Annual Report 2020

Port Lincoln Community Enterprises Limited

Community Bank Port Lincoln

ABN 29 127 996 187

Contents

Chairman’s report

For year ending 30 June 2020

It is my pleasure to report on the results and activities of Port Lincoln Community Enterprises Limited during the year ended 30 June 2020.

Results

The company achieved a profit of $647,233 before charitable donations and sponsorships. This compares with a profit of $576,130 in the previous year. The business achieved net growth in lending and deposits during the year (taking our total business from $283 million to $300 million – an increase of 6%). Our gross revenue from operations increased from $1.835 million to $1.943 million this year. This was a 5.9% increase. Gross Revenue this year did include a State Government grant of $50,000 so the real increase in gross revenue was 3.1%. All things considered, this is a very good result against a background of increasingly difficult conditions in the lending market generally.

Dividend payment

Your Directors have declared a fully franked dividend of 10 cents per share (a total of $90,000) for the year ended 30 June 2020. In declaring this dividend, your Directors were cognisant of the company’s cash reserves, 2020 profitability and prospects for continuing profitability during fiscal year 2020 and beyond.

Returning profits to our community

Returning profits to the local community is a core philosophy of all Community Banks operating within the Bendigo and Adelaide Bank Limited Community Bank business model. Consistent with that philosophy, we returned $358,058 to our local community during the year. This amount came partly from current year profits and from money that had been transferred to the Bendigo Community Enterprise Foundation™ in prior years. In our Business Manager’s report you will see examples of where profits have gone in the past year. Our total profits returned to community now exceed $3.2 million since our formation 12 years ago.

Outlook and aspirations

The business of banking has become tough enough without having to contend with the fallout from the economic impact of the COVID-19 pandemic. The extent to which loan impairments will impact on our business is unknown at this stage. There will almost certainly be some impact although we are confident we can counter this with increased business growth whilst simultaneously keeping costs under control.

Amortisation of our loan book is a continual challenge. With very low interest rates, customers are paying off their debts more quickly than ever. It is not easy to write enough new business to cover the loans that are being paid back.

We will continue to drive the competitive advantages we have in our market – including the fact that we conduct our business through local staff, not through call centres. Our financial contribution to the local community is not even remotely matched by our competitors, a fact that is well understood by our market.

Acknowledging our staff

Our business has an outstanding team with significant knowledge and experience in banking. It is widely acknowledged that our staff go beyond what is expected to deliver great outcomes for our customers. The Board thanks the staff for their efforts in keeping customers and each other safe in the COVID-19 environment and for their terrific work in building and maintaining our customer base.

The Board of Directors

The Board welcomed two new Directors during the year – Rob Donaldson and Tim Coote. Both bring significant experience and knowledge to the Board. Shareholders will note that these Directors will need to be formally appointed by resolution at the Annual General Meeting. Four Directors departed the Board during the year – Anne-Marie Hammond, Diane Baker-Tagg, Joyce Hardy and Sandra Lukin. The Board acknowledges and thanks these people for their contribution to the company over the years. The Board has seven Directors as at the time of preparation of this report. We are currently considering several potential appointees.

Bendigo and Adelaide Bank Limited

Our relationship with our partner Bendigo and Adelaide Bank Limited remains very strong. I particularly thank the SA/NT Manager Paul Mertin, our Community Business Manager Renato Principe and Regional Manager Alison Burr, and the entire Bendigo and Adelaide Bank Limited Community Bank support team for the counsel, expertise and assistance provided to our staff and Directors throughout the past 12 months, including their attendance at numerous Board meetings.

Conclusion

I would like to thank all our shareholders for supporting the continuing growth of your branch. I also remind you that your ongoing support as customers remains invaluable in ensuring our continuing success. As you know, it is your banking activity that determines how much we are able to return to our local community.

Greg Eden
Chairman

Managers' report

For year ending 30 June 2020

We are sure we will look back on the year 2020 as one of the most dramatic ever experienced. We started the year with catastrophic bushfires across a wide area of Australia that had a huge impact on people's lives. The loss of life and devastation will be felt for years to come.

As recovery measures commenced, they became overshadowed by the outbreak and management of the COVID-19 virus. The effects on our economy have been well documented but highlighted by the Reserve Bank of Australia dropping official cash rates to a further record low of 0.25% and now, in September, our Australian economy has been officially declared in recession.

Obviously, the effects of these rates have continued to squeeze our margins but, on the brighter side, have provided opportunities for people to enter the real estate market at affordable rates. Conversely, the people who have relied on interest to support their income are feeling the pinch. Nonetheless, the branch produced a profit of $647,233 and returned $358,058 to our community.

Over the years we have kept you, our shareholders, informed of the size and scale of our business. We are delighted to be able to share that in June this year we achieved one of our mid-term goals of having our total business reach $300 million. This is represented by 4,054 customers who operate 6,638 accounts. We are proud to have reached this milestone and we continue to work hard to grow our business in difficult trading conditions. Word of mouth referrals remain the best source of new business. We encourage you, our shareholders and existing customers, to refer us to family and friends.

This year our grant funding again provided much needed infrastructure and support for many organisations. This included $32,000 to the Port Lincoln Gym Club, which has been recognised as the number 1 club in South Australia providing valued tuition to hundreds of children. Our support for Mentally Fit EP has continued with a grant of $27,000 to continue their outstanding work along with $22,000 for a multipurpose building at the Port Lincoln Race Club for use by the entire community, to name but a few of the successful grant recipients.

This year we have had a few staff changes. Earlier this year we welcomed Holly-Elise Pervan to our team. Previously Holly worked at Community Bank Cummins District as a Customer Relationship Officer. Holly was recently promoted into a Customer Relationship Manager position in our branch. During the year Gail Bassham left the business and we thank her for her contribution.

Last month our branch was randomly audited and we are proud to have received a 100% result.

Prue Hywood
Branch Operations Manager

Phil Channon
Business Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2020

The Directors present their report of the company for the financial year ended 30 June 2020.

Directors

The following persons were Directors of Port Lincoln Community Enterprises Limited during or since the end of the financial year up to the date of this report:

Directors	Details
Greg Eden	Diploma in Accounting. Over 30 years practicing accountant in own business and involved in many community organisations during that time.
Steven James	Member of CAAANZ. Bachelor of Commerce, Diploma of Applied Finance, Registered Tax Agent. Board member of several local community organisations, over 30 years accounting experience.
Diana Smith	Bachelor of Education, Diploma in Teaching, Diploma in Export Management, Graduate Diploma in Agriculture. Experience in education, including international education and small business management, active involvement with many local organisations.
Mark Carr	40 years owning and operating farm supplies, seafood and fishing businesses.
Caitlin Noonan	Bachelor of Laws and Bachelor of Commerce (Management), former commercial lawyer, member of the governing bodies of several community organisations, appointed 29 April 2019.
Robert Donaldson	Appointed as Director 23 March 2020. Bachelor of Arts (Planning), Graduate Diploma in Environmental Planning. Retired after a 38 year career in local government in SA and NSW, including urban planning, project management, strategic planning, leadership and CEO roles. Active in community boards; Presiding Member of EP Regional Assessment Panel.
Timothy Coote	Appointed as Director 8 May 2020. Regional Manager, Department for Trade and Investment. Previous experience in Industry and Skills, State and Regional Development in Australia and Director of Training for the City of Cholet and Managing Director of Coote Libeau SARL in France.
Anne-Marie Hammond	Diploma's in Management, Business and Employment Services. Employed by a non-profit organisation for 18 years. Field officer, experience from working at the Cummins Community Bank. Resigned 12 November 2019.
Diane Baker-Tagg	Diploma in Policing, Sergeant of the SA Police force, 29 years experience as a police officer, qualified operational safety trainer, involved in local netball committee and other events. Resigned 7 November 2019.
Bradley Flaherty	Masters Degree in Public Policy & Administration, retired Superintendent of Police, business management consultant, current Mayor of the City of Port Lincoln, appointed 8 November 2018. Resigned 16 March /2020
Fjoyce Hardy	Bachelor of Commerce, experience in finance, Lean Six Sigma and Agile Project Management, acting manager at a non-profit organisation, appointed 8 November 2018. Resigned 7 November 2019

Directors (continued)

Directors	Details
Sandra Lukin	Experience managing a diverse range of businesses, member of local sporting, recreational and service clubs. Resigned 28 May 2020

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit Committee meetings	
	A	B	A	B
Greg Eden	11	10	2	1
Terri Christensen	N/A	N/A	2	2
Anne-Marie Hammond	4	4	N/A	N/A
Steven James	11	10	2	2
Sandra Lukin	10	10	N/A	N/A
Diana Smith	11	8	N/A	N/A
Diane Baker-Tagg	4	2	1	1
Mark Carr	11	5	N/A	N/A
Bradley Flaherty	7	4	N/A	N/A
Fjoyce Hardy	4	2	N/A	N/A
Caitlin Noonan	11	11	1	1
Robert Donaldson	3	3	N/A	N/A
Timothy Coote	2	2	N/A	N/A

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Caitlin Noonan has been the Company Secretary of Port Lincoln Community Enterprises Limited since 7 November 2019. Caitlin's qualifications and experience include a Bachelor of Laws and Bachelor of Commerce (Management), former commercial lawyer and a member of the governing bodies of several community organisations.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $218,975 (2019 profit: $126,019), which is a 73.8% increase as compared with the previous year.

New Accounting Standards Implemented

The Company has implemented a new accounting standard that is applicable for the current reporting period.

AASB 16: Leases has been applied retrospectively using the modified cumulative approach, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

COVID-19 Impact on Operations

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary interventions to stabilise economic conditions. Critical risk and social distancing measures implemented in March 2020 which reduced the number of clients in the ofifce and staff available to service those clients. Two staff members worked remotely for a period of time as did branch management.

The Company has determined that these events have not required any specific adjustments within the financial report. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as any impact on the financial position and results of the Company for future periods.

Dividends

A fully franked final dividend of 10 cents per share was declared and paid during the year for the year ended 30 June 2019. No dividend has been declared or paid for the year ended 30 June 2020 as yet.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Indemnifying Officers or Auditor (continued)

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Equity holdings of key management personnel

The number of ordinary shares in the company held during the financial year and prior year by each Director and other key management personnel, including their related parties, are set out below:

	Balance at 30 June 2019	Net change in holdings	Balance at 30 June 2020
Greg Eden	6,000		6,000
Terri Christensen	4,501		4,501
Pat Callaghan	34,668		34,668
Mark Carr	5,000		5,000
Steven James	7,502		7,502
Caitlin Noonan	-		-
Robert Donaldson	-		-
Timothy Coote	-		-
Anne-Marie Hammonod	1,001		1,001
Diane Baker-Tagg	-		-
Bradley Flaherty	-		-

Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

Signed in accordance with a resolution of the Board of Directors at Port Lincoln on 18th September 2020.

Greg Eden
Director

Auditor’s independence declaration

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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Port Lincoln Community Enterprises Limited

In accordance with Section 307C of the *Corporations Act 2001,* I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

P. P. Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 18 September 2020

Financial statements

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

	Notes	2020 $	2019 $
Revenue	2	1,943,479	1,835,413
Expenses			
Employee benefits expense	3	(925,643)	(867,329)
Depreciation and amortisation	3	(106,533)	(54,000)
Finance costs	3	(53)	(623)
Bad and doubtful debts expense	3	(612)	(488)
Administration and general costs		(84,783)	(110,845)
Occupancy expenses		(59,491)	(111,574)
IT expenses		(26,839)	(26,484)
Freight Expenses		(9,803)	(10,491)
Other expenses		(82,489)	(77,449)
		(1,296,246)	**(1,259,283)**
Operating profit before charitable donations and sponsorship		**647,233**	**576,130**
Charitable donations and sponsorship		(358,058)	(398,519)
Profit before income tax		**289,175**	**177,611**
Income tax expense		(70,200)	(51,592)
Profit for the year after income tax		**218,975**	**126,019**
Other comprehensive income		-	-
Total comprehensive income for the year		**218,975**	**126,019**
Profit attributable to members of the company		218,975	126,019
Total comprehensive income attributable to members of the company		**218,975**	**126,019**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	1	24.33	14.00

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	5	310,145	140,656
Trade and other receivables	6	178,940	167,169
Financial assets	7	403,476	396,084
Other assets	8	18,957	23,718
Total current assets		**911,518**	**727,627**
Non-current assets			
Property, plant and equipment	9	626,131	158,067
Intangible assets	10	35,503	48,729
Deferred tax assets	4	44,175	46,259
Total non-current assets		**705,809**	**253,055**
Total assets		**1,617,327**	**980,682**
Liabilities			
Current liabilities			
Trade and other payables	12	52,427	45,094
Current tax liability	4	6,163	2,807
Borrowings	13	-	5,739
Leases	14	55,094	-
Provisions	15	180,166	170,436
Total current liabilities		**293,850**	**224,076**
Non-current liabilities			
Leases	14	444,304	-
Provisions	15	3,184	9,591
Total non-current liabilities		**447,488**	**9,591**
Total liabilities		**741,338**	**233,667**
Net assets		**875,989**	**747,015**
Equity			
Issued capital	16	900,008	900,008
Accumulated losses	17	(24,019)	(152,993)
Total equity		**875,989**	**747,015**

The accompanying notes form part of these financial statements

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019 (reported)		900,008	(152,993)	747,015
Change due to the adoption of AASB 16		-	-	-
Balance at 1 July 2019 (restated)		**900,008**	**(152,993)**	**747,015**
Comprehensive income for the year				
Profit for the year		-	218,975	218,975
Other comprehensive income for the year		-	-	-
		-	**218,975**	**218,975**
Transactions with owners in their capacity as owners				
Dividends paid or provided	18	-	(90,001)	(90,001)
Balance at 30 June 2020		**900,008**	**(24,019)**	**875,989**
Balance at 1 July 2018 (restated)		900,008	(189,011)	710,997
Comprehensive income for the year				
Profit for the year		-	126,019	126,019
Other comprehensive income for the year		-	-	-
		-	**126,019**	**126,019**
Transactions with owners in their capacity as owners				
Dividends paid or provided	18	-	(90,001)	(90,001)
Balance at 30 June 2019		**900,008**	**(152,993)**	**747,015**

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		2,104,295	1,819,711
Payments to suppliers and employees		(1,716,047)	(1,571,242)
Interest paid		(53)	(623)
Interest received		7,866	8,852
Income tax paid		(68,116)	(95,166)
Net cash flows provided by operating activities	**21b**	**327,945**	**161,532**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6,650	5,909
Purchase of property, plant and equipment		(9,295)	-
Purchase of short term bank deposits		(7,392)	(8,466)
Net cash flows used in investing activities		**(10,037)**	**(2,557)**
Cash flows from financing activities			
Repayment of borrowings		(5,739)	(8,878)
Repayment of lease liabilities		(52,679)	-
Dividends paid		(90,001)	(90,001)
Net cash flows used in financing activities		**(148,419)**	**(98,879)**
Net increase in cash held		**169,489**	**60,096**
Cash and cash equivalents at beginning of financial year		140,656	80,560
Cash and cash equivalents at end of financial year	**21a**	**310,145**	**140,656**

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

These financial statements and notes represent those of Port Lincoln Community Enterprises Limited (the Company) as an individual entity.

Port Lincoln Community Enterprises Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 18 September 2020.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Economic dependency

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Port Lincoln.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The Company manages the Community Bank branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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 and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank branch 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 in relation to:

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branch;
- Training for the Branch Managers 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; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's recoverable amount exceeds its carrying amount.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) Comparative figures

When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Note 1. Summary of significant accounting policies (continued)

(f) New and revised standards that are effective for these financial statements

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2019. Note that the changes in accounting policies specified below ONLY apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2019 are the relevant policies for the purposes of comparatives.

AASB 16 Leases became mandatorily effective on 1 January 2019. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 16 Leases

AASB 16 Leases replaces AASB 117 Leases and three associated Interpretations. The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated, as permitted under the specific transition provisions in the standard.

For contracts in place at the date of initial application, as permitted under the specific transition provisions in the standard, the Company has elected to apply the definition of a lease from AASB 117 and relevant associated interpretations, and has not applied AASB 16 to arrangements that were previously not identified as a lease under AASB 117 and associated interpretations. This means that any contracts that were deemed to not contain a lease under AASB 117 have not been reassessed under AASB 16.

The Company has also elected to not include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. Furthermore, at this date, the Company has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value-assets (less than $10,000) the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 4.5%.

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019.

	Amount $
Total operating lease commitments disclosed at 30 June 2019	280,302
Variable lease payments not recognised	382,230
Operating lease liabilities before discounting	**662,532**
Lease liability discounted using incremental borrowing rate at date of initial application (1 July 19)	552,077

Note 1. Summary of significant accounting policies (continued)

(f) New and revised standards that are effective for these financial statements (continued)

AASB 16 Leases (continued

	Amount $
Lease liability as at 1 July 2019	552,077
Represented by:	
Current lease liabilities	53,816
Non-current lease liabilities	498,261
	552,077

Adjustments recognised in the balance sheet on 1 July 2019

The recognised right-of-use assets relate to the following types of assets:

	30 June 2020 $	1 July 2019 $
Properties	488,983	552,077
Total right-of-use assets	**488,983**	**552,077**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

Balance sheet item	Effect	Amount $
Property, plant and equipment	Increase	552,077
Lease liabilities	Increase	552,077

(h) Change in accounting policies

Accounting policy applicable from 1 July 2019

The Company as a lessee

For any new contracts entered into on or after 1 July 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net any incentives received).

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Accounting policy applicable from 1 July 2019 (continued)

Measurement and recognition of leases as a lessee (continued)

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in borrowings.

Accounting policy applicable before 1 July 2019

The Company as a lessee

- Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

- Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Impact of standards issued but not yet applied by the entity

AASB 17 Insurance Contracts

AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9.

Note 1. Summary of significant accounting policies (continued)

(h) Change in accounting policies (continued)

Impact of standards issued but not yet applied by the entity (continued)

AASB 17 Insurance Contracts (continued)

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. As the company does not issue any insurance contracts or investment contracts with discretionary participation features, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

AASB 1059 Service Concession Arrangements: Grantors

The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services.

As the company is not a grantor in a service concession arrangement, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

Note 2. Revenue

	2020 $	2019 $
Revenue		
- service commissions	1,843,963	1,803,616
	1,843,963	**1,803,616**
Other revenue		
- interest received	7,866	8,834
- other revenue	85,000	17,054
- gain on disposal of property, plant and equipment	6,650	5,909
	99,516	**31,797**
Total revenue	**1,943,479**	**1,835,413**

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Interest and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

Other revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Note 2. Revenue (continued)

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. The core banking products, as at the end of the financial year included: fixed and variable housing loans, overdrafts, personal loans, at call deposits and term deposits.

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income

Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

Note 3. Expenses

	2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	779,526	695,826
- superannuation costs	93,211	94,143
- other costs	52,906	77,360
	925,643	**867,329**
Depreciation and amortisation		
Depreciation		
- buildings		
- leasehold improvements	17,047	16,990
- furniture and fittings	12,083	12,470
- motor vehicles	1,083	11,239
- right-of-use asset	63,094	-
	93,307	**40,699**
Amortisation		
- franchise fees	13,221	13,221
- establishment costs	5	80
Total depreciation and amortisation	**106,533**	**54,000**
Finance costs		
- Interest paid	53	623
Bad and doubtful debts expenses	612	488
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,386	5,180
	5,386	**5,180**

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation

The depreciable amount of all fixed assets is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Note 3. Expenses (continued)

Depreciation (continued)

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Leasehold improvements	10%	Straight line
Furniture and fittings	20%	Straight line
Motor vehicles	20%	Straight line
Franchise fees	20%	Straight line
Borrowing costs	20%	Straight line

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 4 Income tax

	2020 $	2019 $
a. The components of tax expense comprise:		
Current tax expense	68,116	59,005
Deferred tax expense	2,084	(7,413)
	70,200	**51,592**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2019: 27.5%)	79,523	48,843
Add tax effect of:		
- SBE Depreciation	-	2,749
- Cashflow Boost Payments	(17,187)	-
- Under/over provision in respect to prior years	7,864	-
Income tax attributable to the entity	**70,200**	**51,592**
The applicable weighted average effective tax rate is:	24.28%	29.05%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	2,807	38,968
Income tax paid	(64,760)	(95,166)
Current tax	68,116	59,005
	6,163	**2,807**

Note 4 Income tax (continued)

	2020 $	2019 $
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Accruals	2,496	1,704
Employee provisions	50,421	51,510
ROU assets and lease liabilities from AASB 16	2,864	-
	55,781	**53,214**
Deferred tax liabilities comprise:		
Accrued income	559	545
Prepayments	4,654	6,410
Property, plant and equipment	6,393	
	11,606	**6,955**
Net deferred tax asset	**44,175**	**46,259**
e. Deferred income tax included in income tax expense comprises:		
Increase in deferred tax assets	(2,567)	(7,520)
Increase in deferred tax liabilities	4,651	107
	2,084	**(7,413)**

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities/assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Current tax assets and liabilities are offset where a legally enforceable right of off-set exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

Note 5. Cash and cash equivalents

	2020 $	2019 $
Cash at bank and on hand	310,145	140,656
	310,145	**140,656**

Cash and cash equivalents include cash on hand.

Note 6. Trade and other receivables

	2020 $	2019 $
Current		
Trade receivables	178,940	167,169
	178,940	**167,169**

Trade and other receivables are initially measured at the transaction price. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

The Company's main debtor relates to the Bendigo and Adelaide Bank Limited monthly profit share distribution, which is deposited 14 days post month end, there is no items that require the application of the lifetime expected credit loss model.

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current and forecast directions of conditions at the reporting date.

There has been change in the estimation techniques or significant assumptions made during the current reporting period.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2020						
Trade receivables	178,940	178,940	-	-	-	-
Total	**178,940**	**178,940**	**-**	**-**	**-**	**-**
2019						
Trade receivables	167,169	167,169	-	-	-	-
Total	**167,169**	**167,169**	**-**	**-**	**-**	**-**

Note 7. Financial assets

	2020 $	2019 $
Amortised cost		
Term deposits	403,476	396,084
	403,476	**396,084**

The effective interest rate on the bank deposit was 1.69% (2019: 2.2%). The deposist have terms of 6 months and 12 months maturing on 28 August 2020 and 23 June 2021.

Note 7. Financial assets (continued)

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- amortised cost

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

(b) Measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

(c) Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 8. Other assets

	2020 $	2019 $
Prepayments	16,924	21,981
Accrued Income	2,033	1,737
	18,957	**23,718**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

Note 9. Property, plant and equipment

	2020 $			2019 $		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Leasehold improvements	411,549	(299,605)	111,944	406,015	(282,558)	123,457
Furniture and fittings	106,332	(81,128)	25,204	102,572	(69,045)	33,527
Motor vehicles	54,287	(54,287)	-	73,268	(72,185)	1,083
Computer Software	10,409	(10,409)	-	10,409	(10,409)	-
Total property, plant and equipment	**582,577**	**(445,429)**	**137,148**	**592,264**	**(434,197)**	**158,067**

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Leased assets

As described in Note 1(h), the Company has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 17.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Note 9. Property, plant and equipment (continued)

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2020 (2019: None)

(b) Movements in carrying amounts of PP&E

2020	Leasehold Improvements $	Furniture & Fittings $	Motor Vehicles $	Total $
Opening carrying value	123,457	33,527	1,083	158,067
Adjustment for adoption of AASB 16	-	-	-	-
Opening written down value	123,457	33,527	1,083	158,067
Additions	5,534	3,760	-	9,294
Disposals	-	-	-	-
Transfers	-	-	-	-
Revaluations	-	-	-	-
Depreciation	(17,047)	(12,083)	(1,083)	(30,213)
Closing carrying value	**111,944**	**25,204**	**-**	**137,148**
2019	Leasehold Improvements $	Furniture & Fittings $	Motor Vehicles $	Total $
Opening carrying value	140,447	45,997	12,322	198,766
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers	-	-	-	-
Revaluations	-	-	-	-
Depreciation	(16,990)	(12,470)	(11,239)	(40,699)
Closing carrying value	**123,457**	**33,527**	**1,083**	**158,067**

(c) Right of use assets

The Company's lease portfolio includes buildings, plant and equipment.

<u>Options to extend or terminate</u>

The option to extend or terminate are contained in the property lease of the Company. All extension or termination options are only exercisable by the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right of use asset.

(i) AASB 16 related amounts recognised in the statement of financial position

	Leased Building $	Total Right of use asset $
Leased Asset	552,077	552,077
Accumulated depreciation	(63,094)	(63,094)
	488,983	**488,983**

Note 9. Property, plant and equipment (continued)

(c) Right of use assets (continued)

Options to extend or terminate (continued)

(i) AASB 16 related amounts recognised in the statement of financial position (continued)

Movements in carrying amounts:

	Leased Building $	Total Right of use asset $
Recognised on initial application of AASB 16		
- previously classified as operating leases	552,077	552,077
- transferred from property, plant & equipment	-	-
Additions	-	-
Depreciation expense	(63,094)	(63,094)
Net carrying amount	**488,983**	**488,983**

(ii) AASB 16 related amounts recognised in the statement of profit or loss

	2020 $
Depreciation charge related to right-of-use assets	63,094
Interest expense on lease liabilities	23,767

(ii) AASB 16 related amounts recognised in the statement of profit or loss (continued)

Total cash outflows for leases	86,861

Note 10. Intangible assets

	2020 $			2019 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	76,111	(40,608)	35,503	76,111	(27,387)	48,724
Establishment costs	398	(398)	-	398	(393)	5
Total intangible assets	**76,509**	**(41,006)**	**35,503**	**76,509**	**(27,780)**	**48,729**

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

Note 10. Intangible assets (continued)

Movements in carrying amounts

2020	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	48,724	-	(13,221)	35,503
Establishment costs	5	-	(5)	-
Total intangible assets	**48,729**	**-**	**(13,226)**	**35,503**
2019	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	61,945	-	(13,221)	48,724
Borrowing Costs	85	-	(80)	5
Total intangible assets	**62,030**	**-**	**(13,301)**	**48,729**

Note 11. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

Note 12. Trade and other payables

	2020 $	2019 $
Current		
Unsecured liabilities:		
Trade creditors	14,465	16,726
Other creditors and accruals	37,962	28,368
	52,427	**45,094**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

The average credit period on trade and other payables is one month.

Note 13. Borrowings

	2020 $	2019 $
Current		
Secured liabilities		
Finance Leases	-	5,739
	-	**5,739**
Non-current		
Secured liabilities		
Finance Leases	-	-
	-	**-**
Total borrowings	**-**	**5,739**

Note 14. Leases

Current		
Property Leases	55,094	-
	55,094	**-**
Non-current		
Property Leases	444,304	-
	444,304	**-**
Total leases	**499,398**	**-**

The Company has a lease for the bank branch which forms a portion of 34 Liverpool Street, Port Lincoln. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant & equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were as follows:

	Minimum lease payments due				Total $
	Within 1 year $	1-2 Years $	3-5 years $	After 5 years $	
30 June 2020					
Lease payments	76,446	76,446	229,338	203,856	586,086
Finance charges	(21,352)	(18,821)	(40,127)	(6,388)	(86,688)
Net present values	**55,094**	**57,625**	**189,211**	**197,468**	**499,398**
30 June 2019					
Lease payments	-	-	-	-	-
Finance charges	-	-	-	-	-
Net present values	**-**	**-**	**-**	**-**	**-**

Note 14. Leases (continued)

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

At 30 June 2020, the Company was not committed to short-term leases.

Additional information on the right-of-use assets by class of assets is as follows:

	Carrying amount (Note 9) $	Depreciation Expense $	Impairment $
Property Leases	552,077	(63,094)	-
	552,077	**(63,094)**	**-**

Note 15. Provisions

	2020 $	2019 $
Current		
Employee benefits	180,166	170,436
Non-current		
Employee benefits	3,184	9,591
Total provisions	**183,350**	**180,027**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Note 16. Share capital

	2020 $	2019 $
900,008 Ordinary shares fully paid	900,008	900,008
	900,008	**900,008**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	900,008	900,008
At the end of the reporting period	**900,008**	**900,008**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

(b) 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 dividends 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.

(i) 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 Franchisee over that 12 month period; and

(ii) 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

Note 17. Accumulated losses

	2020 $	2019 $
Balance at the beginning of the reporting period	(152,993)	(189,011)
Profit for the year after income tax	218,975	126,019
Dividends paid	(90,001)	(90,001)
Balance at the end of the reporting period	**(24,019)**	**(152,993)**

Note 18. Dividends paid or provided for on ordinary shares

	2020 $	2019 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 10 cents per share (2019:10) franked at the tax rate of 27.5% (2019: 27.5%).	90,001	90,001

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

Note 19. Earnings per share

	2020 $	2019 $
Basic earnings per share (cents)	24.33	14.00
Earnings used in calculating basic earnings per share	218,975	126,019
Weighted average number of ordinary shares used in calculating basic earnings per share	900,008	900,008

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the compny, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

Note 21. Statement of cash flows

	2020 $	2019 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	310,145	140,656
As per the Statement of Cash Flow	**310,145**	**140,656**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	218,975	126,019
Non-cash flows in profit		
- Depreciation and amortisation	106,533	54,000
- Net profit on disposal of property, plant & equipment	(6,650)	(5,909)
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(11,771)	(960)
- (increase) / decrease in prepayments and other assets	4,762	(390)
- (Increase) / decrease in deferred tax asset	2,084	(7,413)
- Increase / (decrease) in trade and other payables	7,333	5,254
- Increase / (decrease) in current tax liability	3,356	(36,161)
- Increase / (decrease) in provisions	3,323	27,092
Net cash flows from operating activities	**327,945**	**161,532**

Note 22. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2020 $	2019 $
Short-term employee benefits	13,400	13,000
Total key management personnel compensation	**13,400**	**13,000**

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods / services provided	Value $
RSM - Steven James	Accountancy, Share Registry	28,835

The Port Lincoln Community Enterprises Limited have not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch.

(d) Key management personnel shareholdings

The number of ordinary shares in Port Lincoln Community Enterprises Limited held by each key management personnel of the company during the financial year is as follows:

	2020	2019
Greg Eden	6,000	6,000
Terri Christensen	4,501	4,501
Pat Callaghan	34,668	34,668
Anne-Marie Hammond	1,001	1,001
Steven James	7,502	7,502
Sandra Lukin	-	-
Mark Carr	5,000	5,000
Caitlin Noonan	-	-
Robert Donaldson	-	-

Note 22. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings (continued)

	2020	2019
Timothy Coote	-	-
Diana Smith	-	-
	58,672	**58,672**

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

Note 23. Community Enterprise Foundation™

The Community Enterprise Foundation™ (CEF) is the philanthropic arm of the Bendigo and Adelaide Bank Group to which Community Bank branches can make financial contributions. These contributions made by the company are included in the charitable donations and sponsorship expenditure in the Statement of Profit or Loss and Other Comprehensive Income.

During the current financial year, the company contributed funds to the Community Enterprise Foundation™ (CEF), as detailed below. These funds are held in trust by the CEF on behalf of the company and are available for distribution by grants to eligible applicants.

	2020 $	2019 $
Opening Balance	724,488	811,308
Contributions	289,474	300,474
Grants Paid	(210,469)	(384,785)
Interest	7,872	12,457
GST	(11,100)	(1,809)
Management fees	(13,157)	(13,157)
Balance available for distribution in future periods	**787,108**	**724,488**

Note 24. Events after the reporting period

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 25. Contingent liabilities and contingent assets

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

Note 26. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Port Lincoln, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 96% of the revenue (2019: 98%).

Note 27. Commitments

(a) Operating lease commitments

	2020 $	2019 $
Payable:		
- no later than 12 months	-	76,446
- between 12 months and five years	-	203,856
- greater than five years	-	-
Minimum lease payments	**-**	**280,302**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

(b) Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

	2020 $	2019 $
Payable - minimum lease payments:		
- no later than 12 months	-	5,792
- between 12 months and five years	-	-
- greater than five years	-	-
Minimum lease payments	**-**	**5,792**
Less future interest charges	-	(53)
Finance lease liability	**-**	**5,739**

Finace lease commitments were finalised during the 2020 financial year.

Note 28. Company details

The registered office and principal place of business is The Centre, 34 Liverpool Steet, Port Lincoln, SA, 5606.

Note 29. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 9 Financial Instruments as detailed in the accounting policies are as follows:

Note 29. Financial instrument risk (continued)

Specific financial risk exposure and management (continued)

	Note	2020 $	2019 $
Financial assets			
Financial assets at amortised cost:			
- Cash and cash equivalents	5	310,145	140,656
- Trade and other receivables	6	178,940	167,169
- Financial Assets	7	403,476	396,084
Total financial assets		**892,561**	**703,909**
Financial liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	12	52,427	45,094
- Borrowings	13	-	5,739
- Lease Liabilities	14	499,398	-
Total financial liabilities		**551,825**	**50,833**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 6.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Note 29. Financial instrument risk (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2020	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
- Cash and cash equivalents	0.10%	310,145	310,145	-	-
- Trade and other receivables		178,940	178,940	-	-
- Financial Assets	1.69%	403,476	403,476	-	-
Total anticipated inflows		**892,561**	**892,561**	**-**	**-**
Financial liabilities					
- Trade and other payables		52,427	52,427	-	-
- Lease Liabilities		499,398	-	499,398	
Total expected outflows		**551,825**	**52,427**	**499,398**	**-**
Net inflow / (outflow) on financial instruments		**340,736**	**840,134**	**(499,398)**	**-**

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
- Cash and cash equivalents	0.10%	140,656	140,656	-	-
- Trade and other receivables		167,169	167,169	-	-
- Financial Assets	2.03%	396,084	396,084	-	-
Total anticipated inflows		**703,909**	**703,909**	**-**	**-**
Financial liabilities					
- Trade and other payables		45,094	45,094	-	-
- Borrowings	5.88%	5,739	5,739	-	-
Total expected outflows		**50,833**	**50,833**	**-**	**-**
Net inflow / (outflow) on financial instruments		**653,076**	**653,076**	**-**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency.

Note 29. Financial instrument risk (continued)

(c) Market risk (continued)

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	2020		2019	
	Profit $	Equity $	Profit $	Equity $
+/- 1% in interest rates (interest income)	7,136	7,136	5,367	5,367
+/- 1% in interest rates (interest expense)	-	-	(57)	(57)
	7,136	**7,136**	**5,310**	**5,310**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Directors' declaration

In accordance with a resolution of the Directors of Port Lincoln Community Enterprises Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 11 to 40 are in accordance with the *Corporations Act 2001* and:
   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   (ii) give a true and fair view of the company's financial position as at 30 June 2020 and of the performance for the year ended on that date;
2. In the Directors' opinion 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 resolution is made in accordance with a resolution of the Board of Directors.

Greg Eden
Director

Signed at Port Lincoln on 18th September 2020.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PORT LINCOLN COMMUNITY ENTERPRISES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Port Lincoln Community Enterprises Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Port Lincoln Community Enterprises Limited is in accordance with the *Corporations Act 2001*, including:

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

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 to cease operations, or have no realistic alternative but to do so.

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309

Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements 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.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information, 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, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

P. P. Delahunty

P. P. Delahunty
Partner
Bendigo
Dated: 18 September 2020

Community Bank · Port Lincoln
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Bendigo Bank