Annual Report 2020

Pinjarra Community Financial Services Limited

Community Bank Pinjarra

ABN 31 097 389 547

Contents

Chairman's report

For year ending 30 June 2020

On behalf of the Pinjarra Community Financial Services Limited Board it is my pleasure to present the Chairman's report of the Community Bank Pinjarra performance and activities for the 2019/20 financial year.

This year we all experienced the unexpected and unprecedented events of COVID-19. Within the context of this, banking remained an essential service for our local and wider communities. During this period of uncertainty, your Board's focus was on providing a safe environment for our staff and customers whilst ensuring the continuity of local banking services. With the assistance of financial support packages for impacted customers provided by Bendigo Bank and various Government support packages, COVID-19 has not had a material impact on the financial performance of our Community Bank.

The Board commends our staff for swiftly implementing hygiene and social distancing requirements into the Branch operations to ensure the protection of our valued customers and staff.

In September 2019 Natalie Myers was appointed the Branch Manager after the resignation of Karien Barr. The Board would like to thank Karien for her contribution to the branch.

Under Natalie's Leadership and supported by her committed staff, the branch has continued to focus on its community principles, ensuring that customer service and our focus on the community is a priority.

It is with great pleasure that I can announce that our financial position as at 30 June 2020 shows an after-tax profit of $86,122. This is a very pleasing result considering the impact of COVID-19 within the community.

Our Marketing Committee has continued to work with professionalism during the year to use the available funds, as effectively as possible, to support the many organisations within the community, that applied for and were awarded funding. As a Committee we are continuing to look at ways that we can best partner with these organisations, so that Community Bank Pinjarra receives further positive exposure within the community.

Some of the projects which have benefited from your Community Bank community investment this year are:

- Dwellingup Primary School
- Edenvale Homestead
- Pinjarra Police
- Pinjarra Swimming Club
- Murray Auto Extravaganza
- Pinjarra Safe Women Safe family

These are only a small selection of the community groups which we have partnered with during the 2019/20 financial year, showing the broad range of groups that we have supported.

Given the unforeseen circumstances of COVID-19, the planned community investment strategies for the final quarter were not actualized and will be reviewed in the upcoming financial year.

In total, the amount contributed to our community this year was $56,025.

Chairman's report (continued)

Once again, we were pleased to be able to pay a fully franked dividend of 5 cents per share. This continues the excellent record of Pinjarra Community Financial Services Limited being able to pay a dividend to its shareholders, each year since 2013.

The 2019/20 financial year has also brought about changes to the Board of Directors of Pinjarra Community Financial Services Limited. Sarah Perryer resigned as a board member in December 2019. We wish to acknowledge Sarah's commitment to the Board during her time on it, and her leadership as the Chairperson of the Marketing Committee.

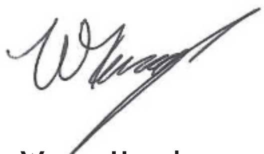
We also welcomed two new Directors, Eric Hamer and Karien Barr in December 2019. Unfortunately, Karien resigned from the position in May 2020.

On a personal note I would like to sincerely thank all the Board members who volunteer their time and knowledge on the Board, and who have greatly assisted me in my role as Chairman. Their dedication and commitment to the Board, is one of the main reasons that Pinjarra Community Financial Services Limited continues to be a successful community entity. To the families of the Board members, thank you, as without your support of the Directors, they would not be able to volunteer their time in such a positive way.

We are very fortunate that as a team, from the Board to the Branch Manager and staff, we all have a common aim, to assist Community Bank Pinjarra to have a positive influence within the community and to provide a customer focused experience to our valued customers. I would like to especially thank our Company Secretary Michael Kidd, Branch Manager Natalie Myer and Administration Officer Tessa Davies for their support during 2019/20.

Without the continued support of our shareholders, Pinjarra Community Financial Services Limited would not exist, so thank you for your support and confidence.

Without doubt 2020/21 will continue to have economic challenges, specifically in relation to COVID-19. You can be assured that the Board and team at the branch are committed to continuing with their efforts to strengthen the brand that is Community Bank Pinjarra and our positive position within the community.



Warren Haugh
Chairman

Manager's report

For year ending 30 June 2020

Community Bank Pinjarra has had a strong year yet again.

We anticipated a challenging year; however, the team have worked extremely hard and I am pleased to announce that we ended 2019/20 in a strong growth position. The branch saw $2.3 million in growth and have a strong potential growth pipeline for 2020/21.

This year saw Community Bank Pinjarra being able to contribute $56,025 back into the local community.

There have been some uncertain and challenging times of recent, specifically with the COVID-19 pandemic, but the branch has tackled these head on embracing the changes needed to ensure the safety of our customers and staff whilst still providing the face to face service we pride ourselves on.

Pinjarra saw another bank branch closure, leaving Community Bank Pinjarra as the only bank in town. Whilst this may have caused some uncertainty to their customers, it was a great opportunity for Community Bank Pinjarra to showcase their range of products and services to the wider community and as a result we have seen our customer base grow.

We have also had some changes in staffing seeing the departure of our Branch Manager Karien Barr. Karien Barr contributed to the Community Bank Pinjarra for three years and whilst we were sad to see her go, her contributions were greatly appreciated.

In November 2019, I took on the position of Branch Manager and have seen the branch continue to improve. One of my main focusses has been to improve our services and support for businesses and community members, within Pinjarra and the surrounding communities. I bring with me six years of knowledge and skills within the Bendigo Bank network and 15 years industry experience.

We also had our new Customer Relationship Manager; Jessica join the team in December 2019. Although Jessica is new to the Pinjarra branch, she has been with the Bendigo family for 12 years and brings with her a great deal of knowledge and skills.

In April 2020 we saw the creation of a new role being a Relationship Consultant position. This role was created within the branch to keep up with customer demand and to ensure our customers experience fluidity with the service provided in branch. With the creation of this role, we welcomed Geordie to the team. Geordie brings with her a wealth of knowledge in the customer service.

If you haven't already met Jessica or Geordie please feel free to visit the branch where you will be welcomed with a warm, friendly smile.

We still have our long serving staff Lisa and Bec who have embraced the changes the branch has made and have contributed towards the success of the branch with their extensive knowledge of our products and excellent customer service.

I am happy to advise that we have welcomed onboard three new referral agents who are excited about working with the branch and promoting the brand and our point of difference within their networks. These agents have seen firsthand what we are all about and therefore they are committed to promoting Community Bank Pinjarra.

Manager's report (continued)

The branch has been awarded branch of the month for the South West region five times during this last year, this is a massive achievement and I would like to take this opportunity to thank staff for all their hard work, commitment and professionalism they have shown throughout the year.

I would also like to take this opportunity to say a big thank you to the shareholders, for your continuing support.

To the Board members thank you for your time and support. Each of you brings a different skill set to the table which enables us to grow the business and achieve great things for our local community.

I look forward to another successful year within the Pinjarra community and wish my team all the best.

Natalie Myers
Branch Manager

Directors' report

For the financial year ended 30 June 2020

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

Directors

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

Warren Arthur Haugh
Non-executive director
Occupation: Drilling Supervisor
Qualifications, experience and expertise: 10 years New Zealand Police Force, moved to Australia in 2006. 12 years living in Western Australia working within the mining industry. Dwellingup Primary School P&C President for last 5 years and co-ordinator of Dwellingup Pumpkin Festival for that time. On Austin Cove Baptist College P&F Executive.
Special responsibilities: Chairman, Marketing committee.
Interest in shares: nil share interest held

Ernest Albert Hiddlestone
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: Previously a primary school teacher for 37 years including Deputy Principal for 15 years. Has also been a self employed lawn mowing contractor. Treasurer for the Rotary Club of Kenwick (five years).
Special responsibilities: Marketing and Finance Committee.
Interest in shares: 300 ordinary shares

Michael Frank Kidd
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: 40 years experience in senior Financial Management roles in England, Papua New Guinea and Australia in the private sector and Local and State Government.
Special responsibilities: Treasurer, Company Secretary, Chairman Finance and Audit Committee.
Interest in shares: nil share interest held

Stephen Donald Lee
Non-executive director
Occupation: Shire Councillor
Qualifications, experience and expertise: Deputy Shire President for the Shire of Murray. Retired Manager Administration and Finance, Education Department of Western Australia. President Peel Community Care Inc., Treasurer Lions Club of Pinjarra and Peel Trail Group Inc., Councillor Rivers Regional Council and Member Peel Harvey Catchment Council.
Special responsibilities: Member Finance and Audit committee, Member Premises committee.
Interest in shares: 1,000 ordinary shares

Directors (continued)

Laurence Ian Galloway
Non-executive director
Occupation: Company Director
Qualifications, experience and expertise: Business owner for over 40 years and a Rotary member for 27 years. Director of Pinjarra Auto Group and Galloway Engine Reconditioning.
Special responsibilities: Chairman Premises committee, Member Human Resources committee.
Interest in shares: 2,000 ordinary shares

Donald Francis Repacholi
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: Former National Sales and Marketing with Mercedes Benz (Aust) Pty Ltd. Previously held a Certificate of Registration with the Real Estate Institute of Western Australia and Financial Planning Association Accreditation. Current Director Peel Zoo Foundation Pty Ltd, Inaugural Chair of Ravenswood Community Group Inc. and current chair for 'Rodoreda Heights' Survey Strata Plan.
Special responsibilities: Finance and Audit Committee, Marketing committee, Deputy Chair.
Interest in shares: nil share interest held

Shane Robert Rowley
Non-executive director
Occupation: Self-employed, Agricultural Manager/Farmer
Qualifications, experience and expertise: Local business owner and lifetime resident in the area.
Special responsibilities: Marketing Committee.
Interest in shares: nil share interest held

Eric George Hamer
Non-executive director (appointed 26 November 2019)
Occupation: Real Estate Agent
Qualifications, experience and expertise: Vast experience and knowledge of the local real estate industry, especially in the development field. Experience in the life insurance industry and also a qualified finance broker. Experience in finance specifically to lending in the Real Estate industry. Previous director of Ray White Real Estate, Mandurah December 2007 to 2009.
Special responsibilities: Marketing Committee
Interest in shares: nil share interest held

Karien Barr
Non-executive director (appointed 26 November 2019 and resigned 19 May 2020)
Occupation: General Manager Options
Qualifications, experience and expertise: 10 years banking, finance and management experience and 3 years sales/insurance experience.
Special responsibilities: Marketing Committee
Interest in shares: nil share interest held

Directors (continued)

Sarah Elizabeth Perryer
Non-executive director (resigned 31 December 2019)
Occupation: Process and Maintenance Coordinator
Qualifications, experience and expertise: Process and Maintenance Coordinator at Alcoa's Pinjarra Refinery. Commenced employment as a Chemical Engineer for five years before moving into a business improvement role for four years. Qualified Chemical Engineer and holds a Bachelor of Commerce (Finance). Experience in business improvement including strategic planning, problem solving along with constructive and creative thinking.
Special responsibilities: Nil
Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Michael Frank Kidd. Michael was appointed to the position of secretary on 1 April 2015.

Qualifications, experience and expertise: Mike has 40 years experience in senior Financial Management roles in England, Papua New Guinea and Australia. Experience in the private sector plus Local and State Government.

Principal activity

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

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

Operating results

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

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	86,122	41,751

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Warren Arthur Haugh	-	-	-
Ernest Albert Hiddlestone	300	-	300
Michael Frank Kidd	-	-	-
Stephen Donald Lee	-	1,000	1,000
Laurence Ian Galloway	2,000	-	2,000
Donald Francis Repacholi	-	-	-
Shane Robert Rowley	-	-	-
Eric George Hamer	-	-	-
Karien Barr	-	-	-
Sarah Elizabeth Perryer	-	-	-

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	5.00	19,708
Total amount	**5.00**	**19,708**

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases. See Note 3 for further details.

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Marketing		HR Committee		Finance Committee	
	E	A	E	A	E	A	E	A
Warren Arthur Haugh	12	12	3	3	3	3	2	2
Ernest Albert Hiddlestone	12	12	3	3	1	1	2	2
Michael Frank Kidd	12	12	-	-	4	4	2	2
Stephen Donald Lee	12	9	3	2	2	2	2	2
Laurence Ian Galloway	12	9	-	-	4	2	-	-
Donald Francis Repacholi	12	10	3	2	1	1	2	2
Shane Robert Rowley	12	11	-	-	-	-	-	-
Eric George Hamer	7	5	1	1	-	-	-	-
Karien Barr	5	3	2	2	-	-	-	-
Sarah Elizabeth Perryer	6	4	2	2	-	-	-	-

E - eligible to attend
A - 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 note 30 to the accounts.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of the directors at Pinjarra, Western Australia.

Warren Arthur Haugh,
Chair

Dated this 30th day of September 2020

Auditor's independence declaration

Partners in success

Chartered Accountants

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 30 September 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	887,083	927,267
Other revenue	9	91,120	37,002
Finance income	10	5,894	8,058
Employee benefit expenses	11c)	(466,430)	(526,347)
Charitable donations, sponsorship, advertising and promotion		(56,025)	(69,236)
Occupancy and associated costs		(29,138)	(70,493)
Systems costs		(32,244)	(32,740)
Depreciation and amortisation expense	11a)	(121,144)	(88,168)
Finance costs	11b)	(35,898)	(9,302)
General administration expenses		(124,159)	(118,005)
Other expenses	11e)	(12,714)	-
Profit before income tax expense		**106,345**	**58,036**
Income tax expense	12a)	(20,223)	(16,285)
Profit after income tax expense		**86,122**	**41,751**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**86,122**	**41,751**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	33a)	21.85	10.59

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	602,863	515,048
Trade and other receivables	16a)	88,321	88,674
Total current assets		**691,184**	**603,722**
Non-current assets			
Other investments	15a)	27,255	-
Investment property	14a)	44,863	-
Property, plant and equipment	17a)	119,206	183,282
Right-of-use assets	18a)	419,530	-
Intangible assets	19a)	15,827	27,049
Deferred tax asset	20b)	77,230	31,702
Total non-current assets		**703,911**	**242,033**
Total assets		**1,395,095**	**845,755**
LIABILITIES			
Current liabilities			
Trade and other payables	21a)	51,040	56,168
Current tax liabilities	20a)	9,031	167
Loans and borrowings	22a)	23,136	24,060
Lease liabilities	23b)	12,236	-
Employee benefits	25a)	19,680	28,591
Total current liabilities		**115,123**	**108,986**
Non-current liabilities			
Trade and other payables	21b)	-	13,034
Loans and borrowings	22b)	85,657	100,733
Lease liabilities	23c)	569,568	-
Employee benefits	25b)	12,814	10,086
Provisions	24a)	7,385	-
Total non-current liabilities		**675,424**	**123,853**
Total liabilities		**790,547**	**232,839**
Net assets		**604,548**	**612,916**
EQUITY			
Issued capital	26a)	385,805	385,805
Retained earnings	27	218,743	227,111
Total equity		**604,548**	**612,916**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2018		385,805	205,068	590,873
Total comprehensive income for the year		-	41,751	41,751
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	32a)	-	(19,708)	(19,708)
Balance at 30 June 2019		**385,805**	**227,111**	**612,916**
Balance at 1 July 2019		385,805	227,111	612,916
Effect of AASB 16: Leases	3d)	-	(74,782)	(74,782)
Restated balance at 1 July 2019		385,805	152,329	538,134
Total comprehensive income for the year		-	86,122	86,122
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	32a)	-	(19,708)	(19,708)
Balance at 30 June 2020		**385,805**	**218,743**	**604,548**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,063,478	1,061,878
Payments to suppliers and employees		(810,643)	(903,177)
Interest received		7,820	5,706
Interest paid		(7,602)	(9,302)
Lease payments (interest component)	11b)	(27,953)	-
Lease payments not included in the measurement of lease liabilities	11d)	(13,090)	-
Dividends received		1,205	-
Income taxes paid		(28,520)	(25,714)
Net cash provided by operating activities	**28**	**184,695**	**129,391**
Cash flows from investing activities			
Payments for property, plant and equipment		(12,240)	(6,674)
Payments for intangible assets		(11,849)	(11,192)
Payments for investments		(27,255)	-
Net cash used in investing activities		**(51,344)**	**(17,866)**
Cash flows from financing activities			
Repayment of loans and borrowings		(16,001)	(14,639)
Lease payments (principal component)	23a)	(9,827)	-
Dividends paid	32a)	(19,708)	(19,708)
Net cash used in financing activities		**(45,536)**	**(34,347)**
Net cash increase in cash held		**87,815**	**77,178**
Cash and cash equivalents at the beginning of the financial year		515,048	437,870
Cash and cash equivalents at the end of the financial year	**13a)**	**602,863**	**515,048**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2020

Note 1. Reporting entity

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

Registered Office	**Principal Place of Business**
35 George Street	35 George Street
Pinjarra WA 6208	Pinjarra WA 6208

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 31.

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 30 September 2020.

Note 3. Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

The company leases out its investment property. The company has classified these leases as operating leases. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

The company leases out its investment property, including own property and right-of-use assets. The company has classified these leases as operating leases.

The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor, except for a sub-leasing arrangement.

The company sub-leases some of its property. Under AASB 117, the head lease and the sub-lease contracts were classified as operating leases. On transition to AASB 16, the right-of-use asset recognised from the head leases are presented in investment property, and measured at cost at that date. The company assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under AASB 16.

The group has applied AASB 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

d) Impact on financial statements

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

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

d) Impact on financial statements (continued)

	Note	1 July 2019 $
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	18b)	441,544
Right-of-use assets - investment property	14b)	53,981
Deferred tax asset	20b)	28,366
Liability		
Lease liabilities	23a)	(591,631)
Provision for make-good	24b)	(7,042)
Equity		
Retained earnings		**(74,782)**

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 4.76%.

	1 July 2019 $
Lease liabilities reconciliation on transition	
Operating lease disclosure as at June 2019	214,987
Add: additional options now expected to be exercised	358,313
Add: variable market review / index based increase	313,627
Less: present value discounting	(295,296)
Lease liability as at 1 July 2019	**591,631**

Note 4. Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

Note 4. Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

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

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

<u>Revenue calculation</u>

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.

<u>Margin</u>

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.

<u>Commission</u>

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

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area Note 5a).

<u>Fee income</u>

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.

<u>Core banking products</u>

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.

<u>Ability to change financial return</u>

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.

Note 4. Summary of significant accounting policies (continued)

b) Other revenue

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

Revenue stream	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

Note 4. Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

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:

- 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 estimated 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.

Note 4. Summary of significant accounting policies (continued)

e) Taxes (continued)

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Note 4. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	10 to 40 years
Furniture, fixtures and fittings	Straight-line	1 to 10 years
Motor vehicles	Straight-line	5 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)

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, borrowings, leases.

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

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

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

Note 4. Summary of significant accounting policies (continued)

j) Impairment (continued)

Non-derivative financial assets (continued)

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

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 at 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.

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

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.

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.

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessor

At inception 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 their relative stand-alone prices.

When the company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the company is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the company applies AASB 16 to allocate the consideration in the contract.

The company applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease (see Note 4(l)). The company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the company as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

Policy applicable before 1 July 2019

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

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was unlikely 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.

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable before 1 July 2019 (continued)

As a lessor

When the company acted as a lessor, it determined at lease inception whether each lease was a finance or operating lease.

To classify each lease, the company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

n) Fair value measurement

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

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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

o) Standards issued but not yet effective

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

Note 5. Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 23 - 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;

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

a) Judgements (continued)

Note	Judgement
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 20b) - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 29 - fair value	determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs;
- Note 17c) - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 25b) - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 24b) - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

c) Measurement of fair values

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

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

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

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

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

- Note 14 - investment property;
- Note 29 - financial instruments.

Note 6. Financial risk management

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

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

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

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

a) Credit risk

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

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

b) Liquidity risk

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

The company maintains the following lines of credit with Bendigo Bank:

- $109,000 commercial loan facility secured by the company's assets. Interest is payable at a rate of 5.64% (2019: 7.05%)

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

30 June 2020 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	108,793	23,136	85,657	-
Lease liabilities	581,804	39,669	179,526	629,953
Trade payables	16,822	16,822	-	-
	707,419	**79,627**	**265,183**	**629,953**

30 June 2019 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	124,793	24,060	100,733	-
Trade payables	26,362	13,328	13,034	-
	151,155	**37,388**	**113,767**	**-**

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

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

Sensitivity analysis - equity price risk

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

	Profit or loss	
	10% increase	**10% decrease**
30 June 2020:		
Equity securities	2,726	(2,726)
	2,726	**(2,726)**

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 $602,863 at 30 June 2020 (2019: $515,048). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7. Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 8. Revenue from contracts with customers

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

	2020 $	2019 $
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	887,083	927,267
	887,083	**927,267**
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	754,210	787,969
- Fee income	59,021	62,376
- Commission income	73,852	76,922
	887,083	**927,267**

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

Note 9. Other revenue

The company generates other sources of revenue from rental income from owned and leased investment properties, dividends, discretionary contributions received from the franchisor, sale of property, plant and equipment and the cash flow boost from the Australian Government.

	2020 $	2019 $
Other revenue		
Revenue:		
- Rental income	11,070	11,987
- Dividend and distribution income	1,205	-
- Market development fund income	25,000	25,000
- Cash flow boost	51,171	-
- Sale of property, plant and equipment	2,474	-
- Other income	200	15
	91,120	**37,002**

Note 10. Finance income

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

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

	2020 $	2019 $
Finance income		
At amortised cost:		
- Term deposits	5,894	8,058
	5,894	**8,058**

Note 11. Expenses

	Note	2020 $	2019 $
a) Depreciation and amortisation expense			
Depreciation of non-current assets:			
- Leasehold improvements		59,910	59,669
- Plant and equipment		14,516	13,145
- Motor vehicles		4,364	4,162
		78,790	**76,976**
Depreciation of right-of-use assets			
- Leased land and buildings		31,132	-
		31,132	**-**
Amortisation of intangible assets:			
- Franchise fee		11,222	11,192
		11,222	**11,192**
Total depreciation and amortisation expense		**121,144**	**88,168**

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).

	Note	2020 $	2019 $
b) Finance costs			
Finance costs:			
- Bank loan interest paid or accrued		7,602	9,302
- Lease interest expense	23a)	27,953	-
- Unwinding of make-good provision		343	-
		35,898	**9,302**

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

	Note	2020 $	2019 $
c) Employee benefit expenses			
Wages and salaries		406,483	460,229
Non-cash benefits		4,712	4,712
Contributions to defined contribution plans		37,261	42,483
Expenses related to long service leave		2,728	6,875
Other expenses		15,246	12,048
		466,430	**526,347**

d) Recognition exemption

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

	Note	2020 $	2019 $
Expenses relating to low-value leases		13,090	-
		13,090	**-**

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 11. Expenses (continued)

	2020 $	2019 $
e) Other expenses		
- Decrease in market value	**12,714**	**-**

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

Note 12. Income tax expense

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

	2020 $	2019 $
a) Amounts recognised in profit or loss		
Current tax expense		
- Current tax	37,901	29,125
- Net benefit of franking credits on dividends received	(517)	-
- Movement in deferred tax	(49,983)	(12,840)
- Adjustment to deferred tax on AASB 16 retrospective application	28,366	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	4,456	-
	20,223	**16,285**

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $4,456 related to the remeasurement of deferred tax assets and liabilities of the company.

	2020 $	2019 $
b) Prima facie income tax reconciliation		
Operating profit before taxation	106,345	58,036
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	29,245	15,960
Tax effect of:		
- Non-deductible expenses	281	325
- Temporary differences	21,617	12,840
- Other assessable income	(13,242)	-
- Movement in deferred tax	(49,983)	(12,840)
- Net benefit of franking credits on distributions received	(517)	-
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	4,456	-
- Leases initial recognition	28,366	-
	20,223	**16,285**

Note 13. Cash and cash equivalents

a) Cash and cash equivalents

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

	2020 $	2019 $
- Cash at bank and on hand	207,421	127,426
- Term deposits	395,442	387,622
	602,863	**515,048**

Note 14. Investment property

The company sub-leases some of its property. The company initially measures the head lease in accordance with AASB 16 before separately identifying the sub lease portion under AASB 140 Investment Property. The investment property is initially measured at cost under AASB 16 and subsequently measured at cost less accumulated depreciation under AASB 140 and assessed for impairment under AASB 136 Impairment of Assets.

	Note	2020 $	2019 $
a) Carrying amounts			
Investment properties - sub-lease			
At cost		91,225	-
Less: accumulated depreciation		(46,362)	-
Total written down amount		**44,863**	**-**
b) Reconciliation of carrying amounts			
Investment properties - sub-lease			
Carrying amount at beginning		-	-
Initial recognition on transition - at cost	3d)	91,225	-
Initial recognition on transition - accumulated depreciation		(37,244)	-
Depreciation		(9,118)	-
Carrying amount at end		**44,863**	**-**
Total written down amount		**44,863**	**-**

Note 15. Other investments

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

	2020 $	2019 $
a) Current investments		
Equity securities - at FVTPL	27,255	-
	27,255	**-**

Note 16. Trade and other receivables

	2020 $	2019 $
a) Current assets		
Trade receivables	75,871	73,873
Prepayments	11,542	7,643
Other receivables and accruals	908	7,158
	88,321	**88,674**

Note 17. Property, plant and equipment

	2020 $	2019 $
a) Carrying amounts		
Leasehold improvements		
At cost	301,667	300,897
Less: accumulated depreciation	(226,498)	(166,588)
	75,169	**134,309**
Plant and equipment		
At cost	86,070	81,565
Less: accumulated depreciation	(64,191)	(50,181)
	21,879	**31,384**
Motor vehicles		
At cost	23,402	22,414
Less: accumulated depreciation	(1,244)	(4,825)
	22,158	**17,589**
Total written down amount	**119,206**	**183,282**

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

b) Reconciliation of carrying amounts		
Leasehold improvements		
Carrying amount at beginning	134,309	190,813
Additions	770	3,164
Depreciation	(59,910)	(59,668)
Carrying amount at end	**75,169**	**134,309**
Plant and equipment		
Carrying amount at beginning	31,384	41,020
Additions	5,295	3,509
Disposals	(284)	-
Depreciation	(14,516)	(13,145)
Carrying amount at end	**21,879**	**31,384**

Note 17. Property, plant and equipment (continued)

	2020 $	2019 $
b) Reconciliation of carrying amounts (continued)		
Motor vehicles		
Carrying amount at beginning	17,589	21,751
Additions	23,402	-
Disposals	(14,469)	-
Depreciation	(4,364)	(4,162)
Carrying amount at end	**22,158**	**17,589**
Total written down amount	**119,206**	**183,282**

c) Changes in estimates

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

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

Note 18. Right-of-use assets

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

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

	Note	2020 $	2019 $
a) Carrying amounts			
Leased land and buildings			
At cost		531,425	-
Less: accumulated depreciation		(111,895)	-
Total written down amount		**419,530**	**-**
b) Reconciliation of carrying amounts			
Leased land and buildings			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	531,425	-
Accumulated depreciation on adoption	3d)	(89,881)	-
Depreciation		(22,014)	-
Total written down amount		**419,530**	**-**

Note 19. Intangible assets

	2020 $	2019 $
a) Carrying amounts		
Franchise fee		
At cost	205,961	205,961
Less: accumulated amortisation	(190,134)	(178,912)
	15,827	**27,049**

	2020 $	2019 $
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	27,049	38,241
Amortisation	(11,222)	(11,192)
Carrying amount at end	**15,827**	**27,049**
Total written down amount	**15,827**	**27,049**

c) Changes in estimates

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

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

Note 20. Tax assets and liabilities

	2020 $	2019 $
a) Current tax		
Income tax payable	**9,031**	**167**

b) Deferred tax

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in equity $	30 June 2020 $
Deferred tax assets				
- expense accruals	797	(797)	-	-
- employee provisions	11,140	(2,634)	-	8,506
- make-good provision	-	(17)	1,937	1,920
- lease liability	-	(11,430)	162,699	151,269
- property, plant and equipment	22,646	13,562	-	36,208
- investments market value unrealised loss	-	3,306	-	3,306
Total deferred tax assets	**34,583**	**1,991**	**164,635**	**201,209**

Note 20. Tax assets and liabilities (continued)

b) Deferred tax (continued)

	30 June 2019 $	Recognised in profit or loss $	Recognised in equity $	30 June 2020 $
Deferred tax liabilities				
- income accruals	779	(543)	-	236
- deductible prepayments	2,102	899	-	3,001
- right-of-use assets	-	(15,527)	136,269	120,742
Total deferred tax liabilities	**2,881**	**(15,171)**	**136,269**	**123,979**
Net deferred tax assets (liabilities)	**31,702**	**17,162**	**28,366**	**77,230**

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

	30 June 2018 $	Recognised in profit or loss $	Recognised in equity $	30 June 2019 $
Deferred tax assets				
- expense accruals	770	27	-	797
- employee provisions	7,790	3,350	-	11,140
- property, plant and equipment	12,455	10,191	-	22,646
Total deferred tax assets	**21,015**	**13,568**	**-**	**34,583**
Deferred tax liabilities				
- income accruals	132	647	-	779
- deductible prepayments	2,020	82	-	2,102
Total deferred tax liabilities	**2,152**	**729**	**-**	**2,881**
Net deferred tax assets (liabilities)	**18,863**	**12,839**	**-**	**31,702**

c) Uncertainty over income tax treatments

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

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

Note 21. 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	16,822	13,328
Other creditors and accruals	34,218	42,840
	51,040	**56,168**

Note 21. Trade creditors and other payables (continued)

	2020 $	2019 $
b) Non-current liabilities		
Trade creditors	-	13,034
	-	**13,034**

Note 22. Loans and borrowings

	2020 $	2019 $
a) Current liabilities		
Secured bank loans	23,136	24,060
	23,136	**24,060**
b) Non-current liabilities		
Secured bank loans	85,657	100,733
	85,657	**100,733**

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	5.64%	Floating	108,793	108,793	124,793	124,793

Note 23. 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 4.76%.

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

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

Lease portfolio

The company's lease portfolio includes:

- Pinjarra branch
  The lease agreement is a non-cancellable lease with an initial term of ten years which commenced 1 June 2015. The lease has one further ten year extension option available. The company is reasonably certain to exercise the final ten-year lease term.

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

a) Lease liability measurement

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

Note 23. Lease liabilities (continued)

	Note	2020 $	2019 $
a) Lease liability measurement (continued)			
Lease liabilities on transition			
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	591,631	-
Lease payments - interest		27,953	-
Lease payments		(37,780)	-
		581,804	**-**
b) Current lease liabilities			
Property lease liabilities		39,669	-
Unexpired interest		(27,433)	-
		12,236	**-**
c) Non-current lease liabilities			
Property lease liabilities		809,479	-
Unexpired interest		(239,911)	-
		569,568	**-**
d) Maturity analysis			
- Not later than 12 months		39,669	-
- Between 12 months and 5 years		179,526	-
- Greater than 5 years		629,953	-
Total undiscounted lease payments		**849,148**	**-**
Unexpired interest		(267,344)	-
Present value of lease liabilities		**581,804**	**-**

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of $15,695.

Note 23. Lease liabilities (continued)

e) Impact on the current reporting period (continued)

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

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	37,780	(37,780)	-
- Depreciation and amortisation expense	-	31,132	31,132
- Finance costs	-	28,296	28,296
Increase in expenses - before tax	37,780	21,648	59,428
- Income tax expense / (credit) - current	(10,390)	10,390	-
- Income tax expense / (credit) - deferred	-	(16,343)	(16,343)
Increase in expenses - after tax	27,390	15,695	43,085

f) Leases as lessor

Operating lease

The company leases out its investment property. The company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the company during the financial year was $11,070 (2019: $11,987).

Note 24. Provisions

	2020 $	2019 $
a) Non-current liabilities		
Make-good on leased premises	7,385	-
	7,385	**-**

b) Make-good provision

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

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

	Note	2020 $	2019 $
Provision			
Balance at the beginning		-	-
Face-value of make-good costs recognised	3d)	15,000	-
Present value discounting	3d)	(7,958)	-
Present value unwinding		343	-
		7,385	**-**

Note 24. 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 31 May 2035 at which time it is expected the face-value costs to restore the premises will fall due.

Note 25. Employee benefits

	2020 $	2019 $
a) Current liabilities		
Provision for annual leave	19,680	28,591
	19,680	**28,591**
b) Non-current liabilities		
Provision for long service leave	12,814	10,086
	12,814	**10,086**

c) Key judgement and assumptions

Employee attrition rates

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

Note 26. Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	394,160	394,160	394,160	394,160
Less: equity raising costs	-	(8,355)	-	(8,355)
	394,160	**385,805**	**394,160**	**385,805**

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.

Note 26. Issued capital (continued)

b) Rights attached to issued capital (continued)

Ordinary shares (continued)

Voting rights (continued)

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 243. As at the date of this report, the company had 257 shareholders (2019: 257 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 27. Retained earnings

	Note	2020 $	2019 $
Balance at beginning of reporting period		227,111	205,068
Adjustment for transition to AASB 16	3d)	(74,782)	-
Net profit after tax from ordinary activities		86,122	41,751
Dividends provided for or paid	32a)	(19,708)	(19,708)
Balance at end of reporting period		**218,743**	**227,111**

Note 28. Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	86,122	41,751
Adjustments for:		
- Depreciation	109,922	76,976
- Amortisation	11,222	11,192
- (Profit)/loss on disposal of non-current assets	(2,474)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	354	(6,661)
- (Increase)/decrease in other assets	(17,161)	1,596
- Increase/(decrease) in trade and other payables	(6,315)	(7,849)
- Increase/(decrease) in employee benefits	(6,183)	12,219
- Increase/(decrease) in provisions	344	-
- Increase/(decrease) in tax liabilities	8,864	167
Net cash flows provided by operating activities	**184,695**	**129,391**

Note 29. Financial instruments - fair value

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

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

	Note	Carrying amount			Fair value		
		FVTPL	At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:							
Equity securities	15	27,255	-	27,255	27,255	-	27,255
		27,255	**-**	**27,255**	**27,255**	**-**	**27,255**

Note 29. Financial instruments - fair value (continued)

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

	Note	Carrying amount			Fair value		
		FVTPL	At amortised cost	Total	Level 1	Level 2	Total
Financial assets not measured at fair value:							
Trade and other receivables	16	-	75,871	75,871	-	-	-
Cash and cash equivalents	13	-	207,421	207,421	-	-	-
Term deposit	13	-	395,442	395,442	-	-	-
		-	**678,734**	**678,734**	**-**	**-**	**-**
Financial liabilities not measured at fair value:							
Trade and other payables	21	-	16,822	16,822	-	-	-
Secured bank loans	22	-	108,793	108,793	-	-	-
		-	**125,615**	**125,615**	**-**	**-**	**-**

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

	Note	Carrying amount			Fair value		
		FVTPL	At amortised cost	Total	Level 1	Level 2	Total
Financial assets not measured at fair value:							
Trade and other receivables	16	-	73,873	73,873	-	-	-
Cash and cash equivalents	13	-	127,426	127,426	-	-	-
Term deposit	13	-	387,622	387,622	-	-	-
		-	**588,921**	**588,921**	**-**	**-**	**-**
Financial liabilities not measured at fair value:							
Trade and other payables	21	-	13,328	13,328	-	-	-
Secured bank loans	22	-	124,793	124,793	-	-	-
		-	**138,121**	**138,121**	**-**	**-**	**-**

Valuation techniques and significant unobservable inputs

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

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

Transfers between Levels 1 and 2

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

Note 30. Auditor's remuneration

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

	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	**4,600**
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,945	1,400
- Share registry services	3,394	3,415
	6,939	**5,415**
Total auditor's remuneration	**11,739**	**10,015**

Note 31. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Warren Arthur Haugh
Stephen Donald Lee
Shane Robert Rowley
Sarah Elizabeth Perryer
Ernest Albert Hiddlestone
Laurence Ian Galloway
Eric George Hamer
Michael Frank Kidd
Donald Francis Repacholi
Karien Barr

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 32. 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 the Statement of Cash Flows.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	5.00	19,708	5.00	19,708
Total dividends paid during the financial year	**5.00**	**19,708**	**5.00**	**19,708**

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

Note 32. Dividends provided for or paid (continued)

	2020 $	2019 $
b) Franking account balance		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	183,334	165,094
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded) 32,041		36,751
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(8,231)	(6,326)
- Franking debits from the payment of franked distributions	(7,475)	(7,475)
- Franking credits from franked dividends received	517	-
Franking account balance at the end of the financial year	**204,896**	**183,334**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	9,031	167
Franking credits available for future reporting periods	**213,927**	**183,501**

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

Note 33. Earnings per share

a) Basic and diluted earnings per share

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

	2020 $	2019 $
Profit attributable to ordinary shareholders	**86,122**	**41,751**

	Number	Number
Weighted-average number of ordinary shares	**394,160**	**394,160**

	Cents	Cents
Basic and diluted earnings per share	**21.85**	**10.59**

Note 34. 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 23).

Note 34. Commitments (continued)

	2020 $	2019 $
a) Lease commitments (continued)		
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	-	35,831
- between 12 months and 5 years	-	143,325
- greater than 5 years	-	35,831
Minimum lease payments payable	**-**	**214,987**
Operating lease commitments - lessor		
The future minimum lease payments receivable under non-cancellable operating lease in the aggregate and for each of the following periods:		
- not later than 12 months	-	10,106
Minimum lease payments receivable	**-**	**10,106**

b) Other commitments

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

Note 35. Contingencies

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

Note 36. 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 Pinjarra Community Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

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

Warren Arthur Haugh,
Chair

Dated this 30th day of September 2020

Independent audit report

Partners in success

Chartered Accountants

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PO Box 454, Bendigo 3552
03 5443 0344
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Independent auditor's report to the members of Pinjarra Community Financial Services Limited

Report on the audit of the financial report

Our opinion

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

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

What we have audited

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

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

Basis for opinion

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

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

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

Other information

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 30September 2020

Joshua Griffin
Lead Auditor

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/PinjarraCommunityBankBranch

Bendigo Bank