Annual Report 2020

Strzelecki Ranges Community Enterprises Limited

Community Bank
Mirboo North & District

ABN 76 139 013 095

Contents

Chairman's report

For year ending 30 June 2020

I am pleased to report on another successful year of the Strzelecki Ranges Community Enterprises Limited (SRCEL) for the fiscal year 2019/20. This is the Board's 10th Annual Report.

The 10 years of success in operating the Community Bank has resulted in a significant return of more than $1.1 million to the many groups in our district. A milestone worthy of celebration. Our district has been challenged by the COVID-19 virus and we have risen to the occasion by supporting our local businesses through the 'Pay it Forward' campaign as well as our community members through the supplying of free masks made by the Mirboo North ArtSpace.

We employed Faith Monnich as our new Branch Manager. She is a local resident with a wealth of experience in the banking industry. Alan Bannister has moved into a new role as Business Development Manager which will position us perfectly for further growth. Alan has been the Branch Manager since the opening of the Community Bank in 2010 and has expertly steered the business for the past 10 years.

Viv Williams has joined SRCEL in a part-time administrative role assisting our Executive Officer Anne Marie Dieperink. This will allow us to bring a number of tasks in house, allowing us to further invest in our community.

The Board appreciates the excellent work of all our staff during the past year. They are the corner stone of our business!

We thank all our shareholders and customers who enable this community business to operate and thrive and to return our profits to the communities of our district.

I am pleased to announce that we will once again reward our shareholders with a 5 cent fully franked dividend which will be paid in December 2020.

Last but not least, I would like to thank my fellow Directors for their support and guidance during a challenging year. I trust together we will face the challenges of the next year with confidence and enthusiasm. Both Matt Gleeson and John Butler will leave the Board as of the AGM and I thank both sincerely for the contribution they have made to the SRCEL business. They have been extremely valuable representatives of their respective communities of Boolarra and Yinnar.

I look forward to the day that we will all be able to get together and properly celebrate the 10th birthday of our branch!

Warren Warner
Chairman

Managers' report

For year ending 30 June 2020

We ended the 2019/20 financial year with a book balance of $109.1 million which was a reduction of $4.9 million on the 2019/20 opening book balance. This was mainly due to a negative impact of $9.7 million from our corporate customers. Meantime, in the consumer space, lending was stable and deposits grew by $5.7 million. Despite this, we recorded a very decent profit of $237,000 pre-tax (up from $130,000 the previous year). Our contributions to the community over the past 10 years now exceed $1.1 million! A figure we can all be incredibly proud of!

We were all excited to celebrate our 10th birthday this year and held a small celebration with staff in branch. We look forward to celebrating this milestone with our community sometime soon.

There have been some staff changes again this year. Daina Howard, our Trainee left us to attend university in Geelong. She continues to work for Bendigo Bank in that region. We use the trainee position to give a recent school leaver a start in the Finance Industry. This year we appointed Tayla Dyke to the Trainee Customer Service Officer role. Sam Gardiner left us in May to pursue another career and this opened the door for a restructure in the branch.

With a view to succession planning for when I retire, I took up the new role of Business Development Manager and Faith Monnich was appointed as Branch Manager three days per week. Faith comes to us with 16 years of banking and finance experience, the last three of those with Bendigo Bank. Prior to commencing her role here, Faith held the position of Branch Manager at Community Bank Inverloch & District. Nicole Smith stepped into the role of Customer Relationship Officer.

I am certain that this strategy will be successful and result in a better mix for the branch with an increase in growth resulting.

I would like to take this opportunity to thank our staff for the support they have given me over the past 10 years and the continued excellent service they provide to our customers every day.

Alan Bannister
Business Development Manager (Outgoing Branch Manager)

Alan is to be commended for the tremendous job he has done in managing this branch and taking the business from humble beginnings 10 years ago, to the successful Community Bank it is today.

On behalf of myself and all staff in branch, we would like to offer our sincere thanks to our dedicated Board members for the great job they do and the role they play in our business. The members of our Board are all volunteers and their ongoing leadership, time and continued support is invaluable and greatly appreciated. Thank you also to our shareholders and customers for your ongoing support of our business. Where you bank really does make a difference and has a very real impact on our community.

I feel privileged to have been handed the reigns to Community Bank Mirboo North & District and look forward to working with our staff, Board and the community for many years to come.

Faith Monnich
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 foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

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

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

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

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

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

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

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

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

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2020

Your directors submit the financial statements of the company for the financial year ended 30 June 2020.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Warren Leigh Warner

Director - Chair
Occupation: Retired
Qualifications, experience and expertise: Currently, Warren is actively involved in community work with the Friends of the Lyrebird Forest Walk/Rail Trial and the Leongatha/Woorayl Probus Club and Mirboo North Golf Club. Warren's work experience was in Grocery and Pharmacy industries for 39 years, responsible for National major accounts in Retail and Commercial channels for 36 years. The last company was Goodman Fielder where Warren was responsible for all National accounts in the commercial Bread Department. Management of major accounts, volume, income generated and more.
Special responsibilities: Treasurer, Finance & Audit Committee.
Interest in shares: 6,000

Annette Margaretha Dieperink

Director – Secretary
Occupation: Executive Officer
Qualifications, experience and expertise: Bachelor of Economics, Logistics Manager (Westmin Talc, PENNZOIL Motor Oils), Senior Business Analyst (IBM HQ Amsterdam, AHMG Health Insurance, Sage Technology, GDF-Suez Hazelwood) and Executive Officer /Company Secretary SRCEL 2014 – current. Community Involvement: past Secretary, Vice President and President of Mirboo North Kindergarten, Coordinator of Mirboo North Art Show 2009 – 2017.
Special responsibilities: Business Development & Community Investment, Human Resources & Property and Finance & Audit Committees. Company Secretary, Director and Executive Officer.
Interest in shares: 3,509

Colin Alexander Brick

Director – Treasurer
Occupation: Retired
Qualifications, experience and expertise: Accountant, B.Comm at Melbourne University. Extensive community involvement.
Special responsibilities: Finance & Audit Committee.
Interest in shares: Nil

Directors (continued)

Matthew Joseph Gleeson

Director
Occupation: Primary Producer
Qualifications, experience and expertise: Dairy farmer at Boolarra. Trustee and President of Boolarra Public Cemetery Trust. UVD Policy Councillor. Past Director and Chair of Gipps Dairy, Boolarra Cemetery Trust and Member of Southern Rural Water Southern Groundwater and Rivers Forum. Justice of the Peace. Bachelor of Business. Advanced Diploma of Agriculture. MAICD.
Special responsibilities: Human Resources & Property and Governance Committees.
Interest in shares: 2,000

Janette Mary Head

Director
Occupation: Retired
Qualifications, experience and expertise: Former Bank Officer, Waitress, Head of Retail Department. Currently Retail Assistant. Involved in St Joseph's Catholic Church, Friends of Library Group and Mirboo Country Development Inc.
Special responsibilities: Business Development & Community Investment Committee.
Interest in shares: 5,000

John Villers Butler

Director
Occupation: Retired
Qualifications, experience and expertise: Former Vet Practice owner and principal vet (Animal Clinic Morwell). Former Vet Director (Greencross Vets Morwell). Committee Member (Yinnar and District Community Assoc.), Member Yinnar CFA. Bachelor of Vet Sci and Master Vet Studies. Yinnar and District Lions Club Treasurer.
Special responsibilities: Business Development and Community Investment Committee.
Interest in shares: Nil

Thomasin Jane Bales

Director
Occupation: Environmental Consultant
Qualifications, experience and expertise: Thomasin (BA, BSc(Hons), MEnvSc) is an environmental and community consultant, and director at Ecocentric. Her work has varied across geological exploration, contaminated land assessment and remediation, waste management, environmental management, ecological assessment, the conduct of community surveys and organisational assessments, the building of community databases, directories and websites, the development of business cases, communications strategies, social media programs and succession plans, the management of community events, and development and review of governance structures. She has an extensive history of involvement with industry and community groups, and currently volunteers for ArtSpace, Boomerang Bags Mirboo North, Friends of Turtons Creek and Mirboo Recreation Reserve.
Special responsibilities: Governance Committee.
Interest in shares: Nil

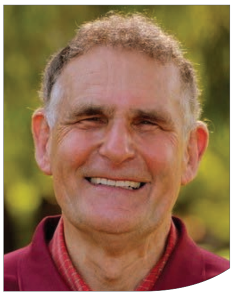
Directors (continued)

Machteld Lebertha Thomas

Director
Occupation: Self-employed Hairdresser (semi-retired)
Qualifications, experience and expertise: Former managerial roles at David & Leni Hairdressing Salon, Frankston & Rae Dawn Salon, Cheltenham. Self-employed hairdresser for the past 36 years - on-going. Holds a Tertiary Certificate in Behavioural Studies 1A & 1B TAFE, 1985. Qualified Hairdresser & Manicurist, Melbourne School of Hairdressing 1971. Member of Coal and Gasfield Free Mirboo North (former Facilitator & Media Liaison) and Chair & Media Liaison for Preserve our Forests Steering Committee.
Special responsibilities: Business Development & Community Investment Committee
Interest in shares: Nil

Kerry Ives

Director (Appointed 20 September 2019)
Occupation: Retired
Qualifications, experience and expertise: Certificate IV in Training & Assessment; Certificate IV in Human Recourse Operations; and 90% of a Certificate of Art & Design. Former Industry Consultant and Operations Manager with a not-for-profit company involved in workforce development within the information and communications technology (ICT) sectors. Former association representative on the Council of Small Business Organisations Australia (COSBOA). Former Federal Government employee in the areas of employment, training, education and youth affairs. Member of the Victorian Country Women's Association, Mirboo North Night Owls, U3A and ArtSpace.
Special Responsibilities: Human Recourses & Property Committee
Interest in shares: Nil



David Lewis

Director (Appointed 31 March 2020)
Occupation: Primary Producer
Qualifications, experience and expertise: BSc Engineering, Fellow of the Australian Institute of Mining and Metallergy. Senior positions in production, engineering and management for large public companies. Proprietor of company providing consulting services to Industry and Government in the heavy industry sector. Past Local Government Councillor and Mayor.
Special Responsibilities: Governance Committee
Interest in shares: 2000

Margaret Lilian Lynn

Director (Resigned 30 October 2019)
Occupation: Retired
Qualifications, experience and expertise: PhD in social work and community development; past senior lecturer and head of school at Monash University and Chair of Centre for Rural Communities from 1995 to 2009. Extensive experience in community and regional management committees. Member of MCDI Committee since 2014. Secretary of Bass Coast/South Gippsland Reconciliation Group since 2012.
Special responsibilities: Human Resources & Property Committee.
Interest in shares: 6,200

Directors (continued)

Kerry Joy Peachey

Director (Resigned 31 July 2019)
Occupation: Student
Qualifications, experience and expertise: Bachelor of Business (Accounting and Economics), Masters in Commerce (Accounting), Certified Practicing Accountant of Australia CPA, currently studying Masters of Teaching (Secondary) and Diploma of Mathematics. 15 years' accounting experience in the Power Industry. Current Treasure of Yinnar Primary School Council. Previous committee member of Churchill Preschool and Latrobe City Cycling Club as Treasurer and Secretary respectively.
Special responsibilities: Chair of the Board, Governance Committee.
Interest in shares: Nil

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

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

Company Secretary

The company secretary is Annette Margaretha Dieperink. Annette was appointed to the position of secretary on 9 October 2014.

Annette has a Bachelor of Economics and had previous secretarial experience at the Mirboo North Kindergarten.

Principal Activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	187,821	96,332

Dividends

	Year ended 30 June 2020	
	Cents	$
Dividends paid in the year	5	41,673

Significant changes in the state of affairs

On the 11th March, 2020 the World Health Organisation declared Covid – 19 as a pandemic. The Victorian government imposed a number of restrictions on the 21st March, 2020 including limiting the number of customers into the branch and significantly restricting the activities of a number of businesses. The Federal Government introduced the Cash flow Boost for Employers on the 22nd of March, 2020 for which this Company was entitled to an initial payment of $28,894 for the period from March to May 2020 and is therefore entitled to the remaining $28,894 to be paid in 4 equal instalments from June 2020 to September 2020. The total of $57,788 has been recognised as income under AASB120 Accounting for Government Grants and Disclosure of Government Assistance given the entity is entitled to receive the remaining $28,894 as at 30 June 2020 and the Jobkeeper Program on the 30th March, 2020 for which this Company was not eligible.

Significant changes in the state of affairs (continued)

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 23 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' meetings

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

	Board Meetings Attended		Committee Meetings Attended							
					Business Development & Community Investment		Human Resources & Property		Governance	
	A	B	A	B	A	B	A	B	A	B
Colin Alexander Brick	11	10	11	11	-	-	-	-	-	-
Margaret Lilian Lynn (1)	4	3	-	-	-	-	3	3	-	-
Matthew Joseph Gleeson	11	9	-	-	-	-	10	5	7	7
Janette Mary Head	11	10	-	-	9	8	-	-	-	-
Annette Margaretha Dieperink	11	11	11	11	9	9	10	10	-	-
John Villers Butler	11	7	-	-	9	9	-	-	3	1
Thomasin Jane Bales	11	10	-	-	-	-	-	-	7	7
Machteld Lebertha Thomas	11	11	-	-	9	7	-	-	-	-

Directors' meetings (continued)

	Board Meetings Attended		Committee Meetings Attended							
					Business Development & Community Investment		Human Resources & Property		Governance	
	A	B	A	B	A	B	A	B	A	B
Warren Leigh Warner	11	10	11	10	-	-	-	-	-	-
Kerry Anne Ives (2)	9	9	-	-	-	-	9	9	-	-
David John Lewis (3)	4	4	-	-	-	-	-	-	4	4

A - eligible to attend
B - number attended

(1) resigned 30 October 2019
(2) appointed 20 September 2019
(3) appointed 31 March 2020

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Mirboo North, Victoria on 22 October 2020.

Colin Bril

Colin Alexander Brick,
Treasurer

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 Strzelecki Ranges Community Enterprises Limited

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

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

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

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue from ordinary activities	5	920,889	869,666
Employee benefits expense		(411,101)	(397,071)
Charitable donations, sponsorship, advertising and promotion		(73,688)	(132,900)
Occupancy and associated costs		(28,998)	(41,230)
Systems costs		(33,093)	(33,844)
Depreciation and amortisation expense	6	(35,626)	(32,234)
Finance costs	6	-	(2,015)
General administration expenses		(85,718)	(100,532)
Other Expenses		(15,264)	-
Profit before income tax expense		**237,401**	**129,840**
Income tax expense	8	(49,580)	(33,508)
Profit after income tax expense		**187,821**	**96,332**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**187,821**	**96,332**
Earnings per share		¢	¢
Basic earnings per share	26	22.54	11.56

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	9	598,467	450,780
Trade and other receivables	10	109,458	80,713
Current tax asset	13	-	14,248
Financial Assets	14	34,728	-
Total current assets		**742,653**	**545,741**
Non-current assets			
Property, plant and equipment	11	492,922	370,887
Intangible assets	12	64,856	13,555
Deferred tax asset	13	-	-
Total non-current assets		**557,778**	**384,442**
Total assets		**1,300,431**	**930,183**
LIABILITIES			
Current liabilities			
Trade and other payables	15	87,342	29,264
Current tax liabilities	13	35,801	-
Borrowings	16	1,000	1,000
Provisions	17	41,688	36,495
Total current liabilities		**165,831**	**66,759**
Non-current liabilities			
Provisions	17	8,590	6,857
Deferred tax liabilities	13	36,270	8,810
Total non-current liabilities		**44,860**	**15,667**
Total liabilities		**210,691**	**82,426**
Net assets		**1,089,740**	**847,757**
EQUITY			
Issued capital	18	812,778	812,778
Retained earnings	19	181,127	34,979
Revaluations Reserves	20	95,835	-
Total equity		**1,089,740**	**847,757**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital $	Revaluations reserve $	Retained earnings $	Total equity $
Balance at 1 July 2018		812,778	-	68,182	880,960
Impact of restatement	4			(87,862)	(87,862)
Total comprehensive income for the year		-	-	96,332	96,332
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	24	-	-	(41,673)	(41,673)
Balance at 30 June 2019		**812,778**	**-**	**34,979**	**847,757**
Balance at 1 July 2019		812,778	-	34,979	847,757
Total comprehensive income for the year		-	-	187,821	187,821
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	24	-	-	(41,673)	(41,673)
Revaluations Reserve	20	-	95,835	-	95,835
Balance at 30 June 2020		**812,778**	**95,835**	**181,127**	**1,089,740**

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 Bendigo Bank		945,309	943,213
Other Income		47,835	-
Payments to suppliers and employees		(722,448)	(809,038)
Interest received		5,458	10,649
Interest paid		-	(2,015)
Income taxes paid		(15,305)	(30,708)
Lease payments not included in measurement of lease liabilities		(13,830)	-
Net cash provided by operating activities	21	**247,019**	**112,101**
Cash flows from investing activities			
Payments for property, plant and equipment		(12,213)	(52,756)
Payments for Public Company Shares		(49,991)	-
Proceeds from sale of property, plant and equipment		4,545	-
Net cash used in investing activities		**(57,659)**	**(52,756)**
Cash flows from financing activities			
Repayment of borrowings		-	(156,132)
Dividends paid	24(a)	(41,673)	(41,673)
Net cash used in financing activities		**(41,673)**	**(197,805)**
Net increase/(decrease) in cash held		**147,687**	**(138,460)**
Cash and cash equivalents at the beginning of the financial year		450,780	589,240
Cash and cash equivalents at the end of the financial year	9	**598,467**	**450,780**

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* . The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates which are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Application of new and amended accounting standards

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.

Economic dependency - 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.

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 and Adelaide Bank Limited 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 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:

Note 1. Summary of significant accounting policies *(continued)*

a) Basis of preparation (continued)

- advice and assistance in relation to the design, layout and fit out of the Community Bank branch
- 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.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

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

Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. 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 and Adelaide Bank Limited 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.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group 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.

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 and Adelaide Bank Limited for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

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.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

Note 1. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)*

Discretionary financial contributions (continued)

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

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

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 amount withheld as withholding tax reported in activity statements. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes,

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.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited 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 and Adelaide Bank Limited 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.

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

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between Community Bank companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the Community Bank model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is payable (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Note 1. Summary of significant accounting policies *(continued)*

c) Income tax *(continued)*

Deferred Tax (continued)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- buildings	40	years
- leasehold improvements	5 - 40	years
- plant and equipment	1 - 40	years
- motor vehicles	5	years

Note 1. Summary of significant accounting policies *(continued)*

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

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 or 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 a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

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.

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if 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 principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle 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 FVOCI's measurement condition are subsequently measured at FVTPL.

Note 1. Summary of significant accounting policies *(continued)*

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

(ii) Financial assets (continued)

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

Derecognition

(i) Derecognition of financial liabilities

A liability is derecognised 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.

(ii) 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.

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.

Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit of loss; or
- equity instruments measured at 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 uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss 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 expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

Recognition of expected credit losses in financial statements

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

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

Note 1. Summary of significant accounting policies *(continued)*

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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 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.

A number of the company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

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

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

n) Provisions

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

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Note 1. Summary of significant accounting policies *(continued)*

o) Issued capital

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.

p) Earnings per share

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

q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not 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 expense.

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 Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. 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 entity. The entity does not use derivative instruments.

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

(i) Market risk

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

(ii) 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.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

Note 2. Financial risk management (*continued)*

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo & Adelaide Bank Limited receivable as at 30 June 2020.

Expected credit loss assessment for other customers

The company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2020.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

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

(vi) 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 Balance Sheet.

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 franchisee 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 where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Note 3. Critical accounting estimates and judgements *(continued)*

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Note 4. Reassessment of life of intangible assets

During 2020 the company re-assessed the useful life of the assets Goodwill on Purchase of Agency and Redomicile Fee relating to business domiciled from Bendigo Bank to the company using new product lifecycle information. The company determined the intangible assets now have a finite useful life (previously assessed as an indefinite useful life). The company's reassessment of the useful life provided for a useful life of 5 years. At reporting date, the carrying amount exceeds the recoverable amount indicating the asset is now impaired. As a consequence, amortisation expenses have been understated and the intangible asset overstated in previous periods.

The following table summaries the impacts on the financial statements:

	As previously reported	Adjustment	As restated
	$	$	$
30 June 2019			
Statement of Financial Position (extract)			
ASSETS			
Non-current assets			
Intangible assets	101,417	(87,862)	13,555
TOTAL ASSETS	1,018,045	(87,862)	930,183
NET ASSETS	935,619	(87,862)	847,757
TOTAL EQUITY	935,619	(87,862)	847,757

Retained earnings had been adjusted by the impairment amount as at 1 July 2018 as shown in the statement of Changes in Equity.

Note 5. Revenue from ordinary activities

	2020	2019
	$	$
Operating activities:		
- gross margin	683,840	667,923
- services commissions	48,179	60,657
- fee income	85,300	91,345
- market development fund	25,000	25,000
Total revenue from operating activities	842,319	844,925
Non-operating activities:		
- interest received	6,055	9,749
- rental revenue	-	1,069
- ATO Cash Flow Boost	57,788	
- other revenue	14,727	13,923
Total revenue from non-operating activities	78,570	24,741
Total revenues from ordinary activities	920,889	869,666

Note 6. Expenses	2020	2019
	$	$
Depreciation of non-current assets:		
- plant and equipment	2,857	1,602
- leasehold improvements	12,774	6,869
- motor vehicle	1,078	4,844
- buildings	5,362	5,362
	22,071	18,677
Amortisation of non-current assets:		
- franchise agreement	2,259	2,260
- franchise renewal fee	11,296	11,297
	13,555	13,557
Finance costs:		
- Interest paid	-	2,015
	-	2,015
Other Expenses	15,264	
Bad debts	13	88
Loss on disposal of non-current assets	301	8,074

Note 7. Recognition exemption

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

Expenses relating to low-value leases	13,830	-
Expenses relating to short-term leases	2,836	-
	16,666	-

Expenses relating to leases exempt from recognition are included in general administration expenses.

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

The company pays for the right to use an administration office in Yinnar. The lease term is on a month by month arrangement with no formal contract in place and as such has been assessed as short term and exempted from recognition under AASB 16.

Note 8. Income tax expense	2020	2019
	$	$
- Current tax	56,910	13,280
- Future income tax benefit attributable to losses	-	-
- Movement in deferred tax	(6,799)	20,228
- Under provision 2019	2,220	-
- Net benefit of franking credits on dividends received	(658)	-
- Adjustment to deferred tax to reflect reduction in tax rate for future periods	(2,093)	-
	49,580	33,508

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

Operating profit	237,401	129,840
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	65,284	35,706

Note 8. Income tax expense *(continued)*	2020	2019
	$	$
Add Tax effect of:		
- non-deductible expenses	538	22
- timing difference expenses	6,799	(22,448)
- non-assessable income	(15,711)	-
	56,910	13,280
Movement in deferred tax	(6,799)	20,228
Under provision 2019	2,220	-
Net benefit of franking credits on dividends received	(658)	-
Adjustment to deferred tax to reflect reduction in tax rate for future periods	(2,093)	-
	49,580	33,508

Note 9. Cash and cash equivalents		
Cash at bank and on hand	207,501	109,813
Term deposits	390,966	340,967
	598,467	450,780

Note 10. Trade and other receivables		
Trade receivables	70,671	67,876
Prepayments	15,657	11,973
Other receivables and accruals	23,130	864
	109,458	80,713

Note 11. Property, plant and equipment	2020	2019
	$	$
Freehold land		
At cost	-	35,000
Freehold land		
At valuation	56,000	-
Buildings		
At cost	-	214,485
Less accumulated depreciation	-	(37,770)
	-	176,715
Buildings		
At valuation	359,000	-
Less accumulated depreciation	-	-
	359,000	-
Leasehold improvements		
At cost	121,174	222,743
Less accumulated depreciation	(61,792)	(74,130)
	59,382	148,613
Plant and equipment		
At cost	74,444	68,035
Less accumulated depreciation	(55,904)	(58,554)
	18,540	9,481

Note 11. Property, plant and equipment (*continued*)	2020	2019
	$	$
Motor vehicles		
At cost	-	24,219
Less accumulated depreciation	-	(23,141)
	-	1,078
Total written down amount	492,922	370,887

The fair value of the branch property was determined on 30 June 2020. It 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 branch property every 3-5 years.

Movements in carrying amounts:

	2020	2019
Land at cost		
Carrying amount at beginning	35,000	35,000
Additions	-	-
Land at cost transferred	(35,000)	-
Less: depreciation expense	-	-
Carrying amount at end	-	35,000
Land at valuation		
Carrying amount at beginning	-	-
Land at cost transferred in	35,000	-
Valuation increment	21,000	-
Less: depreciation expense	-	-
Carrying amount at end	56,000	-
Buildings at cost		
Carrying amount at beginning	176,715	182,077
Additions	-	-
Buildings at cost transferred out	(171,353)	-
Less: depreciation expense	(5,362)	(5,362)
Carrying amount at end	-	176,715
Buildings at valuation		
Carrying amount at beginning	-	-
Buildings at cost transferred in	171,353	-
Valuation increment	187,647	-
Less: depreciation expense	-	-
Carrying amount at end	359,000	-
Leasehold improvements		
Carrying amount at beginning	148,618	110,800
Additions	-	52,756
Disposals	(76,462)	(8,074)
Less: depreciation expense	(12,774)	(6,869)
Carrying amount at end	59,382	148,613
Plant and equipment		
Carrying amount at beginning	9,486	11,083
Additions	12,212	-
Disposals	(301)	-
Less: depreciation expense	(2,857)	(1,602)
Carrying amount at end	18,540	9,481

Note 11. Property, plant and equipment (*continued*)	2020	2019
	$	$
Movements in carrying amounts: *(continued)*		
Motor vehicles		
Carrying amount at beginning	1,078	5,922
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,078)	(4,844)
Carrying amount at end	-	1,078
Total written down amount	492,922	370,887

Note 12. Intangible assets	2020	2019
	$	$
Franchise fee		
At cost	32,106	21,297
Less: accumulated amortisation	(21,297)	(19,038)
	10,809	2,259
Renewal processing fee		
At cost	110,531	56,484
Less: accumulated amortisation	(56,484)	(45,188)
	54,047	11,296
Redomicile fee		
At cost	19,680	19,680
Less: accumulated amortisation	(19,680)	-
	19,680	19,680
Goodwill on purchase of agency		
At cost	68,182	68,182
Less: accumulated amortisation	(68,182)	-
	68,182	68,182
	-	68,182
Total written down amount	64,856	81,737

The company has re-assessed the useful life of its cash-generating unit for business domiciled from Bendigo Bank to the company. The company has determined that the intangible asset now has a finite useful life (previously assessed as an indefinite useful life). The assessment was based on new information from Bendigo Bank relating to the customer product life cycle.

In accordance with AASB 136, reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired.

The asset was originally acquired the Agency Fee for $68,182 in 2011 and the Redomicile Fee for $19,680 in 2013. The company's reassessment of the useful life provided for a useful life of 5 years. At reporting date, the carrying amount exceeds the recoverable amount indicating the asset is now impaired. As a result, prior period figures have been restated. See note 4.

Note 13. Tax		
Current:		
Income tax payable/(refundable)	35,801	(14,248)
Non-current:		
Deferred tax assets		
- accruals	1,014	798
- employee provisions	13,073	11,922
- investments fair value unrealised losses	3,969	-
	18,056	12,720

Note 13. Tax *(continued)*

Deferred tax liability		
- accruals	378	237
- property, plant and equipment	53,948	21,293
	54,326	21,530
Net deferred tax asset/(liability)	(36,270)	(8,810)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	6,799	20,227

Note 14. Financial Assets

	2020 $	2019 $
Bendigo Bank Shares		
At cost	49,991	-
Movement in market value	(15,263)	-
	34,728	-

The company purchased 4,954 Bendigo Bank shares on 1 January 2020

Note 15. Trade and other payables

Current:

Trade creditors	4,623	20,838
Other creditors and accruals	82,719	8,426
	87,342	29,264

Note 16. Borrowings

Current:

Bank loans	1,000	1,000

The loan is to finance the property at 88 Ridgway Mirboo North and is unsecured and is repayable annually over 20 years. Interest is fixed at 3% p.a. for the term of the loan.

Note 17. Provisions

Current:

Provision for annual leave	23,729	15,616
Provision for long service leave	17,959	20,879
	41,688	36,495

Non-current:

Provision for long service leave	8,590	6,857

Note 18. Issued capital

833,462 ordinary shares fully paid (2019: 833,462)	833,462	833,462
Less: equity raising expenses	(20,684)	(20,684)
	812,778	812,778

Note 18. Issued capital *(continued)*

Rights attached to shares

(a) *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.

(b) *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 and Adelaide Bank Limited 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).

(c) *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 339. As at the date of this report, the company had 358 shareholders.

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

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

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

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

Note 19. Retained earnings	2020 $	2019 $
Balance at the beginning of the financial year	34,979	68,182
Net profit from ordinary activities after income tax	187,821	96,332
Dividends provided for or paid	(41,673)	(41,673)
Impact of restatement (Note 4)	-	(87,862)
Balance at the end of the financial year	181,127	34,979

Note 20. Revaluations Reserves		
Balance at the beginning of the financial year	-	-
Additions	95,835	-
Balance at the end of the financial year	95,835	-

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

Note 21. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	187,821	96,332
Non cash items:		
- depreciation	22,071	18,677
- amortisation	13,555	13,557
- loss on disposal of assets	(4,545)	8,074
- market price share price decrease	15,264	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(34,911)	(1,033)
- (increase)/decrease in other assets	(21,801)	(2,831)
- increase/(decrease) in payables	(622)	(9,138)
- increase/(decrease) in provisions	6,926	(17,168)
- increase/(decrease) in current tax liabilities	63,261	5,631
Net cash flows provided by operating activities	247,019	112,101

Note 22. Auditor's remuneration	2020 $	2019 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,800	4,400
- share registry services	3,846	3,715
- non audit services	4,080	3,325
	12,726	11,440

Note 23. Director and related party disclosures

The names of directors who have held office during the financial year are:

Colin Alexander Brick
Margaret Lilian Lynn *(resigned 30 October 2019)*
Matthew Joseph Gleeson
Janette Mary Head
Annette Margaretha Dieperink
John Villers Butler
Thomasin Jane Bales
Machteld Lebertha Thomas
Warren Leigh Warner
Kerry Anne Ives *(appointed 20 September 2019)*
David John Lewis *(appointed 31 March 2020)*
Kerry Joy Peachey *(resigned 31 July 2019)*

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors Shareholdings	2020	2019
Colin Alexander Brick	-	-
Margaret Lilian Lynn *(resigned 30 October 2019)*	6,200	6,200
Matthew Joseph Gleeson	2,000	2,000
Janette Mary Head	5,000	5,000
Annette Margaretha Dieperink	3,509	3,509
John Villers Butler	-	-
Thomasin Jane Bales	-	-
Machteld Lebertha Thomas	-	-
Warren Leigh Warner	6,000	5,000
Kerry Anne Ives *(appointed 20 September 2019)*	-	-
David John Lewis *(appointed 31 March 2020)*	2,000	-
Kerry Joy Peachey *(resigned 31 July 2019)*	-	-

Note 24. Dividends provided for or paid

	2020 $	2019 $
a. Dividends paid during the year		
Current year dividend		
Fully franked dividend - 5 cents (2019: 5 cents) per share	41,673	41,673

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

Note 24. Dividends provided for or paid (continued)	2020	2019
	$	$
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	99,479	99,323
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	35,791	(7,366)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(15,807)	-
Franking credits available for future financial reporting periods:	119,463	91,957
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	119,463	91,957

Note 25. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member. There are no executives within the company whose remuneration is required to be disclosed.

Community Bank® Directors' Privileges Package

The board has adopted the 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 Community Bank branch at Strzelecki Ranges. There is no requirement to own BEN 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 total benefits received by the directors from the Directors' Privilege Package are $410 for the year ended 30 June 2020 (2019: $410).

Note 26. Earnings per share

	2020	2019
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	187,821	96,332
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	833,462	833,462

Note 27. Events occurring after the reporting date

Covid-19

On the 11th March, 2020 the World Health Organisation declared Covid – 19 as a pandemic. The Victorian government imposed a number of restrictions on the 21st March, 2020 including limiting the number of customers into the branch and significantly restricting the activities of a number of businesses. The Federal Government introduced the Cash flow Boost for Employers on the 22nd of March, 2020 for which this Company was entitled to an initial payment of $28,894 for the period from March to May 2020 and is therefore entitled to the remaining $28,894 to be paid in 4 equal instalments from June 2020 to September 2020. The total of $57,788 has been recognised as income under AASB120 Accounting for Government Grants and Disclosure of Government Assistance given that the entity is entitled to receive the remaining $28,894 as at 30 June 2020 and the Jobkeeper Program on the 30th March, 2020 for which this Company was not eligible.

After some easing of restrictions in Victoria, Stage 3 restrictions were re-introduced in non- metropolitan areas on the 5th of August, 2020.

Other than Covid-19 there have been no events after the end of the financial year that would materially affect the financial statements.

Note 28. Contingent liabilities and contingent assets

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

Note 29. Community Enterprise Foundation

During the period the company contributed funds to the Community Enterprise Foundation (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2020 is as follows:

	2020 $	2019 $
Opening balance	197,598	156,845
Contributions	49,523	86,842
Grants paid	(160,345)	(48,103)
Interest	2,114	3,067
Management fees	(2,105)	(1,053)
Balance available for distribution	86,785	197,598

Note 30. Segment reporting

The economic entity operates in the service sector where it facilitates Community Bank services in Mirboo North, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 31. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
88 Ridgway Road Mirboo North VIC 3871	88 Ridgway Road Mirboo North VIC 3871

Note 32. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2020 $	2019 $	2020 $	2019 $	2019 $	2018 $	2019 $	2018 $	2020 $	2019 $	2020 %	2019 %
Financial assets												
Cash and cash equivalents	205,455	109,313	390,967	340,967	-	-	-	-	500	500	1.77	1.77
Receivables	-	-	-	-	-	-	-	-	70,671	67,876	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	1,000	1,000	-	-	-	-	-	-	3.00	3.00
Payables	-	-	-	-	-	-	-	-	4,623	20,838	N/A	N/A

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2020, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2020 $	2019 $
Change in profit/(loss)		
Increase in interest rate by 1%	5,954	4,493
Decrease in interest rate by 1%	(5,954)	(4,493)
Change in equity		
Increase in interest rate by 1%	5,954	4,493
Decrease in interest rate by 1%	(5,954)	(4,493)

Directors' declaration

In accordance with a resolution of the directors of Strzelecki Ranges Community Enterprises Limited, we state that:

In the opinion of the directors:

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

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

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

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Colin Alexander Brick, Treasurer

Signed on the 22nd of October 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 Strzelecki Ranges Community Enterprises Limited

Report on the audit of the financial report

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

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

What we have audited
Strzelecki Ranges Community Enterprises Limited's (the company) financial report comprises the:

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

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

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

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

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

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Chartered Accountants

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

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

Joshua Griffin
Lead Auditor

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Bendigo Bank

Community Bank
Mirboo North & District

Banking is our Business – Community is our Purpose