Annual Report 2020

WYDCOM Financial Services Limited

Community Bank
Woori Yallock & District

ABN 71 102 202 595

Contents

Chair's report

For year ending 30 June 2020

Operating environment

In review, it is difficult to imagine a year of greater disruption than 2019/20, although this may be trumped by the year(s) that immediately follow. At WYDCOM Financial Service Limited (WYDCOM), we've endured an environment of record low interest rates, compressed margins and now a pandemic-induced economic recession.

Banks in particular are still coming to grips with the criticisms of the Hayne Royal Commission and adjusting business models to remain relevant in the highly competitive world of banking. The rapid emergence of digital/neo bank rivals, as well as stellar growth in the buy now/pay later sector, all serve as strong indications of significant shifts in customer preferences.

Our business was not immune to any of this. Like many banks, Bendigo Bank struggled to recalibrate settings and standards for responsible lending. Confusion resulted and our response/processing times became complicated and uncompetitive. Combine this with economic softening and a team subject to significant upheaval, it proved difficult to maintain business momentum.

The COVID-19 pandemic and associated Government edicts required the prompt and formal adoption of COVID-19 Safe Plans and in conjunction with Bendigo and Adelaide Bank Limited, the Board and branch management orchestrated plans that allowed for uninterrupted delivery of essential banking services, but only after ensuring the safety and wellbeing of our staff.

Pandemic or no pandemic, finance and the delivery of financial services is undergoing major and potentially, permanent shifts away from traditional banking models.

Financials

Prima facie Net Profit After Tax increased by 75% to reach $65,455 ($37,034 last year).

While a welcome increase, result is heavily inflated by the tax-free Government 'Cash Flow Boost Payment' of $44,883 received late in the year. Government stipulation is that these payments are intended to help SME businesses such as ours, to recover and drive growth post-pandemic. Although full economic consequences are yet to materialise and while it seems a second tranche of this 'Cash Flow Boost' could be available in the 2020/21 Financial Year, these are non-recurring items, in special circumstances and for a specific purpose. Prudence would dictate they be reserved for future initiatives once the fuller impact of COVID-19 can be measured or determined.

Inclusion of the 'Cash Flow Boost' masks an underlying fall in Net Profit After Tax to $20,572. Down 44% or $17,000 from the corresponding period.

Material accounting changes relating to leases distorts some expense lines, but the reality is that core operating revenue is falling faster than operating expenses. When combined with a lower level of community contribution, year-on-year comparisons highlight further slippage and add concern to the already tightening operating environment.

The Board and branch management are alert to the adverse trends and will continue to make every effort to arrest this trend and ready the business for the emerging post-pandemic economic environment that is likely to challenge all of us.

The good news is that we have a very strong Balance Sheet, a solid team (Board and branch) and a sound and supportive customer base, that continue to demonstrate loyalty to our business and the community benefit that we deliver.

Chair's report (continued)

Community contributions

Restrictions imposed as part of COVID-19 requirements meant that a number of traditional and planned community events were cancelled/postponed in the second half of the year.

While this reduced community applications, full year charitable donations, sponsorships etc., still totaled $72,543, including a further $20,000 top-up to our account with the Community Enterprise Foundation™ (CEF).

During the year, grants from the CEF totaled $56,890 and combined with the above, represents $109,433 given back to the community thanks to the ongoing support and loyalty of our customers.

The following table outlines our major contributions:

Education	
Don Valley P.S.	$3,360
· Woodcarving Event	$682
Hoddles Creek P.S.	$3,220
Launching Place P.S.	$5,270
Woori Yallock P.S.	$6,200
· Resilience Project	$8,690
Launching Place Pre-School	$6,000
Scholarship Program	$35,000

Sporting Groups	
Hoddles Cricket Club	$8,520
Woori Football Club	$6,000
Emergency Services	
CFA	$16,000
Community Events	
Hoddles Creek Red Cross	3,290
Yarra Valley Small Wineries	$7,000
WHYLD	$7,200

Outlook

The pundits would suggest that in economic terms, the worst of this COVID-19 recession is yet to come! Critically, the outlook for housing, employment and small business looks fragile. Low interest rates now seem embedded for the long term and as dominant competitors flex their muscle, it is likely we can expect further tightening of the Net Interest Margin that is the primary influence on our revenue.

Additionally, WYDCOM net equity is invested in cash assets and while that might be the prudent asset class in such uncertain times, it remains low yielding. This aspect is not lost on the WYDCOM Board and the position continues to be closely monitored.

Stimulus and other Government support measures will eventually unwind, as will loan repayment deferrals and embargoes on evictions and insolvencies. Designed to get us to the other side of the pandemic (which we hope they do!), these measures will fade and then expose underlying financial distress and difficulties to individuals and businesses alike. While WYDCOM is not directly exposed to customer credit risk, we will certainly suffer from any impaired and/or underperforming loans relating to our customers.

There appear many risks emerging for the year ahead, and potentially more so in the years to follow.

In a macro sense, digital banking has arrived with gusto – a movement that is actively embraced by our Franchisor who are accelerating their digital transformation agenda.

At a micro level, individual customers are being encouraged to bank online and even limit the use of traditional cash. One way or another, this wave of disruption points to profound and lasting change in customer behaviour, customer preferences and customer options.

As you would expect, the Board has already shifted its attention to the medium term and how we best prepare and prudently structure the Balance Sheet, our workforce and our service proposition to best protect long term financial strength and viability.

The WYDCOM Board is alert to and excited by the outlook, with a keen eye to structural adjustment or strategic positioning that could better serve our stakeholders and underpin ongoing viability and relevance. Fortunately, our team has never been stronger.

Chair's report (continued)

Expertise at Board level is exceptional and is only matched by the skill, experience and passion of our branch staff. In the short term we will need the resilience of Branch Manager Vicky and her team to see our business, its customers and the broader community through the choking COVID-19 restrictions imposed, until such time we reach something resembling a new normal.

While we think our solid reputation and stated purpose of community benefit offer compelling points of competitive difference, in times of uncertainty and insecurity, other banks customers become harder to dislodge. The team is up to the marketing/business development challenge this represents, but we need to acknowledge there are already a high number of headwinds in the year(s) ahead.

Appreciation

Through all this turbulence, our branch staff continue to shine.

At WYDCOM, we had planned 'disruptions' of sorts with half of our permanent team availing of extended leave during the year.

While this presented challenges, we congratulate the entire team for rising to the occasion and in particular, Amanda Gibson and Ashleigh Toogood for building the skills and accreditations necessary to keep our business focused on the needs of our customers. Thank you.

More recently, a COVID-19 Safe operating model has been required. In addition to stressed and anxious customers, staff have implemented a strict new dimension of workplace compliance with physical distancing, masks, hygiene and sanitisation requirements not normally associated with our office environment. Combined with their own personal stresses and lock-down challenges, the team has managed to deliver an uninterrupted, personalised and safe essential service to our community.

Special thanks to Vicky Senior and Amanda Gibson for their skill and devotion in leading the team and navigating the business during this challenging time.

To our entire branch team and our many supporters at Bendigo Bank, we thank you enormously!

Personally, I take this opportunity to thank my fellow Board members for volunteering their time, their professionalism and their ongoing commitment to the work being done by WYDCOM and Community Bank Woori Yallock & District. Although I would not normally single out an individual, this is a chance to acknowledge the significant work done by our Company Secretary, Lyn Collier and thank her for overseeing the corporate administration in a seamless manner.

I would also like to acknowledge and thank the immediate past Chair, Peter Cownley. After many years of devoted service as Chair, Peter facilitated an orderly succession and has now stepped back into a Non-Executive Director role on the WYDCOM Board. I thank Peter and look forward to his ongoing support and invaluable input to the WYDCOM business.

Finally, and the biggest thank you, to our customers. It is only by you choosing to trust us with your banking requirements that makes all of what we do possible. We know that when it comes to banking you have many choices. Thank you for choosing Community Bank Woori Yallock & District.

Michael Flower
Chair

Manager's report

For year ending 30 June 2020

Thank you once again for giving me the opportunity to bring you up to date with the outcomes of the last twelve months at Community Bank Woori Yallock & District. As I am sure many of you know, the majority of this year I spent at home with my new baby but in my stead, Amanda Gibson stepped into the Branch Manager role and did a fabulous job. Many of our staff took this opportunity to develop themselves and learn new roles within the branch and this had an excellent outcome. Upon my return we now have a number of staff willing and able to take on tasks outside of their usual capacity; and what business wouldn't want that!?

Our branch has had a testing time, as many businesses throughout the world. Firstly the Royal Commission tightened our lending restrictions for a time whilst the Bank reviewed existing policies and procedures to ensure we were adhering to the rules. Although it was found that Bendigo and Adelaide Bank Limited as a whole were doing the right thing it certainly wasted a lot of valuable time for our customers whilst we worked through the new rules and systems and brought them into play.

Just as we found our feet, we have been met with the effects of COVID-19. This has brought the world to its knees in many ways and both financially and emotionally our customers and staff have been affected. Alas we seem to be recovering well and navigating as successfully as we can through the unknown. For this I am exceptionally grateful and proud of the support our Board of Directors have given us, how resilient our staff have been and how quickly Bendigo and Adelaide Bank Limited have amended processes to help both staff and the customers. Our community have come together in a way that has also filled me with awe and pride and I cannot express enough how grateful I am to be part of a community who stick together through the hard times.

Last year I spoke of the age of technology being upon us, this is certainly still very true, and has been brought forward through the restrictions of COVID-19. We have more customers than ever using apps and technology and our staff finding new ways of supporting them. It will certainly be an interesting year ahead to see where we are left once a post 'COVID normal' comes into play.

As always, my message is positive and all about the future. It is now more important than ever that you, our shareholders continue to support us through these dark times and encourage others to do the same. I cannot reiterate enough the importance of educating our community in exactly how our Board of Directors work and why Community Bank Woori Yallock & District is different to any other bank. We are stepping into some unknown territory, but this doesn't need to be negative change. Our staff are all for moving with the times and as long as our community exists there will always be a call for the Community Bank in our town. Let these times not shake the foundations of what we have already built and remain faithful and loyal to our business. Price isn't always the main driver for our business, the service we offer is what sets us aside from every other Bank and we need to ensure that our customers remember this.

I would like to welcome our new Chair Mike Flower who has come into the role at an incredibly challenging time and worked so hard to support our business through COVID-19. I would also like to thank Peter Cownley for his time as Chair and I am extremely pleased that he has remained on our Board with his knowledge, passion and experience. Thank you to the remainder of the Board of Directors, Lyn, Bernie, John, Daryl and James, they dedicate so much of their time to our community and business and I know I speak for all of us when I say how grateful we are that they do.

Lastly but by no means least, a huge thank you must go out to all the staff at the branch, Amanda had a huge task in stepping into the Branch Manager's role during my maternity leave and continuing to build the lending book. Ashleigh, Ingrid, Lauren, Amber, Lesley and Evelyn whom have contributed so in making our branch successful. Their service is exceptional and I genuinely believe that as branches diminish over the next few years, it will be our attitudes and service to the community that will save ours.

Bendigo and Adelaide Bank Limited have a new Regional Manager Shelley McLean who is also doing her best through COVID-19 to help us build our business and support us where possible.

My observations of Woori Yallock, Launching Place, Don Valley, Yellingbo and Hoddles Creek communities over the past five years, are that the people have a strong community spirit, but as with most individuals we are all time poor. I am here to help. I urge you to utilise me over the coming year and spread the word about the wonderful opportunity our community have with access to a personalised banking service, something we know for sure will start to disappear over the next few years with other banks.

Again, I cannot stress enough the importance of the question, "Do you bank with Community Bank Woori Yallock & District?" As shareholders, staff, Board members and customers we all have a responsibility to spread the word, hand out business cards and then leave me to do the rest. All I ask for are opportunities to grow our business, with your recommendations on the service your friends and family receive. Please, don't let a small difference in interest rates be the thing that take you away. Rates may rise and fall, but Bendigo and Adelaide Bank Limited are doing their best to keep them in line with the other financial institutions out there, and the service here doesn't ever fall. It will be the one thing that remains constant and it is then, when times are hard, that you'll be glad you stuck with us and didn't chase the honeymoon rates some other Banks may be offering!

Thank you for your time, I wish you all a prosperous and exciting year ahead!

Vicky Senior
Manager

Directors' report

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

Directors

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

Michael Norman Flower
Chair (Appointed 25 May 2020)
Occupation: Business Consultant
Qualifications, experience and expertise: Mike is a versatile and experienced professional with business acumen and commercial judgement gained from executive roles in banking, finance and professional services. Mike is a FINSIA Fellow, an AICD graduate and a certified member of the Governance Institute of Australia.
Special responsibilities: Marketing & Sponsorship Committee and Audit & Human Resources Committee
Interest in shares: nil share interest held

Peter James Cownley
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: Peter has completed his Diploma of Civil Engineering and Post Graduate in Municipal Engineering. Peter has volunteered for the Launching Place Tennis Club, Kiwanis Club of Port Phillip and the Woori Yallock Junior Football Club. WHYLD Community Group.
Special responsibilities: Audit & Human Resources Committee
Interest in shares: 1,000 ordinary shares

Lynette Joy Collier
Secretary
Occupation: Administrative Assistant
Qualifications, experience and expertise: Lyn has completed a Bachelor of Education Degree and a Graduate Diploma in Education Administration. Lyn has over 40 years experience in education and is also a volunteer in various community groups.
Special responsibilities: Audit & Human Resources Committee
Interest in shares: 5,500 ordinary shares

John Robert Morton
Non-executive director
Occupation: Export Manager
Qualifications, experience and expertise: Qualifications, experience and expertise: John is a past Director of this company having resigned in November 2005. John originally joined the Board when the company formed some 17 years ago. John has run his own business of chestnut farming and been President of Chestnuts Australia for 5 years. John is a past chairperson of the local primary school and a former President of the Yarra Valley Cricket Association.
Special responsibilities: Marketing & Sponsorship Committee
Interest in shares: 5,000 ordinary shares

Bernard John Cole-Sinclair
Non-executive director
Occupation: Accountant
Qualifications, experience and expertise: Bernie holds a Diploma in Business Studies (Accounting) and is a Fellow member of the TIA and NTAA. Bernie is also a registered tax agent and has operated his own practice for over 25 years in the Yarra Valley. Bernie is member of the Hoddles Creek Fire Brigade, the local cricket club and primary school as well as being a trustee for the Beenak Cemetery Trust.
Special responsibilities: Marketing & Sponsorship Committee
Interest in shares: nil share interest held

Directors *(continued)*

Daryl John Dixon
Non-executive director
Occupation: Program Director
Qualifications, experience and expertise: Daryl has been a Program Director within the IT sector for over 30 years, having worked the Government, Finance Sector, Transport and Logistic & Utility Industries. Daryl has actively participated in the community be that on school councils or advisory boards raising funds for improvements or infrastructure.
Special responsibilities: None at this time
Interest in shares: nil share interest held

James Gerald Digby
Non-executive director
Occupation: Business Consultant
Qualifications, experience and expertise: James has worked for various commercial and Not for Profit organisations as either a Chief Financial Officer or General Manager. He holds an MBA, Bachelor of Business and a Graduate Diploma in International & Community Development as well as being a FCPA. James has been a Board member of several community organisations.
Special responsibilities: None at this time
Interest in shares: nil share interest held

John Hugh Ferguson *(Resigned 4 September 2019)*
Non-executive director
Occupation: Surveyor
Qualifications, experience and expertise: John works as a surveyor. He and his family have been long standing community members. Growing up in the area John has attended local schools and has played sport with the local teams in particular the Woori Yallock Cricket Club. John has also held executive positions with many of these clubs.
Special responsibilities: Marketing & Sponsorship Committee
Interest in shares: 1,000 ordinary shares

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

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

Company Secretary

The company secretary is Lynette Collier. Lynette was appointed to the position of secretary on 28 August, 2017.

Qualifications, experience and expertise: Lyn has completed a Bachelor of Education Degree and a Graduate Diploma in Education Administration. Lyn has over 40 years experience in education and is also a volunteer in various community groups.

Principal activity

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

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

Operating results

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

Year ended 30 June 2020 $	Year ended 30 June 2019 $
65,455	37,034

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Michael Norman Flower	-	-	-
Peter James Cownley	1,000	-	1,000
Lynette Joy Collier	5,500	-	5,500
John Robert Morton	5,000	-	5,000
Bernard John Cole-Sinclair	-	-	-
Daryl John Dixon	-	-	-
James Gerald Digby	-	-	-
John Hugh Ferguson	1,000	-	1,000

No debentures or rights have been granted or options over such instruments in previous financial years or during the current financial year.

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	5.00	26,500
Total amount	5.00	26,500

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases.* See note 4 for further details.

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Executive Audit & HR		Marketing & Community Contributions	
	E	*A*	*E*	*A*	*E*	*A*
Michael Norman Flower	11	11	11	11	3	3
Peter James Cownley	11	9	9	6	-	-
Lynette Joy Collier	11	10	11	11	-	-
John Robert Morton	11	11	-	-	3	3
Bernard John Cole-Sinclair	11	9	-	-	3	3
Daryl John Dixon	11	10	-	-	-	-
James Gerald Digby	11	10	-	-		-
John Hugh Ferguson	1	1	-	-	-	-

E - eligible to attend
A - number attended

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

Auditor's independence declaration

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

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

Michael Norman Flower , Chair

Dated this 15th day of September 2020

Auditor's independence declaration

Partners in success
Chartered Accountants

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 15 September 2020

Joshua Griffin
Lead Auditor

Financial statements

Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	738,302	787,386
Other revenue	9	69,883	35,945
Finance income	10	18,515	26,678
Employee benefit expenses	11c)	(497,970)	(520,656)
Charitable donations, sponsorship, advertising and promotion		(72,543)	(85,900)
Occupancy and associated costs		(30,410)	(66,406)
Systems costs		(19,423)	(19,442)
Depreciation and amortisation expense	11a)	(47,676)	(27,602)
Finance costs	11b)	(9,980)	-
General administration expenses		(73,186)	(78,922)
Profit before income tax expense		75,512	51,081
Income tax expense	12a)	(10,057)	(14,047)
Profit after income tax expense		65,455	37,034
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		65,455	37,034
Earnings per share		¢	¢
- Basic and diluted earnings per share:	30a)	12.35	6.99

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	1,300,193	1,232,573
Trade and other receivables	14a)	78,038	86,002
Current tax assets	18a)	-	11,224
Total current assets		1,378,231	1,329,799
Non-current assets			
Property, plant and equipment	15a)	50,853	60,683
Right-of-use assets	16a)	185,267	-
Intangible assets	17a)	42,421	55,644
Deferred tax asset	18b)	28,320	5,920
Total non-current assets		306,861	122,247
Total assets		1,685,092	1,452,046
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	71,240	81,554
Current tax liabilities	18a)	7,120	-
Lease liabilities	20b)	26,318	-
Employee benefits	22a)	36,384	22,831
Total current liabilities		141,062	104,385
Non-current liabilities			
Trade and other payables	19b)	31,267	46,900
Lease liabilites	20c)	166,191	-
Employee benefits	22b)	12,483	8,010
Provisions	21a)	37,362	-
Total non-current liabilities		247,303	54,910
Total liabilities		388,365	159,295
Net assets		1,296,727	1,292,751
EQUITY			
Issued capital	23a)	512,969	512,969
Retained earnings	24	783,758	779,782
Total equity		1,296,727	1,292,751

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2018		512,969	795,748	1,308,717
Total comprehensive income for the year		-	37,034	37,034
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(53,000)	(53,000)
Balance at 30 June 2019		**512,969**	**779,782**	**1,292,751**
Balance at 1 July 2019		512,969	779,782	1,292,751
Effect of AASB 16: Leases	3d)	-	(34,979)	(34,979)
Restated balance at 1 July 2019		512,969	744,803	1,257,772
Total comprehensive income for the year		-	65,455	65,455
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(26,500)	(26,500)
Balance at 30 June 2020		**512,969**	**783,758**	**1,296,727**

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		898,090	908,872
Payments to suppliers and employees		(765,861)	(874,010)
Interest received		21,947	26,678
Lease payments (interest component)	11b)	(9,980)	-
Lease payments not included in the measurement of lease liabilities	11d)	(6,447)	-
Income taxes paid		(2,142)	(16,894)
Net cash provided by operating activities	25	**135,607**	**44,646**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,096)	(3,891)
Payments for intangible assets		(13,222)	(13,222)
Net cash used in investing activities		**(14,318)**	**(17,113)**
Cash flows from financing activities			
Lease payments (principal component)	20a)	(27,169)	-
Dividends paid	29a)	(26,500)	(53,000)
Net cash used in financing activities		**(53,669)**	**(53,000)**
Net cash increase/(decrease) in cash held		**67,620**	**(25,467)**
Cash and cash equivalents at the beginning of the financial year		1,232,573	1,258,040
Cash and cash equivalents at the end of the financial year	13a)	**1,300,193**	**1,232,573**

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
Shop 13 1585 Warburton Highway Woori Yallock VIC 3139	Shop 13 1585 Warburton Highway Woori Yallock VIC 3139

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

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 15 September 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease.* The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 m) and Note 20.

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

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

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

d) Impact on financial statements

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

Impact on equity presented as increase (decrease)	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	16b)	171,431
Deferred tax asset	18b)	13,268
Liability		
Lease liabilities	20a)	(219,678)
Equity		
Retained earnings		(34,979)

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.79%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	121,020
Add: additional options now expected to be exercised	266,665
Less: additional options now not expected to be exercised	(122,324)
Less: present value discounting	(45,683)
Lease liability as at 1 July 2019	219,678

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

Revenue	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

Note 4 Summary of significant accounting policies *(continued)*

b) Other revenue *(continued)*

Discretionary financial contributions (continued)

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

Note 4 Summary of significant accounting policies *(continued)*

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

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

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

Note 4 Summary of significant accounting policies *(continued)*

e) Taxes *(continued)*

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 15 years
Plant and equipment	Straight-line	2.5 to 40 years

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

Note 4 Summary of significant accounting policies *(continued)*

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

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

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

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Note 4 Summary of significant accounting policies *(continued)*

i) Financial instruments *(continued)*

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Note 4 Summary of significant accounting policies *(continued)*

i) Financial instruments *(continued)*

Derecognition (continued)

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on its trade receivables.

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

Note 4 Summary of significant accounting policies *(continued)*

l) Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to its/their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

m) Leases

The company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee *(continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the group is reasonably certain to exercise that option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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

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

As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

Policy applicable before 1 July 2019

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

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

Policy applicable benfore 1 July 2019 (continued)

As a lessee

In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

The company has not been a party in an arrangement where it is a lessor.

n) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

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

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

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

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

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

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

a) Credit risk

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

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

b) Liquidity risk

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

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

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

Note 6 Financial risk management *(continued)*

b) Credit risk *(continued)*

30 June 2020

			Contractual cash flows	
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	192,509	35,070	125,194	68,149
Trade payables	259	259	-	-
	192,768	35,329	125,194	68,149

30 June 2019

			Contractual cash flows	
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade payables	29,317	29,317	-	-
	29,317	29,317	-	-

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $1,300,193 at 30 June 2020 (2019: $1,232,573). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 8 Revenue from contracts with customers

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

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	738,302	787,386
	738,302	787,386

Disaggregation of revenue from contracts with customers

At a point in time:		
- Margin income	628,084	671,329
- Fee income	70,886	78,431
- Commission income	39,332	37,626
	738,302	787,386

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

Note 9 Other revenue

The company generated other sources of revenue from discretionary contributions received from the franchisor and Cash flow boost income from the Australian Government.

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	25,000	25,000
- Cash flow boost	44,883	-
- Other income	-	10,945
	69,883	35,945

Note 10 Finance income

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

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

Finance income	2020 $	2019 $
At amortised cost:		
- Term deposits	18,515	26,678
	18,515	26,678

Note 11 Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	5,728	7,984
- Plant and equipment	5,199	3,465
	10,927	11,449
Depreciation of right-of-use assets		
- Leased land and buildings	23,526	-
	23,526	-
Amortisation of intangible assets:		
- Franchise fee	2,204	2,476
- Franchise renewal process fee	11,019	13,677
	13,223	16,153
Total depreciation and amortisation expense	47,676	27,602

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

Note 11 Expenses *(continued)*

b) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Lease interest expense	20a)	9,980	-
		9,980	-

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

c) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	423,590	471,766
Contributions to defined contribution plans	53,490	41,254
Expenses related to long service leave	5,251	(12,642)
Other expenses	15,639	20,278
	497,970	520,656

d) Recognition exemption

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

	2020 $	2019 $
Expenses relating to low-value leases	6,447	-
	6,447	-

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

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

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss

	2020 $	2019 $
Current tax expense		
- Current tax	19,188	10,536
- Movement in deferred tax	(24,033)	3,511
- Adjustment to deferred tax on AASB 16 retrospective application	13,268	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	1,634	-
	10,057	14,047

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $1,634 related to the remeasurement of deferred tax assets and liabilities of the company.

Note 12 Income tax expense *(continued)*

b) *Prima facie* income tax reconciliation	2020 $	2019 $
Operating profit before taxation	75,512	51,081
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	20,766	14,047
Tax effect of:		
- Temporary differences	10,765	(3,511)
- Other assessable income	(12,343)	-
- Movement in deferred tax	(24,033)	3,511
- Leases initial recognition	13,268	-
- Reduction in company tax rate	1,634	-
	10,057	14,047

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

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

	2020 $	2019 $
- Cash at bank and on hand	99,101	53,428
- Term deposits	1,201,092	1,179,145
	1,300,193	1,232,573

Note 14 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	56,869	69,003
Prepayments	6,228	8,683
Other receivables and accruals	14,941	8,316
	78,038	86,002

Note 15 Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Leasehold improvements		
At cost	122,322	122,322
Less: accumulated depreciation and impairment	(88,170)	(82,442)
	34,152	39,880

Note 15 Property, plant and equipment *(continued)*

a) Carrying amounts *(continued)*

	2020 $	2019 $
Plant and equipment		
At cost	115,592	114,496
Less: accumulated depreciation and impairment	(98,891)	(93,693)
	16,701	20,803
Total written down amount	50,853	60,683

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

b) Reconciliation of carrying amounts

	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	39,880	46,379
Additions	-	1,485
Depreciation	(5,728)	(7,984)
Carrying amount at end	34,152	39,880
Plant and equipment		
Carrying amount at beginning	20,803	21,864
Additions	1,097	2,404
Depreciation	(5,199)	(3,465)
Carrying amount at end	16,701	20,803
Total written down amount	50,853	60,683

c) Changes in estimates

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

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

Note 16 Right-of-use assets

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

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

Note 16 Right-of-use assets *(continued)*

a) Carrying amounts	Note	2020 $	2019 $
Leased land and buildings			
At cost		385,955	-
Less: accumulated depreciation and impairment		(200,688)	-
		185,267	-

b) Reconciliation of carrying amounts	Note	2020 $	2019 $
Leased land and buildings			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	348,593	-
Accumulated depreciation on adoption	3d)	(177,162)	-
Remeasurement adjustments		37,362	-
Depreciation		(23,526)	-
Total written down amount		185,267	-

Note 17 Intangible assets

a) Carrying amounts	2020 $	2019 $
Franchise fee		
At cost	82,471	82,471
Less: accumulated amortisation and impairment	(75,401)	(73,197)
	7,070	9,274
Franchise renewal process fee		
At cost	147,808	147,808
Less: accumulated amortisation and impairment	(112,457)	(101,438)
	35,351	46,370
Total written down amount	42,421	55,644

b) Reconciliation of carrying amounts	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	9,274	732
Additions	-	11,018
Amortisation	(2,204)	(2,476)
Carrying amount at end	7,070	9,274

Note 17 Intangible assets *(continued)*

b) Reconciliation of carrying amounts *(continued)*	2020 $	2019 $
Franchise renewal process fee		
Carrying amount at beginning	46,370	4,953
Additions	-	55,094
Amortisation	(11,019)	(13,677)
Carrying amount at end	35,351	46,370
Total written down amount	42,421	55,644

c) Changes in estimates

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

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

Note 18 Tax assets and liabilities

a) Current tax	2020 $	2019 $
Income tax payable/(refundable)	7,120	(11,224)

b) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$
- expense accruals	1,595	(555)	-	1,040
- employee provisions	6,279	10,358	-	16,637
- make-good provision	-	9,714	-	9,714
- lease liability	-	(10,358)	60,411	50,053
Total deferred tax assets	7,874	9,159	60,411	77,444
Deferred tax liabilities				
- income accruals	1,954	(999)	-	955
- right-of-use assets	-	1,025	47,144	48,169
Total deferred tax liabilities	1,954	26	47,144	49,124
Net deferred tax assets (liabilities)	5,920	9,132	13,268	28,320

Note 18 Tax assets and liabilities *(continued)*

b) Deferred tax *(continued)*

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

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$
- expense accruals	1,375	220	-	1,595
- employee provisions	10,353	(4,074)	-	6,279
Total deferred tax assets	11,728	(3,854)	-	7,874
Deferred tax liabilities				
- income accruals	2,297	(343)	-	1,954
Total deferred tax liabilities	2,297	(343)	-	1,954
Net deferred tax assets (liabilities)	9,431	(3,511)	-	5,920

c) Uncertainty over income tax treatments

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

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

Note 19 Trade creditors and other payables

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

a) Current liabilities

	2020	2019
	$	$
Trade creditors	259	29,317
Other creditors and accruals	70,981	52,237
	71,240	81,554

b) Non-current liabilities

	2020	2019
Other creditors and accruals	31,267	46,900
	31,267	46,900

Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%. Subsequent lease arrangements entered into were discounted at 4.79%.

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

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

Lease portfolio

The company's lease portfolio includes:

- Shop 13 — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in October 2008. An extension option term of ten years was exercised in October 2013. The lease has one further five year extension option available.
- Shop 9 — The lease agreement is a non-cancellable lease with an initial term of three years which commenced in August 2015. An extension option term of three years was exercised in August 2018. The lease has one further three year extension option available.

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

a) Lease liability measurement

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

Lease liabilities on transition	Note	2020 $	2019 $
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	219,678	-
Lease payments - interest		9,980	-
Lease payments		(37,149)	-
		192,509	-

b) Current lease liabilities

		2020 $	2019 $
Property lease liabilities		35,070	-
Unexpired interest		(8,752)	-
		26,318	-

Note 20 Lease liabilities *(continued)*

c) Non-current lease liabilities	2020 $	2019 $
Property lease liabilities	193,343	-
Unexpired interest	(27,152)	-
	166,191	-

d) Maturity analysis	2020 $	2019 $
- Not later than 12 months	35,070	-
- Between 12 months and 5 years	125,194	-
- Greater than 5 years	68,149	-
Total undiscounted lease payments	228,413	-
Unexpired interest	(35,904)	-
Present value of lease liabilities	192,509	-

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a increase in profit after tax of $2,641.

Profit or loss - increase (decrease) in expenses	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
- Occupancy and associated costs	37,149	(37,149)	-
- Depreciation and amortisation expense	-	23,526	23,526
- Finance costs	-	9,980	9,980
Decrease in expenses - before tax	37,149	(3,643)	33,506
- Income tax expense / (credit) - current	(10,216)	10,216	-
- Income tax expense / (credit) - deferred	-	(9,214)	(9,214)
Decrease in expenses - after tax	26,933	(2,641)	24,292

Note 21 Provisions

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

a) Non-current liabilities	2020 $	2019 $
Make-good on leased premises	37,362	-
	37,362	-

Note 21 Provisions *(continued)*

b) Make-good provision

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

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

Provision	2020 $	2019 $
Balance at the beginning	-	-
Provision remeasurements	37,362	-
	37,362	-

c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

The leases are due to expire on 30 September 2028 and 14 August 2024 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Employee benefits

a) Current liabilities	2020 $	2019 $
Provision for annual leave	19,437	6,662
Provision for long service leave	16,947	16,169
	36,384	22,831

b) Non-current liabilities

Provision for long service leave	12,483	8,010
	12,483	8,010

c) Key judgement and assumptions

Employee attrition rates

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

Note 23 Issued capital

a) Issued capital

	2020 Number	2020 $	2019 Number	2019 $
Ordinary shares - fully paid	530,000	530,000	530,000	530,000
Less: equity raising costs	-	(17,031)	-	(17,031)
	530,000	512,969	530,000	512,969

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Note 23 Issued capital *(continued)*

b) Rights attached to issued capital *(continued)*

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").

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 24 Retained earnings

	Note	2020 $	2019 $
Balance at beginning of reporting period		779,782	795,748
Adjustment for transition to AASB 16	3d)	(34,979)	-
Net profit after tax from ordinary activities		65,455	37,034
Dividends provided for or paid	29a)	(26,500)	(53,000)
Balance at end of reporting period		783,758	779,782

Note 25 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	65,455	37,034
Adjustments for:		
- Depreciation	34,453	11,449
- Amortisation	13,223	16,153
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	7,965	8,278
- (Increase)/decrease in other assets	(36,258)	(2,847)
- Increase/(decrease) in trade and other payables	(11,739)	(13,843)
- Increase/(decrease) in employee benefits	18,026	(11,578)
- Increase/(decrease) in provisions	37,362	-
- Increase/(decrease) in tax liabilities	7,120	-
Net cash flows provided by operating activities	135,607	44,646

Note 26 Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14	71,810	77,319
Cash and cash equivalents	13	99,101	53,428
Term deposits	13	1,201,092	1,179,145
		1,372,003	1,309,892
Financial liabilities			
Trade and other payables	19	259	29,317
Lease liabilities	20	192,509	-
		192,768	29,317

Note 27 Auditor's remuneration

	2020	2019
Amount received or due and receivable by the auditor of the company for the financial year.	$	$
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	4,600

Note 27 Auditor's remuneration *(continued)*

	2020	2019
Non audit services	$	$
- General advisory services	3,065	1,830
- Share registry services	4,566	3,986
	7,631	5,816
Total auditor's remuneration	12,431	10,416

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Peter James Cownley
Michael Norman Flower
Lynette Joy Collier
John Robert Morton
Bernard John Cole-Sinclair
Daryl John Dixon
James Gerald Digby
John Hugh Ferguson (Resigned 4 September 2019)

b) Key management personnel compensation

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

c) Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2020	2019
Transactions with related parties	$	$
- Caber Accounting & Taxation Services has during the year provided accounting and taxation services to the company. Bernard Cole-Sinclair is the principal in this organisation.	8,200	8,500
Total transactions with related parties	8,200	8,500

Note 29 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	5.00	26,500	10.00	53,000
Total dividends provided for and paid during the financial year	5.00	26,500	10.00	53,000

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

b) Franking account balance

	2020 $	2019 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	389,490	660,187
Franking transactions during the financial year:		
- franking credit correction due to incorrect balance brought forward when calculation method changed	-	(273,237)
- Franking credits (debits) arising from income taxes paid (refunded)	16,210	22,643
- Franking credits(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(11,224)	-
- Franking debits from the payment of fully franked dividends	(10,052)	(20,103)
Franking account balance at the end of the financial year	384,424	389,490
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	8,418	(4,866)
Franking credits available for future reporting periods	392,842	384,624

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

Note 30 Earnings per share

a) Basic and diluted earnings per share

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

	2020 $	2019 $
Profit attributable to ordinary shareholders	65,455	37,034
	Number	Number
Weighted-average number of ordinary shares	530,000	530,000
	Cents	Cents
Basic and diluted earnings per share	12.35	6.99

Note 31 Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 20).

Operating lease commitments - lessee	2020	2019
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	34,620
- between 12 months and 5 years	-	86,400
Minimum lease payments payable	-	121,020

b) Other commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of WYDCOM Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

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

Michael Norman Flower , Chair

Dated this 15th day of September 2020

Independent audit report

Partners in success
Chartered Accountants

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Independent auditor's report to the members of WYDCOM Financial Services Limited

Report on the audit of the financial report

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

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

What we have audited
WYDCOM Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart	**Joshua Griffin**
61 Bull Street, Bendigo, 3550	**Lead Auditor**
Dated: 15 September 2020	

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Bendigo Bank