Annual Report 2020

Strathmore Community Services Limited

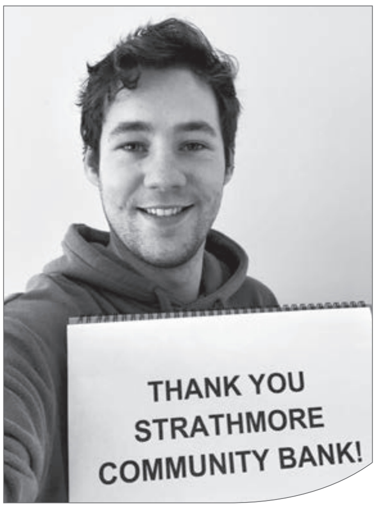
Community Bank Strathmore

ABN 84 096 122 459

Contents

2020 Strathmore Community Bank Honours Scholarship Awardees from the Walter and Eliza Hall Institute of Medical Research

Tianwei Chen



Jack Tovey

Nipuni Padukkage

Chairman’s report

For year ending 30 June 2020

As Chairman, it is a privilege to present the 2019/20 Annual Report for Strathmore Community Services Limited.

2020 started off with a number of tragedies as the devastating bushfires raged across our state and country, destroying millions of hectares of land, people’s homes, businesses and took the lives of residents and millions of native animals. It was a very sad time and many people rallied to donate money, goods and their time to help those in need. Our branch donated $30,000 to the Bendigo Bank Community Enterprise Foundation™ Bushfire Appeal which raised over $44 million to assist in the rebuilding of affected communities. Also, our branch staff set up a collection point to receive donations and goods for ‘The Rescue Collective’ who support animal rescuers. Thank you to all who participated.

We then witnessed unprecedented times with the outbreak of COVID-19. Whilst the full human and economic impacts of the virus are still largely unknown and evolving, our Community Bank Strathmore continues to keep the doors open to service the local community. We have taken precautions to ensure the health, safety and wellbeing of our staff and customers with measures in place for social distancing, sanitization and staff wearing gloves and masks.

During the 12 months, we saw changes to our Board and farewelled Directors Craig Jenkins and Michael Garafillis. Both Craig and Michael served as volunteers on the Board of Directors for many years. Craig contributed over 15 years and Michael contributed just over 10 years on the Board. We thank them for their voluntary service and sincerely wish them both continued good health and every success in their future endeavors. In July 2020, we welcomed new Director Rohan Jarvis who brings to the Board a wealth of business experience.

This year also saw changes to the branch team with Nella Crosara, Bill Dendes and Edwina Baxter leaving us. We wish them all the very best. We welcome the new members who joined the team being Cohan Waters, Danielle Iannaccio, Katrina Johns and Julie Romano. We thank David Porter, Aaron Hawkins and the entire branch team who have strived to continue to provide great service to our customers and endeavored to generate new business for the bank, despite being short staffed on several occasions during the year.

Since the acquisition of both the branch and the building next door and the proposed renovations, we have strived to control expenses and, in some cases, reduced sponsorship payments during the year in order for the company to return a profit.

Plans and permits for the proposed renovations of our branch and the building next door are still in progress. We were hoping to be closer to announcing a move-in date, however all our plans came to a halt due to unforeseen challenges and some changes within the properties department of Bendigo Bank.

After discussion with the Board, it was agreed in the best interest of all, to cancel the annual Shareholder Christmas dinner in December 2020 due to the COVID-19 pandemic. Hopefully next year will be a better year for us all.

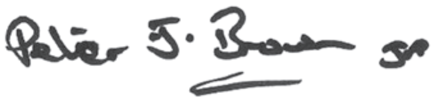
As a group we extend our thanks to our shareholders and customers for your ongoing support. We urge you to continue to support Community Bank Strathmore and encourage your family and friends to do the same by banking with us. As a shareholder of the company, you are a champion of the Community Bank model. We ask you to consider bringing your banking business to Community Bank Strathmore if you haven’t already done so. We all have a role to play in building our business to ensure the growth we are all aiming for and a return on your investment for the branch, shareholders and community.

Chairman's report (continued)

I would like to take the opportunity to express my enormous thanks to my fellow Directors for their dedication, skills and professionalism in ensuring that the business operates both efficiently and profitably. I would also like to welcome Phil Lusher as our new Secretary and Glenn Clements as Treasurer. Also, a big thank you to our Administration Assistant, Lisa Garay, for her great contribution in helping to make the Board and corporate office run smoothly.

Thank you again for your investment in Community Bank Strathmore and for your ongoing support and commitment to building a stronger community. This is what makes us more than just another bank.

Please continue to stay safe.



Peter J Brown, JP
Chairman.

Manager’s report

For year ending 30 June 2020

Following is my fourth Branch Manager’s report for Community Bank Strathmore and I thank you for the opportunity to update you on the branch performance for the year ending 30 June 2020.

What strange times we find ourselves in. COVID-19 has certainly had an effect on the branch foot traffic where we have seen the number of transactions greatly reduce and, in some ways, fundamentally change the way customers do their banking.

The last year saw more movements in the official interest rates and rates falling below 3% and into the low 2’s for home loans. Unfortunately, this has seen many term deposit customers affected with deposit rates also dropping. The current market is very tough and competitive with financial institutions squeezing margins to attract more volume through the door.

At 30 June 2020, the branch has receded by some by $5.239 million. This was largely on the back of Bendigo Bank selling its financial planning business which was responsible for $3.75 million of the reduction. This effectively meant the branch receded by $1.49 million. Considering the COVID-19 situation, this result is better than early predictions. The total business under management is $339.52 million.

In the last 12 months we have had some changes to our staffing. The branch lost Nella Crosara and Bill Dendes to careers outside the bank and Edwina Baxter accepted a promotion with another branch on the other side of Melbourne. We wish them all the very best. On the plus side, we have welcomed Dani Iannaccio, Cohan Waters, Katrina Johns and Julie Romano. We are confident that they will have long careers with Community Bank Strathmore.

On behalf of the branch team we would like to thank the Board of Directors for their support, time and efforts in helping us make Community Bank Strathmore arguably one of the most successful Community Bank branches in the country.

Congratulations to Community Bank Strathmore on achieving over $10.5 million in contributions back into the local community.

We would like to thank our shareholders for their support and contribution to the local community.

David Porter
Branch Manager

Secretary’s report

For year ending 30 June 2020

In a year like no other, the Board has considered long and hard before deciding on an eight cent dividend in a show of support and gratitude to our shareholders.

The planning, designing and budgeting phases of the substantial renovations taking place for the branch have been challenging. However, with the combined efforts of the Moonee Valley City Council, Bendigo Bank, our Board and staff, we are excited at the prospect of delivering a suitable bank branch for the future in our community.

At the end of June 2020, we have invested back into our community over $10.5 million dollars. In the 2019/20 year just on $490,000 was invested back into the community as grants, sponsorships and donations. Our main driver with sponsorships is to endeavour to ensure that there is a financial return flowing back into the business from these contributions wherever possible.

It goes without saying, the image and performance of our Community Bank Strathmore rests squarely on the shoulders of our staff; a huge thank you to you all in these extremely trying circumstances.

Please note, it is the responsibility of shareholders to notify the Secretary of any changes relating to their shareholding. This includes changes of address, banking details or change of shareholders.

Enclosed is a Proxy Form. We ask if this could be filled out and returned by the due date if you are not attending the Annual General Meeting of Strathmore Community Services Limited.

In relation to your shareholdings, a reminder that our Share Registry, RSD Registry, offer an online system where you can:

- Check your shareholding balance
- Update your address details
- Advise or update your banking details for direct payment of dividends
- Access to dividend distribution summaries and holding statements.

To create your online access please provide RSD Registry with your email address and they will send you an invitation to register for the online access. Please email Dianne Brooks of RSD at shares@rsdregistry.com.au or call Dianne on 03 5445 4222 if you have any queries.

I would also like to acknowledge and thank Peter McKie for his time and effort in performing the duties of Company Secretary over the last four years.

Please keep safe and well!

Phil Lusher
Director/ Company Secretary

Directors' report

For the financial year ended 30 June 2020

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

Directors

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

Brown - Peter, JP (Appointed 18/10/2005)

Experience and expertise Newsagent with experience in management and law. Former Vice President of the Australian Federal Police Association.

Special responsibilities Chairperson

Clements - Glenn (Appointed 11/03/2014)

Experience and expertise Manager with 30 years experience in sales, marketing, importing, promotions and Staff management.

Special responsibilities Treasurer

Garafillis - Michael (Resigned 26/11/2019)

Experience and expertise Sales & Marketing Manager with extensive sales and marketing experience.

Special responsibilities Nil

Jenkins - Craig (Resigned 26/11/2019)

Experience and expertise Company Director with extensive experience in manufacturing, management, credit management on all facets. Chairman of various Trade groups over the last 35 years.

Special responsibilities Nil

Lusher - Phillip (Appointed 11/03/2014)

Experience and expertise Government Accounting and extensive management experience, legal preparation and analytical research.

Special responsibilities Company Secretary

McKie - Peter (Appointed 21/10/2003)

Experience and expertise Company Director with an excess of 40 years experience in management, marketing, sales and logistics. Former President of Victorian Customs Association and Senior Lecturer (part-time) in International Trade at TAFE.

Special responsibilities Nil

Directors (continued)

Osborne - Kerri (Appointed 13/05/2009)

Experience and expertise Education Consultant with experience as a Primary School Teacher, followed by many years as an Education Consultant/Teacher and Store management.

Special responsibilities Nil

Jarvis - Rohan (Appointed 29/07/2020)

Experience and expertise Company Director of Engineering Consultancy specialising in land development and subdivisions, both residential and commercial / industrial developments with over 25 years of experience.

Special responsibilities Nil

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit committee meetings	
	A	B	A	B
Brown - Peter	13	13	0	0
Clements - Glenn	13	12	N/A	N/A
Garafillis - Michael (Retired)	6	5	N/A	N/A
Jenkins - Craig (Retired)	6	6	N/A	N/A
Lusher - Phillip	13	13	N/A	N/A
McKie - Peter	13	7	0	0
Osborne - Kerri	13	12	N/A	N/A
Jarvis - Rohan	1	1	N/A	N/A

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

Company Secretary

Phil Lusher was appointed as the Company Secretary on 3 December, 2019.

Phil's qualifications and experience include working for a government agency gaining extensive management experience whilst understanding legal requirements and obtaining extensive analytical skills.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $431,508 (2019 profit: $269,605), which is a increase as compared with the previous year of $161,903. Donations and Sponsorships for the year were $433,689 (2019: $682,591). The fall in Donations and Sponsorships expenditure has attributed significantly to the increase in after tax profit for the year ending 30 June, 2020.

As detailed at Note 1 to the financial statements, the financial position and performance of the company as at 30 June, 2020 has not been adversely impacted by the COVID 19 pandemic.

Dividends

Dividends paid or declared since the start of the financial year.

A fully franked final dividend of 10 cents per share was declared and paid during 2020 for the year ended 30 June 2019.

No dividends were declared for the year ended 30 June 2020.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

The company is currently in discussions with registered builders and the Bendigo and Adelaide Bank in relation to the required fitout of the property at 341 Napier Street. No agreement has been entered into at the time of this report for the provision for the fitout.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

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

Signed in accordance with a resolution of the Board of Directors at Strathmore on 17 November, 2020.

Peter J. Brown

Peter Brown
Director

Auditor's independence declaration

McBAIN
McCARTIN & Co

CHARTERED ACCOUNTANTS
AUDIT & ASSURANCE SERVICES

PO BOX 82 BALWYN
VICTORIA, AUSTRALIA 3103
ABN 26 028 714 960

STRATHMORE COMMUNITY SERVICES LIMITED
ABN: 84 096 122 459

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C
OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF STRATHMORE COMMUNITY SERVICES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

I. The auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

II. Any applicable code of professional conduct in relation to the audit.

McBain McCartin & Co.

McBain McCartin & Co.

Simon Aukstin
Partner

1st Floor 123 Whitehorse Road
Balwyn, Victoria 3103

Dated this 10th day of November 2020

Liability limited by a scheme approved under Professional Standards Legislation

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Financial statements

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

	Notes	2020 $	2019 $
Revenue	2	2,261,783	2,347,880
Expenses			
Employee benefits expense	3	(866,056)	(806,963)
Depreciation and amortisation expense	3	(63,681)	(66,883)
Finance costs	3	(77,673)	(81,744)
Bad and doubtful debts expense	3	(1,023)	(8,216)
Occupancy expenses		(61,717)	(50,198)
IT costs		(52,922)	(51,838)
Marketing expenses		(18,133)	(46,961)
Other expenses	3	(108,827)	(195,902)
Operating profit before charitable donations and sponsorships		**1,011,751**	**1,039,175**
Charitable donations and sponsorships expense		(433,689)	(682,591)
Profit before income tax		**578,062**	**356,584**
Income tax expense/(Income)	4	146,554	86,979
Profit for the year		**431,508**	**269,605**
Other comprehensive income		-	-
Total comprehensive income for the year		**431,508**	**269,605**
Profit attributable to members of the company		431,508	269,605
Total comprehensive income attributable to members of the company		**431,508**	**269,605**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		88.06	55.02

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	5	386,649	383,149
Trade and other receivables	6	261,657	201,803
Other assets	7	6,189	11,808
Total current assets		**654,495**	**596,760**
Non-current assets			
Property, plant and equipment	8	3,265,873	3,284,291
Intangible assets	9	7,531	18,828
Deferred tax assets	4	15,940	-
Total non-current assets		**3,289,344**	**3,303,119**
Total assets		**3,943,839**	**3,899,879**
Liabilities			
Current liabilities			
Trade and other payables	10	99,559	242,421
Borrowings	11	-	6,272
Provisions	12	88,919	115,401
Total current liabilities		**188,478**	**364,094**
Non-current liabilities			
Borrowings	11	1,675,363	1,884,849
Provisions	12	10,909	16,489
Deferred Tax Liability	4	52,134	-
Total non-current liabilities		**1,738,406**	**1,901,338**
Total liabilities		**1,926,884**	**2,265,432**
Net assets		**2,016,955**	**1,634,448**
Equity			
Issued capital	13	490,010	490,010
Retained earnings	14	1,526,945	1,144,438
Total equity		**2,016,955**	**1,634,448**

The accompanying notes form part of these financial statements

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2018		490,010	948,335	1,438,345
Total comprehensive income for the year		-	269,605	269,605
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(73,502)	(73,502)
Balance at 30 June 2019		**490,010**	**1,144,438**	**1,634,448**
Balance at 1 July 2019		490,010	1,144,438	1,634,448
Total comprehensive income for the year		-	431,508	431,508
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(49,001)	(49,001)
Balance at 30 June 2020		**490,010**	**1,526,945**	**2,016,955**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		2,220,730	2,354,689
Payments to suppliers and employees		(1,695,981)	(1,786,867)
Interest paid		(78,888)	(83,871)
Income Tax Paid		(147,587)	-
Interest received		43	2,018
Net cash provided by operating activities	**15b**	**298,317**	**485,969**
Cash flows from investing activities			
Purchase of plant and equipment		(1,625)	(845)
Purchase of Motor Vehicles		(42,979)	-
Proceeds from Sale of Motor Vehicle		14,545	
Purchase of Freehold Land and Buildings		-	(1,492,455)
Net cash flows used in investing activities		**(30,059)**	**(1,493,300)**
Cash flows from financing activities			
Proceeds from borrowings		-	920,000
Repayment of borrowings		(215,758)	(190,500)
Dividends paid		(49,001)	(73,502)
Net cash (used in)/provided by financing activities		**(264,759)**	**655,998**
Net increase / (decrease) in cash held		**3,499**	**(351,333)**
Cash and cash equivalents at beginning of financial year		383,150	734,483
Cash and cash equivalents at end of financial year	**15a**	**386,649**	**383,150**

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

These financial statements and notes represent those of Strathmore Community Services Limited.

Strathmore Community Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors at the date of the signing and dating of the directors declaration.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in the financial statements containing relevant and reliable information about transaction, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

Coronavirus (COVID19) impact

The COVID19 global pandemic has created a significant social and economic uncertainty. The 30 June 2020 financial year operating result has not been adversely impacted by the pandemic and the company is well placed to navigate the challenges of this pandemic through its established recurrent commission income, available government assistance and strong balance sheet position. There is no identified impairment issues or additional provisioning required as a result of the pandemic as at 30 June 2020, nor significant financial estimates or judgements that have needed to be made.

Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branch at Strathmore, VIC.

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

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

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank® branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities / (assets) are measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment is measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present. (refer to Note 1(f) for details of impairment).

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

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

<u>Depreciation</u>

The depreciable amount of all fixed assets including buildings and capitalised leased assets but excluding freehold land , is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	Rate	Method
Buildings	2.50%	SL
Leasehold improvements	6.70%	SL
Plant and equipment	13-17%	SL
Motor vehicles	25.00%	DV

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

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

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

(e) Leases

At inception of a contract, the Company assess if the contract contains or is a lease. If there is a lease present, a right-of-use asset and corresponding lease liability is recognised by the Company where the Company is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows :

- Fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- an amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

1. Summary of significant accounting policies (continued)

(e) Leases (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying assets whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

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

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

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

(h) Employee benefits

Short-term employee benefits

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

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

The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future cash outflows to be made by the entity in respect of services provided by employees up to the reporting date. Interest Rates attaching, as at the reporting date, to corporate bonds that have maturity dates the approximate the terms of the obligations are used to discount the estimated future cash flows to their present value. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

1. Summary of significant accounting policies (continued)

(i) Intangible assets

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

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts. Revenue comprises service commissions and other income, and is recognised by the company when the right to receive the income has occurred.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

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

(l) Financial Instruments

<u>Initial recognition and measurement</u>

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit and loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

<u>Classification and subsequent measurement</u>

Financial liabilities

Financial liabilities are subsequently measured at :

- amortised cost : or
- Fair value through profit and loss.

A Financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3 applies:
- held for trading; or
- initially designated as at fair value through profit and loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

1. Summary of significant accounting policies (continued)

(l) Financial Instruments (continued)

Classification and subsequent measurement (continued)

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit and loss

on the basis of the two primary criteria, being:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost when it meets the following conditions :

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are soley payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit and loss.

Derecognition

Derecognition refers to the removal of previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

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

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of a financial asset :

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the company no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

1. Summary of significant accounting policies (continued)

(l) Financial Instruments (continued)

Impairment

The company recognises a loss allowance for expected losses on :

- financial assets that are measured at amortised cost or fair value through other comprehensive income;

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

The company used the simplified approach to impairment, as applicable under AASB 9.

Simplified approach

The Company uses the Simplified approach to impairment as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk in every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach applicable to Trade receivables

In measuring the expected credit loss, consideration of various data is undertaken to get an expected credit loss (ie diversity of its customer base, appropriate consideration of its historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the company recognised the movement (if any) in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

(m) Trade and other receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Not 1(l) for further discussion on the determination of impairment losses.

(n) Trade and other payables

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

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

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

1. Summary of significant accounting policies (continued)

(q) Contributed equity

Ordinary shares are classified as equity.

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

(r) Dividends

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

(s) New and amended accounting policies adopted by the company

Initial application of AASB 16

The company has adopted AASB 16 Leases retrospectively with any required cumulative effect of initially applying AASB 16 recognised as 1 July 2019.

The company has not recognised any lease liability and right-of-use asset as any leases are either short term or low value leases and are recognised as operating leases under AASB 17 Leases where the company is the lessee.

(t) Comparative figures

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

Where the company retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(u) Earnings per share

Basic earnings per share

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

(v) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Employee benefits provision

As discussed in Note 1 (h), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Income tax

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

1. Summary of significant accounting policies (continued)

(v) Critical accounting estimates and judgements (continued)

Impairment

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

	2020 $	2019 $
2. Revenue		
Revenue		
- services commissions	2,135,907	2,288,625
	2,135,907	**2,288,625**
Other revenue		
- interest received	43	899
- Telecommunications Tower Rent Received	17,755	58,356
- Wages Re-imbursements	4,171	-
- Aust Govt Cash Flow Boost	100,000	-
- Profit on Disposal of Non-Current Assets	3,907	-
	125,876	**59,255**
Total revenue	**2,261,783**	**2,347,880**

3. Expenses

	2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	812,119	749,411
- superannuation costs	53,937	57,552
	866,056	**806,963**
Depreciation and amortisation		
Depreciation		
-buildings	25,000	25,000
- plant and equipment	7,146	10,348
- leasehold improvements	20,238	20,238
	52,384	**55,586**
Amortisation		
- franchise fees	11,297	11,297
	11,297	**11,297**
Total depreciation and amortisation	**63,681**	**66,883**

	2020 $	2019 $
3. Expenses (continued)		
Finance costs		
- Interest paid	77,673	81,744
Bad and doubtful debts expenses	1,023	8,216
Share registry services	3,729	3,637
Rental expense operating lease		
- short term lease payments	36,003	34,565
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	8,000	7,500
Other Expenses		
- Donation and Sponsorship expense recovery	(80,000)	-

4. Income tax

a. Prima facie tax payable

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2020 $	2019 $
Prima facie tax on profit before income tax at 27.5% (2019: 27.5%)	158,967	98,060
Add/(subtract) tax effect of:		
- Non-deductible items	-	32,042
- Other	(44,158)	(43,123)
- Initial recognition of Deferred Tax Items	31,745	
Income tax attributable to the entity	**146,554**	**86,979**
The applicable weighted average effective tax rate is	25%	24%

b. Deferred tax asset

Deferred tax relates to the following:

Deferred tax assets balance comprises:

	2020 $	2019 $
Provisions	15,940	-
	15,940	**-**
Net deferred tax asset	**15,940**	**-**

c. Deferred tax asset movement

	2020 $	2019 $
Opening balance	-	7,889
Initial balance on recognition	14,520	-
Charge/(Credit) to income	1,420	(7,889)
Closing balance	**15,940**	**-**

Deferred tax assets are not recognised until it is probable there will be future taxable profits as disclosed in note 1(b).

	2020 $	2019 $
4. Income tax (continued)		
d. Deferred tax liability		
Deferred tax liability relates to the following :		
Deferred tax liability balance comprises:		
Accelerated depreciation for tax purposes	52,134	-
	52,134	**-**
e. Deferred tax liability movement		
Opening Balance	-	-
Initial balance on recognition	46,265	-
(Charge)/Credit to income	5,869	-
	52,134	**-**
f. The components of tax expense (income) comprise :		
- Current tax expense	110,360	86,979
- Deferred tax expense (income)	36,194	-
	146,554	**86,979**

5. Cash and cash equivalents

Cash at bank and on hand	386,649	383,149
	386,649	**383,149**

6. Trade and other receivables

Current		
Trade receivables	237,537	201,726
Other receivables	-	77
ATO Accounts	24,120	
	261,657	**201,803**

Credit risk

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

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

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

6. Trade and other receivables (continued)

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2020						
Trade receivables	187,537	187,537	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	**187,537**	**187,537**	**-**	**-**	**-**	**-**
2019						
Trade receivables	201,725	201,725	-	-	-	-
Other receivables	77	77		-	-	-
Total	**201,802**	**201,802**	**-**	**-**	**-**	**-**

	2020 $	2019 $
7. Other assets		
Prepayments	4,239	9,858
Security bond	1,950	1,950
	6,189	**11,808**
8. Plant and equipment		
Freehold Land & Buildings		
At cost - Land	1,250,561	1,250,561
At cost - Buildings	1,890,000	1,890,000
Less accumulated depreciation	(64,521)	(39,521)
	3,076,040	**3,101,040**
Leasehold improvements		
At cost	462,996	462,996
Less accumulated depreciation	(320,771)	(300,533)
	142,225	**162,463**
Motor vehicle		
At cost	42,979	36,550
Less accumulated depreciation	(648)	(22,620)
	42,331	**13,930**
Plant and equipment		
At cost	89,671	88,046
Less accumulated depreciation	(84,394)	(81,188)
	5,277	**6,858**
Total plant and equipment	**3,265,873**	**3,284,291**

	2020 $	2019 $
8. Plant and equipment (continued)		
Movements in carrying amounts		
Freehold Land and Buildings		
Balance at the beginning of the reporting period	3,101,040	1,633,585
Additions	-	1,492,455
Depreciation expense	(25,000)	(25,000)
Balance at the end of the reporting period	**3,076,040**	**3,101,040**
Leasehold improvements		
Balance at the beginning of the reporting period	162,463	182,701
Depreciation expense	(20,238)	(20,238)
Balance at the end of the reporting period	**142,225**	**162,463**
Motor vehicle		
Balance at the beginning of the reporting period	13,930	18,574
Additions	42,979	-
Disposals at written down value	(10,638)	-
Depreciation expense	(3,940)	(4,644)
Balance at the end of the reporting period	**42,331**	**13,930**
Plant and equipment		
Balance at the beginning of the reporting period	6,858	11,717
Additions/(Disposals)	1,625	845
Depreciation expense	(3,206)	(5,704)
Balance at the end of the reporting period	**5,277**	**6,858**
Total plant and equipment		
Balance at the beginning of the reporting period	3,284,291	1,846,577
Additions	33,966	1,493,300
Depreciation expense	(52,384)	(55,586)
Balance at the end of the reporting period	**3,265,873**	**3,284,291**

9. Intangible assets

Franchise fee		
At cost	56,484	56,484
Less accumulated amortisation	(48,953)	(37,656)
	7,531	**18,828**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	18,828	30,125
Amortisation expense	(11,297)	(11,297)
Balance at the end of the reporting period	**7,531**	**18,828**

	2020 $	2019 $

10. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	34,426	169,597
Other creditors and accruals	65,133	72,824
	99,559	**242,421**

The average credit period on trade and other payables is one month.
No interest is payable on outstanding payables during this period.

11. Borrowings

Current		
Secured liabilities		
Finance leases	-	6,272
	-	**6,272**
Non-current		
Secured liabilities		
Bank loans	1,675,363	1,884,849
	1,675,363	**1,884,849**

(a) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(b) Bank Loan

The bank loans are secured by a first registered mortgage over the freehold land and buildings owned by the company. The loans have a term of 10 years and at a variable interest rate with monthly repayment of Principal and interest required to be made.

	2020 $	2019 $

12. Provisions

Current		
Income tax payable	41,863	79,091
Employee benefits	47,056	36,310
	88,919	**115,401**
Non-current		
Employee benefits	**10,909**	**16,489**
Total provisions	**99,828**	**131,890**

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

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

12. Provisions (continued)

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculation the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(h).

	2020 $	2019 $
13. Share capital		
490,010 Ordinary shares fully paid	490,010	490,010
	490,010	**490,010**

(a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	490,010	490,010
At the end of the reporting period	**490,010**	**490,010**

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

(b) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

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

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2020 $	2019 $
14. Retained earnings		
Balance at the beginning of the reporting period	1,144,438	948,335
Profit after income tax	431,508	269,605
Dividends paid	(49,001)	(73,502)
Balance at the end of the reporting period	**1,526,945**	**1,144,438**

	2020 $	2019 $

15. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2020 $	2019 $
Cash and cash equivalents (Note 5)	386,649	383,149
As per the Statement of Cash Flow	**386,649**	**383,149**

(b) Reconciliation of cash flow from operations with profit after income tax

	2020 $	2019 $
Profit after income tax	431,508	269,605
Non-cash flows in profit		
- Depreciation	52,384	55,586
- Amortisation	11,297	11,297
- Profit on Sale of Fixed Assets	(3,907)	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(59,854)	9,022
- (Increase) / decrease in prepayments and other assets	5,619	8,666
- (Increase) / decrease in deferred tax asset	(15,940)	7,889
- Increase / (decrease) in trade and other payables	(142,862)	52,642
- Increase / (decrease) in deferred tax liability	52,134	
- Increase / (decrease) in provisions	(32,062)	71,262
Net cash flows used in operating activities	**298,317**	**485,969**

16. Earnings per share

	2020 $	2019 $
Basic earnings per share (cents)	88.06	55.02
Earnings used in calculating basic earnings per share	431,508	269,605
Weighted average number of ordinary shares used in calculating basic earnings per share	490,010	490,010

17. Key management personnel and related party disclosures

(a) Key management personnel

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

No remuneration was paid to key management personnel of the company during the year.

(b) Other related parties

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

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

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

17. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties (continued)

Name of related party	Description of goods / services provided	Value $
Peter Brown - Napier St Newsagency	Marketing, Printing & Stationery, Postage & Staff Amenities	8,390

The Strathmore Community Services Limited has accepted the Bendigo and Adelaide Bank Limited's Community Bank® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be nil for the year ended 30 June 2020.

(d) Key management personnel shareholdings

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

	2020	2019
Brown - Peter	2,000	2,000
Clements - Glenn	3,500	3,000
Jarvis - Rohan	-	-
Lusher - Phillip	-	-
McKie - Peter	11,500	11,500
Osborne - Kerri	250	250

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

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

18. Events after the reporting period

The fitout of 341 Napier Street is in the final planning stages, with an expectation that the cost will be $650,000 incurred in the 2020/2021 financial year.

19. Contingent liabilities and contingent assets

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

20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Strathmore, VIC. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2019: 100%).

21. Commitments

Operating lease commitments

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

	2020 $	2019 $
Payable:		
- no later than 12 months	4,812	28,684
- between 12 months and five years	-	4,812
Minimum lease payments	**4,812**	**33,496**

The Lloyd Street property lease was renewed on 27th September 2017, being a non-cancellable lease with a three year term expiring in 2020, with rent payable monthly in advance and with 4% increases each year. The starting annual rental is $34,000 (including GST). The lease has an option to extend the lease for two further three year terms to 26th September 2026. Subsequent to year end the board has not exercised an option to extend the lease, with the lease currently on a month to month basis.

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

	2020 $	2019 $
Payable:		
- no later than 12 months	-	6,367
- between 12 months and five years	-	-
Minimum lease payments	**-**	**6,367**
Less future interest charges	-	(95)
Finance lease liability	**-**	**6,272**

Finance leases comprise leases of motor vehicle under normal commercial finance lease terms and conditions repayable over 5 years.

22. Company details

The registered office and principle place of business is: 337 Napier Street, Strathmore VIC 3041

23. Dividends paid or provided for on ordinary shares

	2020 $	2019 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 10 cents per share (2019:15.00) franked at the tax rate of 27.5% (2019: 27.5%).	49,001	73,502

No dividends were declared for the year ended 30 June 2020 as yet.

24. Financial risk management

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function provided by the franchisor, Bendigo and Adelaide Bank Limited.

Specific financial risk exposure and management

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

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

	Note	2020 $	2019 $
Financial assets			
At amortised cost:			
Cash and cash equivalents	5	386,649	383,149
Trade and other receivables	6	261,657	201,803
Total financial assets		**648,306**	**584,952**
Financial liabilities			
At amortised cost:			
Trade and other payables	10	99,559	242,421
Borrowings	11	1,675,363	1,891,121
Total financial liabilities		**1,774,922**	**2,133,542**

(a) Credit risk

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

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

Credit risk exposures

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

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

None of the assets of the company are past due (2019: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

24. Financial risk management (continued)

(b) Liquidity risk (continued)

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

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

Financial liability and financial asset maturity analysis:

30 June 2020	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	386,649	386,649	-	-
Trade and other receivables	0%	261,657	261,657	-	-
Total anticipated inflows		**648,306**	**648,306**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	99,559	99,559	-	-
Borrowings	4.88%	1,675,363	290,349	837,944	547,070
Total expected outflows		**1,774,922**	**389,908**	**837,944**	**547,070**
Net inflow / (outflow) on financial instruments		**(1,126,616)**	**258,398**	**(837,944)**	**(547,070)**

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	0%	383,149	383,149	-	-
Trade and other receivables	0%	201,803	201,803	-	-
Total anticipated inflows		**584,952**	**584,952**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	242,421	242,421	-	-
Borrowings	4.88%	1,891,121	164,312	1,521,367	205,442
Total expected outflows		**2,133,542**	**406,733**	**1,521,367**	**205,442**
Net inflow / (outflow) on financial instruments		**(1,548,590)**	**178,219**	**(1,521,367)**	**(205,442)**

24. Financial risk management (continued)

(c) Market risk

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

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

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

Sensitivity analysis

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

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

	Profit $	Equity $
Year ended 30 June 2020		
+/- 1% in interest rates (interest income)	3,866	3,866
+/- 1% in interest rates (interest expense)	(16,754)	(16,754)
	(12,887)	**(12,887)**
Year ended 30 June 2019		
+/- 1% in interest rates (interest income)	3,832	3,832
+/- 1% in interest rates (interest expense)	(18,911)	(18,911)
	(15,079)	**(15,079)**

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

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

(e) Fair values

Fair values (estimation)

The directors and management believe the financial assets and liabilities are a reasonable approximation of their fair values at 30 June 2020. There are no indications of impairment on any financial asset disclosed in the financial report.

Directors' declaration

In accordance with a resolution of the Directors of Strathmore Community Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 11 to 35 are in accordance with the *Corporations Act 2001* and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2020 and of the performance for the year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Peter Brown
Director

Signed at Strathmore on 17 November, 2020.

Independent audit report

McBAIN McCARTIN & Co

CHARTERED ACCOUNTANTS
AUDIT & ASSURANCE SERVICES

PO BOX 82 BALWYN
VICTORIA, AUSTRALIA 3103
ABN 26 028 714 960

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATHMORE COMMUNITY SERVICES LIMITED

ABN: 84 096 122 459

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Strathmore Community Services Limited, which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies, and the directors' declaration.

In our opinion:

the accompanying financial report of Strathmore Community 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 then ended; and

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

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Directors for the Financial Report

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

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

Auditor's Responsibilities 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 it is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Financial Report ***(Cont'd)***

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

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

f. Obtain sufficient appropriate audit evidence regarding the financial information or business activities within the company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

McBain McCartin & Co.

McBain McCartin & Co
Chartered Accountants

Simon Aukstin
Partner
Level 1, 123 Whitehorse Road
BALWYN VIC 3103

Dated this 17th day of November 2020

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/StrathmoreCommunityBank

Bendigo Bank