Annual Report 2020

Rye and District Community Financial Services Ltd.

Community Bank
Rye, Dromana and Rosebud

ABN 67 095 766 89

Contents

Chair's report

Over the five reports delivered as Chair, I've described the banking climate as 'challenging' or 'difficult' or 'tight'. But never before have we been faced with so much uncertainty across the world. The COVID-19 pandemic is of a scale almost unfathomable in its impact both in terms of the health of citizens and the health of economies. These impacts will continue to be felt for an extended period.

This year has seen a myriad of challenges for us. A reduction of consolidated footings followed the re-domiciling of several business accounts, and the COVID-19 pandemic caused a sharp decline in foot traffic to our branches. Combined with continuing flagging interest rates and ongoing business and employment uncertainty, it is reasonable to expect further downward trends in the next couple of years.

And yet, despite all of this, I remain optimistic.

Prior to the pandemic, the company had already navigated a substantial amount of change with two key management personnel (Gary Sanford and Karen Dimsey) resigning to pursue other opportunities. With the assistance of our partner, Bendigo Bank, we undertook an extensive recruitment campaign and were absolutely delighted to welcome Fiona Somjee to the role of Senior Branch Manager in May.

Fiona has brought a high level of energy, professionalism and good humour to the job since her commencement. Although she has been stymied in her ability to engage with the community in a conventional sense, I know she will thrive in that aspect of the role when restrictions ease. We are also very happy to have two new branch managers at Dromana and Rosebud – more information will follow in the Senior Manager's report.

The 2019–2020 year also saw us develop a relationship with our new Regional Manager at Bendigo Bank, Kristy Marshall. We have been very thankful to Kristy for navigating us through a tough year. She has proven willing to engage with the board and management at all times and her contributions are insightful and practical.

The unique role we play in the lifeblood of our community remains more important than ever. Our branches have been a beacon in our towns during this time – remaining open for business through two lockdowns. Our staff have continued to provide banking with their usual friendly professionalism, while having to put aside their own personal concerns and master a plethora of constantly shifting cleaning and social distancing requirements. To also be the point of human contact for many of our customers who may not have had a smile or a chat with another person in days, makes all of our staff true 'everyday heroes'. I would like to publicly acknowledge and thank our staff for their commitment to their roles and to our customers.

I thank the Board of Directors for pivoting with agility to a brave new world of technology, namely, the introduction of remote video-link meetings. There has also been intense discussion and thought around the board table about how best to respond to and support our community through this pandemic. Be assured that we have the best interests of the shareholders and our wider community at the heart of every decision.

The company has returned $535,399 in donations, sponsorships and grants to the region for the financial year (this figure is adjusted down and does not include promotions, advertising and marketing costs as referenced in the Profit & Loss Statement on page 14). Although this is a reduction from previous years, it still reflects a fantastic investment in the local community. The month of June saw the injection of $30,000 into the Southern Peninsula Community Support Centre in Rosebud towards their food relief program, targeting our most disadvantaged. This is just one example of the company's ability to respond nimbly, in a targeted way to meet the pressing needs of our community.

I am pleased to confirm that despite the challenges this year, the company has continued to perform solidly. On the strength of the balance sheet, your Board has approved a prudent but very sound dividend of five cents per share (fully franked), which will be paid on Friday 20 November 2020.

As always, I pass on my deepest thanks to our shareholders and customers for another successful year in the face of so much uncertainty. I see much to be positive about as we enter 2021 and am excited to see the growth and development of the business under a reinvigorated management team.

Vin Cheers
Chairman

Senior Manager’s report

It is with great pleasure that I submit my report to the shareholders from the financial year ended 30 June 2020.

The year has seen its challenges with the aftermath of the Royal Commission resulting in tighter lending conditions and more oversight on both policy and execution of policy. Coupled with the impact of the COVID-19 pandemic in our last quarter of the financial year, this has placed enormous pressure on our staff and has impacted our community engagement and activities.

While noting the above changes to our banking conditions and the implications from COVID-19, the branches have demonstrated great resilience. An example of this is the relatively small decrease in home loan settlements across our three branches with Rye dropping from 61 previous year to 47 (–14), Rosebud dropping from 53 previous year to 50 (–3) and Dromana dropping from 34 previous year to 29 (–5). This was satisfying given the challenging climate.

Our consolidated footings at 30 June 2020 totalled $599.56 million, which included total deposits of $363.03 million and total lending of $216.29 million, along with $20.24 million in Financial Planning products under management. These balances represent a $22.52 million (3.6%) decline in footings over the financial year.

During the financial year there were footings of $22.39 million re-domiciled out of the group, to other Community Bank branches. This included $14.72 million in deposits and $7.67 million in lending. In the absence of these re-domiciled accounts, the group would have achieved footings decline of just $0.13 million which would have been a solid result in the current climate.

- Rye Branch footings as at 30 June 2020 were $270.71 million (down 4.7%), which included $168.67 million in deposits, $91.77 million in lending and $10.26 million in Financial Planning products under management.
- Dromana Branch footings as at 30 June 2020 were $177.45 million (down 10.9%), which included $104.26 million in deposits, $69.50 million in lending and $3.69 million in Financial Planning products under management.
- Rosebud Branch footings as at 30 June 2020 were $151.40 million (up 9.0%), which included $90.11 million in deposits, $55.01 million in lending and $6.28 million in Financial Planning products under management.

Our group holds 18,779 accounts from our 12,130 customers, an increase of 343 accounts and a small decrease of 53 customers from the previous year which shows an increase in product number per customer. Support for the unique Bendigo Bank brand has come from all sectors of our community, including personal and business.

We have seen some of our competitors in the area scale back their operations both in terms of physical presence and/or service offerings including opening hours. This presents us with an opportunity to grow our market share. By focussing our efforts on the local population (and customers of other banks who have either closed down branches or reduced hours) we can increase our customer base and tailor our on-boarding of customers to identify needs and potential cross selling opportunities for ancillary products and services.

Our branches are well positioned to grow. Existing customers become our advocates and promote the benefits of supporting our Community Bank branches. This advocacy is being led particularly by the many not-for-profit groups that we have partnered since opening. These organisations are already seeing the rewards that banking with the Community Bank branch can bring to them.

Over the next 12 months we remain committed to developing our partnerships with these not-for-profit customers, so that we can all continue to share in the building of a stronger and more financially secure local community. With the support of these groups and our existing customers, I am confident that we can continue to grow our business to a level that enables us to record consistent month-on-month profits.

In November 2019, Gary Sanford (Senior Branch Manager since the Community Bank opened in Rye in April 2001), ceased his position within the Rye group and took on other opportunities within the industry. We also sadly said goodbye to Karen Dimsey and Jeff Kimber who made a positive contribution to our Group. I would like to acknowledge all their great efforts towards the Group’s growth and prosperity. The leadership team now consists of myself as Senior Manager along with our three Branch Managers Julie Nolo (Rye), Kristy McRae (Rosebud) and Jason Symonds (Dromana). I would like to recognise and thank our managers for their excellent support, leadership, and management of their teams during these uncertain and unprecedented times.

Senior Manager's report (continued)

Thank you to all our staff at all three branches, you have all shown amazing resilience and commitment to our customers and to one another.

I would also like to thank our Board of Directors who have worked tirelessly in promoting our branches along with our Regional Support team, including our Specialist Business Bankers and Financial Planners. They have all supported both the staff and I in our efforts to continue to grow our business.

Last but not least, I would like to thank all our customers and shareholders who have supported us this year and in previous years. Without your support we would not have been able to achieve the results we have to date. Our charitable sponsorships this financial year was $485,899 and $49,500 in donations, totalling a contribution of $535,399 back into our local community. I continue to ask that you be advocates for our branches and encourage your family, friends, and associates to also support us to grow. I congratulate every stakeholder involved in our company and thank every customer we have banking with us because it is with your support these contributions are possible.

I look forward to the year ahead and the many challenges I am sure it will bring. We will continue to strive to be the best Community Bank branches in the network by providing the highest levels of customer service. We will remain resilient and committed to our customers and local community. Please feel free to contact me anytime.

Fiona Somjee
Senior Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

Just as the fires had been extinguished and the Bank's Community Enterprise 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

The Directors submit the financial statements of the company for the financial year ended 30 June 2020.

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

Vincent de Paul Cheers

Chairman & Non-executive director

Occupation: Managing Director

Qualifications, experience and expertise: Owns and operates Vinsbins Pty Ltd. A waste management company on the Mornington Peninsula, employing 50-60 staff.

Special responsibilities: Sponsorship Committee

Interest in shares: 46,500 ordinary shares

Stephen Bernard Edmund

Deputy Chairman & Non-executive director

Occupation: Real Estate Agent

Qualifications, experience and expertise: Sales and marketing background with 35 years experience operating retail and property management business on the Peninsula. Currently working in real estate in the Safety Beach to Rye area. Past President of Rotary Club of Dromana and Paul Harris Fellowship. Past President of Dromana Chamber of Commerce.

Special responsibilities: Deputy Chairman

Interest in shares: 7,200 ordinary shares

Anthony Patrick Harford

Non-executive director

Occupation: Management Consultant

Qualifications, experience and expertise: 11 years Board Administration Officer for Rye & District Community Financial Services Ltd. Graduate of Company Directors Course, Australian Institute of Company Directors (AICD). Victorian Manager, AICD 2002–2005. Facilitator, AICD Governance Programs 2006 – Present. Past Commercial Manager Victoria, Qantas Airways. Past General Manager, Customer Loyalty Programs, Qantas Airways Ltd. Past CEO, Service Partners Pty Ltd. Past Customer Service and IT Executive, Diners Club International. Member RACV. Member Sorrento Golf Club.

Special responsibilities: Treasurer

Interest in shares: nil share interest held

Dorothy Mortlock

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Secretary, Southern Peninsula Community Fund. President, Golf Peninsula Vic, Committee of Handle with Care (local charity working with Indonesia) and Past President of Rosebud Country Club.

Special responsibilities: Audit & Governance Committee

Interest in shares: 2,890 ordinary shares

Amber Britt Earles

Non-executive director

Occupation: Business Consultant

Qualifications, experience and expertise: BA (Melbourne), Grad. Dip. Ed (Melbourne); Master of International and Community Development (Deakin); Grad. Cert Social Impact (Swinburne); PhD (Swinburne). Throughout her career, Amber has worked across Asia, the Pacific and the Middle East as well as in remote Australian Aboriginal communities to support individuals and organisations to achieve their goals. She is now applying her expertise closer to home. Amber supports small businesses to document, operationalise and evaluate social and environmental impact plans, achieving founders' goals of caring for people and the planet while allowing them to concentrate their efforts on the day-to-day running of their business.

Special responsibilities: Sponsorship Committee and Marketing Committee

Interest in shares: 2,000 ordinary shares

Barry Leonard Irving

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Member of Rotary Club of Rosebud-Rye and past President of Paul Harris Fellow 3 Sapphires. Secretary of Rotary District 9820 Conference Ride, Member Rye RSL, Senior Laboratory Craftsman with CSIRO with 17 years' experience (now retired). Professional photography business in Rye (now retired). Photography & Journalism for local community groups and associations (voluntary basis), Member of Rye Cemetery Trust (voluntary basis).

Special responsibilities: Marketing, Promotion & Youth

Interest in shares: 3,600 ordinary shares

Gary Michael Cain

Non-executive director

Occupation: Accountant, CPA

Qualifications, experience and expertise: CPA Qualified with 37 years in Public Practice.

Special responsibilities: Finance Committee

Interest in shares: 5,000 ordinary shares

Janet Hall

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Business Owner of Jan's Window Décor. Southern Mornington Peninsula Uniting Church – Church Council – Property Officer. Steering Committee – Building of Murphy Anderson Place – disability accommodation for people with high needs.

Special responsibilities: Audit Committee and Sponsorship & Grants Committee

Interest in shares: 8,800 ordinary shares

Stephen De Quetteville Robin

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Master's Degree in Public Policy, over 30 years' experience in Public Relations and Marketing, expertise in Sponsorship raising, trade exhibitions and conference organising. Past membership of multiple tourism organisations on the Mornington Peninsula.

Special responsibilities: Marketing Committee

Interest in shares: 1,500 ordinary shares

Renee Christiana Bowker

Non-executive director (appointed 30 July 2019)

Occupation: Director

Qualifications, experience and expertise: Renee has a Bachelor of Commerce. Over 20 years as an experienced strategic marketer in the telecommunications industry in Australia, Ireland and USA, and has been working in corporate philanthropy and community investment since co-founding Telco Together Foundation in 2011. Other current directorship includes Telco Together Foundation. Special responsibilities: Marketing Committee Chair and Member of Sponsorship Committee

Interest in shares: nil share interest held

Craig Lawrence Dowsing

Non-executive director (appointed 23 July 2019)

Occupation: Project Manager (Business Development) and business consultant

Qualifications, experience and expertise: Craig has a Bachelor of Business (Accounting). He worked for over a decade in commercial and consumer banking with the NAB and has now spent the last 12 years involved in business, accounting, financial management and strategic planning and development roles for both private and not-for-profit organisations. Member of the finance sub-committee for the Mornington Golf Club and currently the coach of two junior basketball teams in the Mornington District Basketball Association.

Special responsibilities: Treasurer (from 1 July 2020)

Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Sarah Marshall.

Sarah was appointed to the position of secretary on 1 December 2016.

Qualifications, experience and expertise: Sarah's qualifications include BA/LLB(Hons) from the University of Melbourne. Sarah has a background in corporate and commercial law in city law firms for eight years. Sarah's special responsibilities include the Sponsorship and Marketing Committees.

Principal activity

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

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

Operating results

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

Year ended 30 June 2020 $	Year ended 30 June 2019 $
564,115	**370,376**

Directors' report (continued)

Directors' interests

	Fully paid ordinary shares		
	Balance at the start of the year	**Changes during the year**	**Balance at the end of the year**
Vincent de Paul Cheers	46,500	–	46,500
Stephen Bernard Edmund	7,200	–	7,200
Anthony Patrick Harford	–	–	–
Dorothy Mortlock	2,890	–	2,890
Amber Britt Earles	2,000	–	2,000
Barry Leonard Irving	3,600	–	3,600
Gary Michael Cain	5,000	–	5,000
Janet Hall	8,800	–	8,800
Stephen De Quetteville Robin	1,500	–	1,500
Renee Christiana Bowker	–	–	–
Craig Lawrence Dowsing	–	–	–

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	7.75	227,199
Total amount	**7.75**	**227,199**

Subsequent to financial year-end, the following dividends were proposed by the directors. The dividends have not been provided for in the financial statements.

	Cents per share	Total amount $
Final fully franked dividend	5.00	146,580
Total amount	**5.00**	**146,580**

Directors' report (continued)

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) was applicable from 1 July 2019. The company has assessed its leasing arrangements and noted the AASB 16 does not have a significant impact. See Note 4 for further details.

Significant changes in the state of affairs

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

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

Events since the end of the financial year

Since the end of the financial year, the board of directors has proposed to pay a fully franked dividend of 5 cents per share, to be paid on 20 November 2020. The financial impact of the dividend, amounting to $146,580, has not been recognised in the financial statements for the financial year ended 30 June 2020, and will be recognised in the subsequent financial statements.

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Board meetings attended		Committee meetings attended							
			Audit & Governance		Finance		Sponsorship		Marketing	
	E	A	E	A	E	A	E	A	E	A
Vincent de Paul Cheers	16	16	–	–	1	1	6	6	–	–
Stephen Bernard Edmund	16	15	–	–	–	–	–	–	5	4
Anthony Patrick Harford	16	12	–	–	1	1	6	6	–	–
Dorothy Mortlock	16	13	4	4	–	–	–	–	–	–
Amber Britt Earles	16	14	–	–	–	–	6	6	5	4
Barry Leonard Irving	16	15	–	–	–	–	6	6	–	–
Gary Michael Cain	16	11	–	–	1	1	–	–	–	–
Janet Hall	16	14	4	4	–	–	6	6	–	–
Stephen De Quetteville Robin	16	15	–	–	–	–	–	–	5	4
Renee Christiana Bowker	15	13	–	–	–	–	6	6	4	3
Craig Lawrence Dowsing	15	14	–	–	–	–	–	–	–	–

E - eligible to attend
A - number attended

Proceedings on behalf of the company

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

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

Directors’ report (continued)

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor’s expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 27 to the accounts.

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

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

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

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

Vincent de Paul Cheers, Chairman
Dated this 22nd day of September 2020

Auditor's independence declaration

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 22 September 2020

Graeme Stewart
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	3,725,719	3,965,992
Other revenue	9	209,094	90,700
Finance income	10	126	277
Employee benefit expenses	11c	(1,867,293)	(2,010,408)
Charitable donations, sponsorship, advertising and promotion		(567,460)	(769,326)
Occupancy and associated costs		(146,067)	(140,003)
Systems costs		(180,219)	(179,774)
Depreciation and amortisation expense	11a	(133,390)	(135,520)
Finance costs	11b	(43,212)	(58,447)
General administration expenses		(221,203)	(242,750)
Profit before income tax expense		**776,095**	**520,741**
Income tax expense	12a	(211,980)	(150,365)
Profit after income tax expense		**564,115**	**370,376**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**564,115**	**370,376**
Earnings per share		¢	¢
Basic and diluted earnings per share	30a	19.24	12.63

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a	392,719	135,476
Trade and other receivables	15a	382,011	358,856
Total current assets		**774,730**	**494,332**
Non-current assets			
Investment property	14a	940,091	955,325
Property, plant and equipment	16a	4,502,985	4,580,975
Intangible assets	17a	43,636	76,582
Deferred tax asset	18b	128,453	146,957
Total non-current assets		**5,615,165**	**5,759,839**
Total assets		**6,389,895**	**6,254,171**
LIABILITIES			
Current liabilities			
Trade and other payables	19a	172,622	159,744
Current tax liabilities	18a	106,726	61,670
Loans and borrowings	20a	230,914	249,791
Employee benefits	21a	97,248	142,834
Total current liabilities		**607,510**	**614,039**
Non-current liabilities			
Loans and borrowings	20b	913,720	1,115,908
Employee benefits	21b	91,634	84,109
Total non-current liabilities		**1,005,354**	**1,200,017**
Total liabilities		**1,612,864**	**1,814,056**
Net assets		**4,777,031**	**4,440,115**
EQUITY			
Issued capital	22a	1,299,400	1,299,400
Reserves	23a	1,306,515	1,306,515
Retained earnings	24	2,171,116	1,834,200
Total equity		**4,777,031**	**4,440,115**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	Issued capital $	Revaluation reserve $	Retained earnings $	Total equity $
Balance at 1 July 2018		1,299,400	1,306,515	1,683,694	4,289,609
Total comprehensive income for the year		–	–	370,376	370,376
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	29a	–	–	(219,870)	(219,870)
Balance at 30 June 2019		**1,299,400**	**1,306,515**	**1,834,200**	**4,440,115**
Balance at 1 July 2019		1,299,400	1,306,515	1,834,200	4,440,115
Total comprehensive income for the year		–	–	564,115	564,115
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	29a	–	–	(227,199)	(227,199)
Balance at 30 June 2020		**1,299,400**	**1,306,515**	**2,171,116**	**4,777,031**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ending 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		4,366,738	4,045,065
Payments to suppliers and employees		(3,394,175)	(3,311,025)
Interest received		126	277
Interest paid		(43,212)	(58,447)
Lease payments not included in the measurement of lease liabilities	11d	(68,331)	–
Income taxes paid		(148,419)	(105,513)
Net cash provided by operating activities	25	**712,727**	**570,357**
Cash flows from investing activities			
Payment for property, plant and equipment		(7,220)	(172,988)
Net cash used in investing activities		**(7,220)**	**(172,988)**
Cash flows from financing activities			
Proceeds from loans and borrowings		–	87,255
Repayment of loans and borrowings		(221,065)	(270,047)
Dividends paid	29a	(227,199)	(219,870)
Net cash used in financing activities		**(448,264)**	**(402,662)**
Net cash increase/(decrease) in cash held		**257,243**	**(5,293)**
Cash and cash equivalents at the beginning of the financial year		135,476	140,769
Cash and cash equivalents at the end of the financial year	13a	**392,719**	**135,476**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ending 30 June 2020

Note 1. Reporting entity

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

- Registered Office: 239 Point Nepean Road, Dromana VIC 3936
- Principal Places of Business:
  239 Point Nepean Road Dromana VIC 3936
  2271 Point Nepean Road Rye VIC 3941
  1087–1089 Point Nepean Road Rosebud VIC 3939

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

Note 2. Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 22 September 2020.

Note 3. Changes in accounting policies, standards and interpretations

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

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) was applicable from 1 July 2019. The impact of applying AASB 16 has been assessed as insignificant by the company.

Note 4. Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Note 4. Summary of significant accounting policies (continued)
a) Revenue from contracts with customers (continued)

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

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

Discretionary financial contributions

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

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

Note 4. Summary of significant accounting policies (continued)
b) Other revenue (continued)

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

Cash flow boost

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

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

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

c) Economic dependency – Bendigo Bank

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

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

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

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

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

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

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

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

Note 4. Summary of significant accounting policies (continued)

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

Note 4. Summary of significant accounting policies (continued)
e) Taxes (continued)

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Notes to the financial statements (continued)

Note 4. Summary of significant accounting policies (continued)
g) Property, plant and equipment (continued)

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line and diminishing value	5 to 15 years
Plant and equipment	Straight-line and diminishing value	2.5 to 15 years
Furniture, fixtures and fittings	Diminishing value	4 to 15 years
Motor vehicles	Diminishing value	5 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

Intangible assets are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

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

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

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

Financial assets – business model assessment

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

Financial assets – subsequent measurement and gains and losses

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

Note 4. Summary of significant accounting policies (continued)
i) Financial instruments (continued)

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

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

Note 4. Summary of significant accounting policies (continued)
j) Impairment (continued)

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) Leases

Short-term leases and leases of low-value assets

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

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

m) Fair value measurement

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

Note 4. Summary of significant accounting policies (continued)
m) Fair value measurement (continued)

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

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

n) Standards issued but not yet effective

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

Note 5. Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
Note 8 – revenue recognition	Whether revenue is recognised over time or at a point in time

b) Assumptions and estimation uncertainties

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

Note	Judgement
Note 18 – recognition of deferred tax assets	Availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised
Note 25 – fair value	Determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs
Note 16 – estimation of useful lives of assets	Key assumptions on historical experience and the condition of the asset
Note 21 – long service leave provision	Key assumptions on attrition rate and pay increases though promotion and inflation

Note 6. Financial risk management

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

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

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

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

a) Credit risk

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

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

b) Liquidity risk

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

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

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
30 June 2020				
Bank loans	1,102,834	205,579	897,255	–
Chattel Mortgage	41,800	25,335	16,465	–
Trade payables	6,730	6,730	–	–
	1,151,364	**237,644**	**913,720**	**–**
30 June 2019				
Bank loans	1,295,187	221,080	1,074,107	–
Chattel Mortgage	70,512	28,711	41,801	–
Trade payables	14,966	14,966	–	–
	1,380,665	**293,468**	**1,115,908**	–

Note 6. Financial risk management (continued)

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $392,719 at 30 June 2020 (2019: $135,476). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7. Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

	2020 $	2019 $

Note 8. Revenue from contracts with customers

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

Revenue from contracts with customers		
Revenue from contracts with customers	3,725,719	3,965,992
	3,725,719	**3,965,992**
Disaggregation of revenue from contracts with customers		
At a point in time:		
Margin income	3,126,860	3,315,416
Fee income	258,620	263,668
Commission income	340,239	386,907
	3,725,719	**3,965,991**

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

Note 9. Other revenue

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

Other revenue		
Rental income	42,281	45,397
Market development fund income	37,500	45,000
Cash flow boost	50,000	–
Compensation for re-domiciled accounts	79,313	303
	209,094	**90,700**

	2020 $	2019 $

Note 10. Finance income

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

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

Finance income		
At amortised cost:		
Other	126	277
	126	**277**

Note 11. Expenses

a) Depreciation and amortisation expense

Depreciation of non-current assets:		
Land and buildings	55,581	58,651
Leasehold improvements	5,543	6,155
Furniture and fittings	5,132	7,694
Motor vehicles	18,954	9,432
Investment property	15,234	15,996
	100,444	**97,928**
Amortisation of intangible assets:		
Franchise fee	5,531	6,111
Franchise establishment fee	–	4,066
Franchise renewal process fee	27,415	27,415
	32,946	**37,592**
Total depreciation and amortisation expense	**133,390**	**135,520**

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

	2020 $	2019 $

Note 11. Expenses (continued)

b) Finance costs

Finance costs:

Bank loan interest paid or accrued	42,429	57,579
Recurring borrowing costs paid	783	868
	43,212	**58,447**

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

c) Employee benefit expenses

Wages and salaries	1,532,487	1,530,403
Non-cash benefits	21,297	19,279
Contributions to defined contribution plans	145,352	143,610
Expenses related to long service leave	(25,276)	17,531
Other expenses	193,433	299,585
	1,867,293	**2,010,408**

d) Recognition exemption

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

Expenses relating to low-value leases	68,331	–
	68,331	**–**

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

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

	2020 $	2019 $

Note 12. Income tax expense

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

a) Amounts recognised in profit or loss

Current tax expense		
Current tax	193,475	149,665
Movement in deferred tax	11,094	700
Reduction in company tax rate	7,411	–
	211,980	**150,365**

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $7,411 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

Operating profit before taxation	776,095	520,741
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	213,426	143,204
Tax effect of:		
Non-deductible expenses	1,483	3,280
Other deductible expenses	–	3,881
Temporary differences	(7,684)	(700)
Other assessable income	(13,750)	–
Movement in deferred tax	11,094	700
Reduction in company tax rate	7,411	–
	211,980	**150,365**

Note 13. Cash and cash equivalents

a) Cash and cash equivalents

Cash at bank and on hand	392,719	135,476
	392,719	**135,476**

	2020 $	2019 $

Note 14. Investment property

Investment property comprises a commercial property that is leased to third parties. The lease contains an initial non-cancellable period. Subsequent renewals are negotiated with the lessee and historically the average renewal period is five years.

a) Carrying amounts

Investment properties	2020 $	2019 $
At fair value	975,000	975,000
Less: accumulated depreciation	(34,909)	(19,675)
	940,091	**955,325**

b) Reconciliation of carrying amounts

Investment properties	2020 $	2019 $
Carrying amount at beginning	955,325	971,321
Depreciation	(15,234)	(15,996)
Carrying amount at end	**940,091**	**955,325**

c) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the company's investment property portfolio every three years.

The company's investment property was independently valued by Opteon on 9 April 2018.

The directors do not believe there has been a significant change in the assumptions as at balance date. The directors therefore believe the carrying amount of the investment properties reflects its fair value as at 30 June 2020.

The fair value measurement for all of the investment properties has been categorised as a Level 2 fair value based on the valuation technique used. The directors have reviewed the values and noted the carrying amount is not materially different.

Note 15. Trade and other receivables

a) Current assets

	2020 $	2019 $
Trade receivables	278,120	326,839
Prepayments	24,578	31,992
Other receivables and accruals	79,313	25
	382,011	**358,856**

Note 16. Property, plant and equipment

a) Carrying amounts

	2020 $	2019 $
Land and buildings		
At fair value	4,494,813	4,494,813
Less: accumulated depreciation	(127,433)	(71,852)
	4,367,380	**4,422,961**
Leasehold improvements		
At cost	141,693	134,474
Less: accumulated depreciation	(91,337)	(85,795)
	50,356	**48,679**
Furniture and fittings		
At cost	116,694	116,694
Less: accumulated depreciation	(88,307)	(83,175)
	28,387	**33,519**
Motor vehicles		
At cost	110,134	110,134
Less: accumulated depreciation	(53,272)	(34,318)
	56,862	**75,816**
Total written down amount	**4,502,985**	**4,580,975**

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

Notes to the financial statements (continued)

Note 16. Property, plant and equipment (continued)

b) Reconciliation of carrying amounts

	2020 $	2019 $
Land and buildings		
Carrying amount at beginning	4,422,961	4,386,799
Additions	–	94,813
Depreciation	(55,581)	(58,651)
Carrying amount at end	**4,367,380**	**4,422,961**
Leasehold improvements		
Carrying amount at beginning	48,679	54,834
Additions	7,220	–
Depreciation	(5,543)	(6,155)
Carrying amount at end	**50,356**	**48,679**
Furniture and fittings		
Carrying amount at beginning	33,519	36,888
Additions	–	4,325
Depreciation	(5,132)	(7,694)
Carrying amount at end	**28,387**	**33,519**
Motor vehicles		
Carrying amount at beginning	75,816	17,912
Additions	–	73,850
Disposals	–	(6,514)
Depreciation	(18,954)	(9,432)
Carrying amount at end	**56,862**	**75,816**
Total written down amount	**4,502,985**	**4,580,975**

c) Changes in estimates

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

The company's land and buildings were independently valued by In Property Valuations Australia during 2015.

The directors do not believe there has been a significant change in the assumptions as at balance date. The directors therefore believe the carrying amount of the land and buildings reflects its fair value as at 30 June 2020.

The fair value measurement has been categorised as a Level 2 fair value based on the valuation technique used. The directors have reviewed the values and noted the carrying amount is not materially different.

	2020 $	2019 $

Note 17. Intangible assets

a) Carrying amounts

Franchise fee		
At cost	167,221	167,222
Less: accumulated amortisation	(160,591)	(155,061)
	6,630	**12,161**
Franchise establishment fee		
At cost	70,000	70,000
Less: accumulated amortisation	(70,000)	(70,000)
	–	–
Franchise renewal process fee		
At cost	234,931	234,930
Less: accumulated amortisation	(197,925)	(170,509)
	37,006	**64,421**
Total written down amount	**43,636**	**76,582**

b) Reconciliation of carrying amounts

Franchise fee		
Carrying amount at beginning	12,161	18,272
Amortisation	(5,531)	(6,111)
Carrying amount at end	**6,630**	**12,161**
Franchise establishment fee		
Carrying amount at beginning	–	4,066
Amortisation	–	(4,066)
Carrying amount at end	–	–
Franchise renewal process fee		
Carrying amount at beginning	64,421	91,836
Amortisation	(27,415)	(27,415)
Carrying amount at end	**37,006**	**64,421**
Total written down amount	**43,636**	**76,582**

c) Changes in estimates

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

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

Notes to the financial statements (continued)

	2020 $	2019 $

Note 18. Tax assets and liabilities

a) Current tax

Income tax payable	106,726	61,670

b) Deferred tax

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

	30 June 2019 $	Recognised in profit or loss $	30 June 2020 $
Deferred tax assets			
Expense accruals	683	(321)	362
Employee provisions	62,409	(13,299)	49,110
Carried-forward capital losses	135,110	(7,370)	127,740
Total deferred tax assets	**198,202**	**(20,990)**	**177,212**
Deferred tax liabilities			
Deductible prepayments	4,455	66	4,521
Revaluation surplus	46,790	(2,552)	44,238
Total deferred tax liabilities	**51,245**	**(2,486)**	**48,759**
Net deferred tax assets (liabilities)	**146,957**	**(18,504)**	**128,453**

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

	30 June 2018 $	Recognised in profit or loss $	30 June 2019 $
Deferred tax assets			
Expense accruals	852	(169)	683
Employee provisions	62,468	(59)	62,409
Carried-forward capital losses	135,110	–	135,110
Total deferred tax assets	**198,430**	**(228)**	**198,202**
Deferred tax liabilities			
Deductible prepayments	3,938	517	4,455
Revaluation surplus	46,790	–	46,790
Total deferred tax liabilities	**50,728**	**517**	**51,245**
Net deferred tax assets (liabilities)	**147,702**	**(745)**	**146,957**

	2020 $	2019 $

Note 18. Tax assets and liabilities (continued)

c) Uncertainty over income tax treatments

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

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

Note 19. Trade creditors and other payables

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

a) Current liabilities

	2020 $	2019 $
Trade creditors	6,730	14,966
Other creditors and accruals	165,892	144,778
	172,622	**159,744**

Note 20. Loans and borrowings

a) Current liabilities

	2020 $	2019 $
Secured bank loans	205,579	221,080
Chattel mortgage	25,335	28,711
	230,914	**249,791**

b) Non-current liabilities

	2020 $	2019 $
Secured bank loans	897,255	1,074,107
Chattel mortgage	16,465	41,801
	913,720	**1,115,908**

c) Terms and repayment schedule

			30 June 2020		30 June 2019	
	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Secured bank loans	2.64%	Floating	1,102,834	1,102,834	1,295,187	1,295,187
Chattel mortgage	4.22%	2021	41,800	41,800	70,512	70,512

	2020 $	2019 $

Note 21. Employee benefits

a) Current liabilities

Provision for annual leave	40,631	53,415
Provision for long service leave	56,617	89,419
	97,248	**142,834**

b) Non-current liabilities

Provision for long service leave	91,634	84,109
	91,634	**84,109**

c) Key judgement and assumptions

Employee attrition rates

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

Note 22. Issued capital

	2020		2019	
a) Issued capital	Number	$	Number	$
Ordinary shares – fully paid	2,931,605	1,340,732	2,931,605	1,340,732
Less: equity raising costs	–	(41,332)	–	(41,332)
	2,931,605	**1,299,400**	**2,931,605**	**1,299,400**

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Note 22. Issued capital (continued)

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the '10% limit').
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the 'close connection test').
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the 'base number test'). The base number is 270. As at the date of this report, the company had 469 shareholders (2019: 479 shareholders).

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

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

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

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

Notes to the financial statements (continued)

	Note	2020 $	2019 $

Note 23. Reserves

a) Nature and purpose of reserves

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment and investment properties.

Asset revaluation reserve		**1,306,515**	**1,306,515**

Note 24. Retained earnings

Balance at beginning of reporting period		1,834,200	1,683,694
Net profit after tax from ordinary activities		564,115	370,376
Dividends provided for or paid	28a	(227,199)	(219,870)
Balance at end of reporting period		**2,171,116**	**1,834,200**

Note 25. Reconciliation of cash flows from operating activities

Net profit after tax from ordinary activities		564,115	370,376
Adjustments for:			
Depreciation		100,444	97,928
Amortisation		32,946	37,592
(Profit)/loss on disposal of non-current assets		–	1,059
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		(23,155)	(11,627)
(Increase)/decrease in other assets		18,505	–
Increase/(decrease) in trade and other payables		12,876	30,389
Increase/(decrease) in employee benefits		(38,060)	(212)
Increase/(decrease) in tax liabilities		45,056	44,852
Net cash flows provided by operating activities		**712,727**	**570,357**

	Note	2020 $	2019 $

Note 26. Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	15	357,433	326,864
Cash and cash equivalents	13	392,719	135,476
		750,152	**462,340**
Financial liabilities			
Trade and other payables	19	6,730	14,966
Secured bank loans	20	1,102,834	1,295,187
Chattel Mortgage	20	41,800	70,512
		1,151,364	**1,380,665**

Note 27. Auditor's remuneration

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

	2020 $	2019 $
Audit and review services		
Audit and review of financial statements	7,000	6,956
	7,000	**6,956**
Non audit services		
General advisory services	500	–
Valuation services	3,500	–
	4,000	–
Total auditor's remuneration	**11,000**	**6,956**

	2020 $	2019 $

Note 28. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Vincent de Paul Cheers	Amber Britt Earles	Stephen De Quetteville Robin
Stephen Bernard Edmund	Barry Leonard Irving	Renee Christiana Bowker
Anthony Patrick Harford	Gary Michael Cain	Craig Lawrence Dowsing
Dorothy Mortlock	Janet Hall	

b) Key management personnel compensation

Key management personnel compensation comprised the following.

	2020 $	2019 $
Short-term employee benefits	90,274	79,187
Post-employment benefits	9,476	8,313
	99,750	**87,500**

Compensation of the company's key management personnel includes salaries and contributions to a post-employment defined contribution plan.

c) Related party transactions

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

Note 29. Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	7.75	227,199	7.50	219,870
Total dividends provided for and paid during the financial year	**7.75**	**227,199**	**7.50**	**219,870**

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

b) Dividends proposed not recognised at balance date

Fully franked dividend	5.00	146,580	7.75	227,199
Total dividends declared subsequent to financial year end	**5.00**	**146,580**	**7.75**	**227,199**

The tax rate at which future dividends will be franked is 26%.

Note 29. Dividends provided for or paid (continued)

c) Franking account balance

	2020 $	2019 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	1,024,201	1,002,087
Franking transactions during the financial year:		
Franking credits (debits) arising from income taxes paid (refunded)	35,591	(15,625)
Franking credits from the payment of income tax installments during the financial year	112,828	121,138
Franking debits from the payment of franked dividends	(86,179)	(83,399)
Franking account balance at the end of the financial year	**1,086,441**	**1,024,201**
Franking transactions that will arise subsequent to the financial year end:		
Franking credits (debits) that will arise from payment (refund) of income tax	106,726	35,591
Franking debits that will arise from payment of dividends subsequent to financial year end	(55,599)	(86,179)
Franking credits available for future reporting periods	**1,137,568**	**973,613**

Note 30. Earnings per share

a) Basic and diluted earnings per share

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

		2020	2019
Profit attributable to ordinary shareholders	$	564,115	370,376
Weighted-average number of ordinary shares	Number	2,931,602	2,931,602
Basic and diluted earnings per share	Cents	19.24	12.63

	2020 $	2019 $

Note 31. Commitments

a) Lease commitments

Finance lease commitments

Payable – minimum lease payments:		
– not later than 12 months	26,585	31,039
– between 12 months and 5 years	16,736	43,321
Minimum lease payments	**43,321**	**74,360**
Less future finance charges	(1,520)	(3,848)
Present value of minimum lease payments	**41,801**	**70,512**

The finance lease of Toyota Camry & Toyota Rav4, which commenced in November 2018 & May 2019 respectively, are 3 year leases. Interest is recognised at an average rate of 4.22%.

b) Other commitments

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

Note 32. Contingencies

Contingent liabilities at reporting date

Not otherwise provided for or disclosed in the financial statements:		
Contingent liabilities	255,000	–
	255,000	**–**

Contingent liabilities related predominantly to actual or potential claims on the company for which amounts are reasonably estimated but the liability is not probable and therefore the company has not provided for such amount in these financial statements.

Assessing the amount or liabilities that are not probable is highly judgemental. Contingent liabilities are disclosed on the basis of the known maximum exposure.

Note 33. Subsequent events

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

Directors' declaration

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

In the opinion of the directors:

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

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

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

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

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

Vincent de Paul Cheers, Chairman
Dated this 22nd day of September 2020

Independent audit report

Partners in success

Chartered Accountants

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

Independent auditor's report to the members of Rye & District Community Financial Services Limited

Report on the audit of the financial report

Our opinion

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

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

What we have audited

Rye & District Community Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

Partners in success
Chartered Accountants
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afsbendigo.com.au

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

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 22 September 2020

Graeme Stewart
Lead Auditor

Community funding 2019–20

Organisations who have received donations, sponsorships or grants this year

- Advance College of Education Inc
- Association for Building Community in Dromana Inc
- Australian Volunteer CoastGuard
- Boneo Adult Riders Club Inc
- Boneo Baseball & Softball Club
- Boneo Primary School
- Boneo Rural Fire Brigade
- Caroline Chisholm Education Foundation
- Carrington Park at Eagle Ridge Ladies Golf Club
- Community Christmas Lunch (Rosebud)
- Dreamhouse Theatre Co
- Dromana Bowls Club
- Dromana College
- Dromana Cricket Club
- Dromana Fire Brigade
- Dromana Football & Netball Club
- Dromana Foreshore Committee
- Dromana Valley Probus
- Eastbourne Primary School
- Food For All
- Ingham Growers' Association
- Light Up Autism Foundation
- Lions Club of McCrae & District
- Main Ridge Bowls & Petanque Club
- Martha Cove Community Garden
- McCrae Homestead Coastal Group Inc
- McCrae Yacht Club
- Mornington Peninsula Bowls Inc
- Mornington Peninsula Chorale Festival
- Mornington Peninsula Foundation
- Mornington Peninsula Hockey
- Mornington Peninsula Koala Conservation
- Mornington Peninsula Veteran Golfers Association
- National Serviceman's Association - Mornington Peninsula Sub Branch
- Our Lady of Fatima Primary School Parents Association
- Peninsula Chamber Musicians
- Peninsula Country Music Club
- Peninsula Home Hospice (Nepean Friends of Hospice)
- Penman Reserve
- Poet's Corner
- Pt Nepean Men's Shed Assoc
- Red Hill Basketball Club
- Red Hill District Lions Club
- Red Hill Fire Brigade
- Red Hill Football and Netball Club
- Red Hill Junior Netball Club
- Red Hill Tennis Club
- RNB Croquet Club
- Rosebud & McCrae Lifesaving Club
- Rosebud Australia Day Association
- Rosebud Chamber of Commerce
- Rosebud Christmas Carols
- Rosebud Country Club - Bowls Division
- Rosebud Football and Netball Club
- Rosebud Girl Guides
- Rosebud Heart Junior Soccer Club
- Rosebud Junior Football Club
- Rosebud Kite Festival (Rosebud Chamber of Commerce)
- Rosebud Police Senior Citizens Register
- Rosebud Raiders Basketball Club
- Rosebud Rock N Rods Festival
- Rosebud Secondary College Chaplaincy Program
- Rosebud Tennis Club
- Rosebud Toy Library
- Rotary Club of Dromana
- Rotary Club of Sorrento
- Rye & Peninsula Greek Women's Club
- Rye Beach Business Association
- Rye Bowls Club
- Rye Cemetery Trust
- Rye Community House
- Rye Cricket Club
- Rye Football Netball Club
- Rye Sports & Social Club
- Rye Tennis Club Incorporated
- Rye Yacht Club
- Safety Beach Dromana Men's Shed
- Safety Beach Golf Club
- Safety Beach Sailing Club
- Seawinds Community Hub
- Sister Carmel Southern Peninsula Cancer Support
- Sorrento Bowls Club
- Sorrento Community Centre
- Sorrento Cricket Club
- Sorrento Football Club
- Sorrento Pre School
- Sorrento Primary School
- Sorrento Surf Life Saving Club
- Southern Mornington Peninsula Uniting Church (Dromana Playgroups)
- Southern Peninsula Basketball Association
- Southern Peninsula Classic & Historic Car Club
- Southern Peninsula Community Support
- Southern Peninsula Indoor Bias Bowling Association
- Southern Peninsula Little Athletics Centre
- Sport and Life Training (SALT)
- St George's Anglican Church
- The Dunes Golf Club
- The Portsea Camp
- The Village Glen Bowls Club
- The Village Glen Fidelity Club
- The Village Glen Golf Club
- Victorian Farmers' Federation - Mornington Peninsula Branch
- Vinnie's Kitchen
- Waterfall Gully Preschool
- West Rosebud Bowling and Croquet Club Inc
- Woodworkers of the Southern Peninsula
- YMCA/Jimmy's Place

Notes

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Community Bank · Dromana
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Bendigo Bank

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