	\$
a) Carrying amounts		
<i>Franchise fee</i>		
At cost	21,192	21,192
Less: accumulated amortisation and impairment	(18,332)	(16,093)
	<u>2,860</u>	<u>5,099</u>
<i>Franchise establishment fee</i>		
At cost	100,000	100,000
Less: accumulated amortisation and impairment	(100,000)	(100,000)
	<u>-</u>	<u>-</u>
<i>Franchise renewal process fee</i>		
At cost	55,961	55,961
Less: accumulated amortisation and impairment	(41,656)	(30,464)
	<u>14,305</u>	<u>25,497</u>
Total written down amount	<u>17,165</u>	<u>30,596</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	5,099	7,338
Amortisation	(2,239)	(2,239)
Carrying amount at end	<u>2,860</u>	<u>5,099</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	25,497	36,689
Amortisation	(11,192)	(11,192)
Carrying amount at end	<u>14,305</u>	<u>25,497</u>
Total written down amount	<u>17,165</u>	<u>30,596</u>

Picton & District Community Enterprises Limited Notes
to the Financial Statements
for the year ended 30 June 2020

Note 18 Tax assets and liabilities

a) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in other comprehens ive income	Recognised in equity	30 June 2020
<i>Deferred tax assets</i>	\$	\$	\$	\$	\$
- expense accruals	-	780	-	-	780
- employee provisions	9,096	1,157	-	-	10,253
- make-good provision	-	(49)	-	-	5,855
				5,904	
- lease liability	-	(10,794)	-	63,113	52,319
- carried-forward tax losses	128,364	(51,454)	-	-	76,910
Total deferred tax assets	137,460	(60,360)	-	69,017	146,117
<i>Deferred tax liabilities</i>					
- property, plant and equipment	5,749	(1,016)	-	-	4,733
- right-of-use assets	-	(9,740)	-	51,368	41,628
Total deferred tax liabilities	5,749	(10,756)	-	51,368	46,361
Net deferred tax assets (liabilities)	131,711	(49,604)	-	17,649	99,756

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

	30 June 2019	Recognised in profit or loss	Recognised in other comprehensi ve income	Recognised in equity	30 June 2020
<i>Deferred tax assets</i>	\$	\$	\$	\$	\$
- expense accruals	770	(770)	-	-	-
- employee provisions	6,622	2,474	-	-	9,096
- carried-forward tax losses	169,666	(41,302)	-	-	128,364
Total deferred tax assets	177,058	(39,598)	-	-	137,460
<i>Deferred tax liabilities</i>					
- property, plant and equipment	7,110	(1,361)	-	-	5,749
Total deferred tax liabilities	7,110	(1,361)	-	-	5,749
Net deferred tax assets (liabilities)	169,948	(38,237)	-	-	131,711

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 18 Tax assets and liabilities *(continued)*

Uncertainty over income tax treatments

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

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

Note 19 Trade creditors and other payables

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

	2020	2019
a) Current liabilities	\$	\$
Trade creditors	3,067	7,900
Other creditors and accruals	32,819	61,663
	35,886	69,563
	35,886	69,563
b) Non-Current liabilities	\$	\$
Other creditors and accruals	-	15,580
	-	15,580
	-	15,580

Note 20 Lease liabilities

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

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

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

Lease portfolio

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

The company's lease portfolio includes:

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

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 20 Lease liabilities (continued)

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

a) Lease liability measurement

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

		2020	2019
	Note	\$	\$
<i>Lease liabilities on transition</i>			
Initial recognition on AASB 16 transition	3d)	229,501	-
Lease payments - interest			-
		10,378	
Lease payments		(38,655)	-
		<u>201,224</u>	<u>-</u>
b) Current lease liabilities			
Property lease liabilities		38,653	-
Unexpired interest		(8,993)	-
		<u>29,660</u>	<u>-</u>
c) Non-current lease liabilities			
Property lease liabilities		193,269	-
Unexpired interest		(21,705)	-
		<u>171,564</u>	<u>-</u>
d) Maturity analysis			
- Not later than 12 months		38,653	-
- Between 12 months and 5 years		154,615	-
- Greater than 5 years		38,654	-
Total undiscounted lease payments		231,922	-
Unexpired interest		(30,698)	-
Present value of lease liabilities		<u>201,224</u>	<u>-</u>
e) Impact on the current reporting period			

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

The net impact for the current reporting period is a increase in profit after tax of \$391.

Picton & District Community Enterprises Limited Notes
to the Financial Statements
for the year ended 30 June 2020

Note 20 Lease liabilities (continued)

e) *Impact on the current reporting period (continued)*

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
Occupancy and associated costs	38,654	(38,654)	-
Depreciation and amortisation expense	-	26,685	26,685
Finance costs	-	11,429	11,429
Decrease in expenses – before tax	38,654	(540)	38,114
Income tax expense / (credit) - current	(10,630)	10,630	-
Income tax expense / (credit) - deferred	-	(10,481)	(10,481)
Decrease in expenses - after tax	28,024	(391)	27,633

Note 21 Provisions

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

a) Non-current liabilities

	2020 \$	2019 \$
Make-good on leased premises	22,520	-
	22,520	

b) Make-good provision

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

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

	Note	2020 \$	2019 \$
<i>Provision</i>			
Balance at the beginning		-	-
Face-value of make-good costs recognised	3d)	30,000	-
Present value discounting	3d)	(15,354)	-
Present value unwinding		7,874	-
		22,520	-

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 21 Provisions *(continued)*

c) Changes in estimates

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

The lease is due to expire on 30 June 2026 at which time it is expected the face-value costs to restore the premises will fall due.

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

<i>Profit or loss</i> Expense:	2020	2021	2022	2023	2024+
- Finance costs					
Liability:	7,874	1,103	1,157	1,213	4,007
- Make-good provision				25,993	30,000
	22,520	23,623	24,780		

Note 22 Employee benefits

a) Current liabilities

	2020	2019
	\$	\$
Provision for annual leave	21,056	20,326
	21,056	20,326

b) Non-current liabilities

	2020	2019
	\$	\$
Provision for annual leave	18,379	12,750
	18,379	12,750

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.

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 23 Issued capital

a) Issued capital	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	884,509	848,509	884,509	884,509
Less: equity raising costs		(36,257)		(36,257)
	884,509	848,252	884,509	848,252

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").

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 23 Issued capital (continued)

- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 192. As at the date of this report, the company had 210 shareholders (2019: 213 shareholders).

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company. Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

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

Note 24 Accumulated losses

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		(475,311)	(522,032)
Adjustment for transition to AASB 16	3d)	(46,529)	-
Net profit after tax from ordinary activities			99,792
		144,918	
Dividends provided for or paid	29a)	(44,225)	(53,071)
Balance at end of reporting period		(421,147)	(475,311)

Note 25 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	144,918	99,792
Adjustments for:		
- Depreciation	6,599	7,213
- Amortisation	13,431	13,431
- AASB 16 depreciation	26,685	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(371)	1,098
- Increase)/decrease in other assets	49,604	38,237
- Increase)/decrease in trade and other payables	(35,826)	18,772
- Increase)/decrease in employee benefits	6,359	-
- Increase)/decrease in provisions	1,051	8,997
Net cash flows provided by operating activities	212,450	187,540

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 26 Financial instruments

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

	Note	2020 \$	2019 \$
Financial assets			
Trade and other receivables	14	50,325	50,615
Cash and cash equivalents	13	159,052	184,159
Term deposits	13	150,000	-
		<u>359,377</u>	<u>234,774</u>
Financial liabilities			
Trade and other payables	19	3,067	7,900
Lease liabilities	20	201,224	-
		<u>204,291</u>	<u>7,900</u>

Note 27 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	2,130
- Share registry services	4,622	2,393
	<u>7,622</u>	<u>5,123</u>
Total auditor's remuneration	<u>12,422</u>	<u>9,723</u>

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Evelyn Szumski
Tia Louise Veech
Josephus Huibertus Muller
Alison Nancy Dench
Phillip Lee Digger
Linda Maree Difrancesco
Tristan Triffitt
Leanne Maree Anderson
Melissa Thompson Hilton James Gibbs

Picton & District Community Enterprises Limited Notes to the Financial Statements for the year ended 30 June 2020

Note 28 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

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

Note 29 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Unfranked dividend	5	44,225	6	53,071
Total dividends provided for and paid during the financial year	5	44,225	6	53,071

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

Note 30 Earnings per share

a) Based and diluted earnings per share

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

	2020	2019
	\$	\$
Profit attributable to ordinary shareholders	144,918	99,792
	Number	Number
Weighted-average number of ordinary shares	884,509	884,509
	Cents	Cents
Basic and diluted earnings per share	16.38	11.28

Note 31 Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 20).

	2020	2019
	\$	\$
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements Payable - minimum lease payments:		
- not later than 12 months	-	38,607
- between 12 months and 5 years	-	41,825
Minimum lease payments payable	-	80,432

Picton & District Community Enterprises Limited Notes to the Financial Statements

for the year ended 30 June 2020

Note 31 Commitments *(continued)*

b) Other commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

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

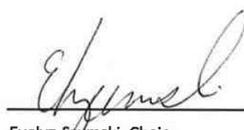
Directors' Declaration

In accordance with a resolution of the directors of Picton & District Community Enterprises 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.



Evelyn Szumski, Chair

Dated this 14th day of August 2020

Independent auditor's report to the members of Picton & District Community Enterprises Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Picton & District Community Enterprises 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

Picton & District Community Enterprises Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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

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

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

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 14 August 2020



Joshua Griffin
Lead Auditor

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