



**York & Districts
Community Financial Services Ltd**

Annual Report

30 June 2020



York & Districts Community Financial Services Limited

ABN 85 099 104 079

Registered Office: 114 Avon Terrace, York, WA, 6302

Annual Report 2020

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Chairman and Manager's Report

On behalf of the Board and staff of the Community Bank York & Districts, part of Bendigo Bank, we present the 18th Annual Report.

Since its inception in July 2002 the Community Bank York & Districts has continued to be a proud, local business. Community Bank York & Districts has been able to provide personalised banking services and support to the community through grants and sponsorships to local volunteer, not-for-profit community, sporting, cultural and educational groups.

To date, Community Bank York & Districts has returned to the local community via sponsorships, grants and donations a total of \$624,000 and during the financial year to 30 June 2020 a total of just over \$36,000.

The company will pay a dividend of 3 cents per share during October, 2020, taking the total to 53 cents per share returned to shareholders.

Company Financial Performance

The financial year ended 30 June 2020 saw Community Bank, York and Districts make a profit, despite continued challenging economic conditions presented to us during this COVID-19 year.

Full year income decreased from \$655,125 to \$612,442. The board and staff continued to focus strongly on controlling expenses and increasing growth.

Finding new lending opportunities has continued as the focus for the Branch and been rewarded with incremental growth in income from lending, despite a decrease in interest rates.

Total footings at the end of the financial year on 30 June 2020 were \$98.992 million. Business was made up of \$66.997 million in deposits, up by \$8.524 million and \$20.962 million in lending up by \$313,000. Other banking business contributed \$11,032 million, down by \$3.996 million on the previous year.

The operating profit before tax for the year was \$86,083. The profit after tax was \$68,357. The profit reported is after allowing for contributions to the community through sponsorship, marketing and grants.

Community Bank York & Districts is proud of its support of the regional community and its ability to continue to provide banking services. The Board in consultation with the Branch Manager, Graham Edmonds, remains focused on a number of strategies to develop new markets and opportunities within the region.

We have continued our commitment to the community of Cunderdin through our Cunderdin Agency. As of 30 June 2020, there are 259 accounts and \$9.629 million in banking business.

The key focus strategies for growth in the new financial year include continuing to develop the lending market across the district, building the Rural Bank brand and portfolio and expanding our business in the areas of insurance, margin lending and credit cards.

It is important for us to respond to the change in the way our customers are conducting their banking so further focus will be given to digital banking and our staff working in the community outside the branch to find new business. The reality is that customers want to be able to do their banking without going into a bank branch.

Lending: The focus on lending is the priority for the new financial year. The challenges of the current tight margins are acknowledged by the board and staff. As a result, the strategy is to look more broadly for opportunities and to work in partnership with others to achieve growth.

Rural Bank: Community Bank York & Districts continues to focus on the development of a strong Agribusiness portfolio. At 30 June 2020, our Rural Bank business totalled \$6.775 million. We plan to work with our Rural Bank partners to significantly build on this figure. We welcome the support of Rural Bank Rural Customer Manager, Berin Gibbons, to achieve this.

In 2020, the Board has continued to participate in and contribute to the national and state Bendigo bank campaigns. These involved a series of television and newspaper advertisements promoting the Bendigo Bank network as the fifth biggest bank. The campaigns have significantly enhanced the Bendigo brand.

Board of Directors

The Board remains stable and there has been only one change to the Board of Community Bank York & Districts during the 2020 financial year. Clayton Smith retired to concentrate on his business. The board wishes to thank Clayton for his contribution as a director.

Sponsorships:

Although 2020 has seen a significant interruption to community events, Community Bank York & Districts has continued to support community groups and organisations through grants and sponsorships.

The company has \$48,772.71 set aside in the Community Enterprise Foundation™ operated by Bendigo Bank. Community grants that qualify under Australian tax law have been paid from these funds.

During 2020 we have continued to support the St John's Ambulance First Aid courses for all Year 10 students at the York and Districts High School. We also donated funds towards the cost of running the innovative ACCESS program to improve educational outcomes for a group of boys in years 7 to 10. The bank also provided two \$1,000 scholarships for students at the High School.

Branch Operations

The staff of the Community Bank York & Districts are committed to continuous improvement in product and sales training and performed well in insurance sales achieving 46 sales for the year.

Community Bank York & Districts is proud to service the banking needs of people in the York and Cunderdin communities and the surrounding districts. As the only bank in York, we remain committed to providing a full banking service and continue contributing to our community.

Growth in 2020/21 will require the ongoing commitment and focus of the board and staff to grow our business and increase our profile in the district. Our aim is always to give back and support our community. We look forward to building our customer base and delivering a positive result in the coming financial year.

Diane Robertson-Smith

Chair
York & Districts Community,
Financial Services Ltd

Graham Edmonds

Manager
Community Bank York & Districts,
part of Bendigo Bank

York & Districts Community Financial Services Limited

Directors' Report

The directors present their 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:

Diane Robertson Smith

Chair

Occupation: Training Consultant

Qualifications, experience and expertise: Currently a principal of Robertson-Smith Consulting. Professional qualifications include Bachelor of Arts (Curtin University) and Diploma of Education. Over 30 years experience as business owner, Specialist facilitator, training and coach in leadership and management development. Has worked with several major mining and manufacturing companies. Previous Board roles include Vice Chair of Port Pirie Regional Hospital. Volunteer at Fremantle Sailing Club.

Special responsibilities: Chair, Financial Committee, Sponsorship, Marketing and Advertising Committee and Human Resources Coordinator

Interest in shares: nil share interest held

Joanne Allen

Secretary

Occupation: Education Assistant/Farmer

Qualifications, experience and expertise: Born and raised in York. Partner in 3rd generation farm. 16 years experience as a Pharmacy Assistant. Certificate 3 in Education Assistant. Currently employed at York District High School.

Special responsibilities: Company Secretary, Sponsorship and Marketing Committee

Interest in shares: 2,000 ordinary shares

Lindsay Milton McNeil

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Experience as agricultural technical officer, bank officer, agriculture teacher, journalist and small business operator. Holds arts degree and diplomas in education and agriculture.

Special responsibilities: Finance and Audit Committee, Marketing and Sponsorship Committee

Interest in shares: 3,001 ordinary shares

Kenneth Charles Severson

Non-executive director

Occupation: Agricultural Consultant

Qualifications, experience and expertise: Kenneth is an Agricultural Consultant and Farm Manager. Qualifications include Diploma of Agricultural Science (Dip.AG.Sci), Executive Certificate in Agribusiness (Cont.AG.Bus). Honours in Fellow of the Australian Association of Agricultural Consultants (WA) (FAAAC) and Fellow of the Australian Institute of Company Directors (FAICD).

Experience includes Director of Stevenson Agriculture Pty Ltd from 2012 to present, Founding Partner of Farmanco Management Consultant 1978 to 2010. Community roles include Director and Chairman of York and District Co-op 1995 - 2010, Fellow and Chairman of Council Guildford Grammar School 2001 - 2009, Chairman of the Board of Management at Muresk Institute Curtin University 1997 - 2005. Director and Chairman of Kondinin Group 2000 - 2010.

Special responsibilities: Nil

Interest in shares: nil share interest held

Mark Gregory Duperouzel

Non-executive director

Occupation: Owner and Manager - M.A.L Automotive

Qualifications, experience and expertise: Owner and Manager of M.A.L Automotive for 27 years. A board member of Western Australia (WA) Water Ski Association Tournament Division. Regional Development Manager of WA Water Ski Assoc. and board member. YDCFS Board member.

Special responsibilities: Nil

Interest in shares: nil share interest held

York & Districts Community Financial Services Limited

Directors' Report

Directors (continued)

James Stewart Austen Fisher

Director (Appointed 26 February 2019)

Occupation: Agriculture Scientist

Qualifications, experience and expertise: A board member of York & District Community Financial Services from 2009 to 2013. Ambulance volunteer officer from 2012 to 2015 with Bachelors of Agriculture Science (Honours) PhD. Principal of Désirée Futures.

Special responsibilities: Nil

Interest in shares: 300

Clayton Scott Smith

Non-executive director (resigned 28 April 2020)

Occupation: Co Director

Qualifications, experience and expertise: Claytons employment history consists of Bank Officer at National Australia Bank (1981 - 1985), Life insurance Agent for National Mutual (1985 - 1992), Director, Financial Planning at KPMG (1992 - 1999). Financial Planner at Plan B (1999 - 2002), Franchisee for Dymocks Hays Street (2002 - 2015) and is currently the owner of Barclay Books (2015 - Present. Clayton has a Diploma of Financials Planning.

Special responsibilities: Nil

Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Joanne Allen. Joanne was appointed to the position of secretary on 18 November 2006.

Qualifications, experience and expertise: Joanne has 25 years farming experience and 15 years as a pharmacy assistant.

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
\$	\$
68,357	50,135

York & Districts Community Financial Services Limited

Directors' Report

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Diane Robertson Smith	-	-	-
Joanne Allen	2,000	-	2,000
Lindsay Milton McNeil	3,001	-	3,001
Kenneth Charles Severson	-	-	-
Mark Gregory Duperouzel	-	-	-
James Stewart Austen Fisher	300	-	300
Clayton Scott Smith	-	-	-

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 but not paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount
Final fully franked dividend	3.00	13,587
Total amount	3.00	13,587

Dividends have been disclosed in the financial report as follows:

	Note	Amount
Dividends	27a)	13,587

New Accounting Standards implemented

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

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 other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

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

York & Districts Community Financial Services Limited

Directors' Report

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 26 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	
	<i>E</i>	<i>A</i>
Diane Robertson Smith	10	10
Joanne Allen	10	6
Lindsay Milton McNeil	10	9
Kenneth Charles Severson	10	8
Mark Gregory Duperouzel	10	8
James Stewart Austen Fisher	10	9
Clayton Scott Smith	7	6

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*.

York & Districts Community Financial Services Limited

Directors' Report

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 25 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and 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 board 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 6.

Signed in accordance with a resolution of the directors at York, Western Australia.



Diane Robertson Smith, Chair

Dated this 25th day of August 2020



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 York & Districts Community Financial Services Limited

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

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

Andrew Frewin Stewart

61 Bull Street, Bendigo Vic 3550

Dated: 25 August 2020

Joshua Griffin

Lead Auditor

York & Districts Community Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	612,442	655,125
Other revenue	9	73,715	35,455
Finance income	10	3,833	7,205
Employee benefit expenses	11d)	(378,797)	(379,137)
Charitable donations, sponsorship, advertising and promotion		(36,029)	(48,283)
Occupancy and associated costs		(18,534)	(18,142)
Systems costs		(22,618)	(23,545)
Depreciation and amortisation expense	11a)	(19,528)	(19,604)
Finance costs	11b)	(9,268)	(11,113)
General administration expenses		(119,133)	(129,155)
Profit before income tax expense		86,083	68,806
Income tax expense	12a)	(17,726)	(18,671)
Profit after income tax expense		68,357	50,135
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		68,357	50,135
Earnings per share		¢	¢
- Basic and diluted earnings per share:	28a)	15.09	11.07

The accompanying notes form part of these financial statements

York & Districts Community Financial Services Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	401,219	372,338
Trade and other receivables	14a)	51,411	59,519
Total current assets		452,630	431,857
Non-current assets			
Property, plant and equipment	15a)	471,518	472,724
Intangible assets	16a)	27,983	41,413
Deferred tax asset	17b)	14,202	14,192
Total non-current assets		513,703	528,329
Total assets		966,333	960,186
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	44,642	45,281
Current tax liabilities	17a)	6,973	5,497
Loans and borrowings	19a)	48,000	48,000
Employee benefits	20a)	49,215	30,104
Total current liabilities		148,830	128,882
Non-current liabilities			
Trade and other payables	18b)	16,326	32,653
Loans and borrowings	19b)	74,628	113,240
Employee benefits	20b)	6,731	20,363
Total non-current liabilities		97,685	166,256
Total liabilities		246,515	295,138
Net assets		719,818	665,048
EQUITY			
Issued capital	21a)	360,527	360,527
Retained earnings	22	359,291	304,521
Total equity		719,818	665,048

The accompanying notes form part of these financial statements

York & Districts Community Financial Services Limited

Statement of Changes in Equity

for the year ended 30 June 2020

		Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018		360,527	254,386	614,913
Total comprehensive income for the year		-	50,135	50,135
Balance at 30 June 2019		360,527	304,521	665,048
Balance at 1 July 2019		360,527	304,521	665,048
Total comprehensive income for the year		-	68,357	68,357
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	27a)	-	(13,587)	(13,587)
Balance at 30 June 2020		360,527	359,291	719,818

The accompanying notes form part of these financial statements

York & Districts Community Financial Services Limited

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		753,998	763,244
Payments to suppliers and employees		(637,209)	(668,285)
Interest received		4,991	7,419
Interest paid		(9,268)	(11,113)
Lease payments not included in the measurement of lease liabilities	11e)	(7,947)	-
Income taxes paid		(16,260)	(35,821)
Net cash provided by operating activities	23	88,305	55,444
Cash flows from investing activities			
Payments for property, plant and equipment		(4,971)	-
Payments for intangible assets		(14,842)	(14,842)
Net cash used in investing activities		(19,813)	(14,842)
Cash flows from financing activities			
Repayment of loans and borrowings		(38,611)	(23,417)
Dividends paid	27a)	(1,000)	-
Net cash used in financing activities		(39,611)	(23,417)
Net cash increase in cash held		28,881	17,185
Cash and cash equivalents at the beginning of the financial year		372,338	355,153
Cash and cash equivalents at the end of the financial year	13a)	401,219	372,338

The accompanying notes form part of these financial statements

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1 Reporting entity

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

Registered Office

Principal Place of Business

114 Avon Terrace
York WA 6302

114 Avon Terrace
York WA 6302

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 26.

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 25 August 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

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

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Diane Robertson Smith
Joanne Allen
Lindsay Milton McNeil
Kenneth Charles Severson
Mark Gregory Duperouzel
Clayton Scott Smith
James Stewart Austen Fisher

b) Key management personnel compensation

Key management personnel compensation comprised the following.

Short-term employee benefits

	2020	2019
	\$	\$
	7,170	12,730
	<u>7,170</u>	<u>12,730</u>

Compensation of the company's key management personnel includes salaries.

c) Related party transactions

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

Note 27 Dividends provided for or paid

a) Dividends provided for during the period

The following dividends were provided for during the reporting period as presented in the statement of changes in equity.

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Fully franked dividend	3.00	13,587	-	-
Total dividends provided for during the financial year	<u>3.00</u>	<u>13,587</u>	<u>-</u>	<u>-</u>

The tax rate at which dividends will be franked is 26% (2019: 27.5%).

b) Franking account balance

Franking credits available for subsequent reporting periods

Franking account balance at the beginning of the financial year

Franking transactions during the financial year:

- Franking credits (debits) arising from income taxes paid (refunded)

Franking account balance at the end of the financial year

Franking transactions that will arise subsequent to the financial year end:

- Franking credits (debits) that will arise from payment (refund) of income tax

- Franking debits that will arise from payment of dividends subsequent to financial year end

Franking credits available for future reporting periods

	2020	2019
	\$	\$
	179,509	143,689
	16,260	35,820
	<u>195,769</u>	<u>179,509</u>
	6,973	5,497
	(5,154)	-
	<u>197,588</u>	<u>185,006</u>

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

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 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 22 Retained earnings

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		304,521	254,386
Net profit after tax from ordinary activities		68,357	50,135
Dividends provided for or paid	27a)	(13,587)	-
Balance at end of reporting period		<u>359,291</u>	<u>304,521</u>

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19 Loans and borrowings

a) Current liabilities

	2020 \$	2019 \$
Current portion of secured bank loans	48,000	48,000
	<u>48,000</u>	<u>48,000</u>

b) Non-current liabilities

Secured bank loans	74,628	113,240
	<u>74,628</u>	<u>113,240</u>

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	5.6%	2023	122,628	122,628	161,240	161,240

Note 20 Employee benefits

a) Current liabilities

	2020 \$	2019 \$
Provision for annual leave	24,468	23,625
Provision for long service leave	24,747	6,479
	<u>49,215</u>	<u>30,104</u>

b) Non-current liabilities

Provision for long service leave	6,731	20,363
	<u>6,731</u>	<u>20,363</u>

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.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16 Intangible assets (continued)

b) Reconciliation of carrying amounts

Franchise fee

Carrying amount at beginning	7,736	9,974
Amortisation	(2,238)	(2,238)
Carrying amount at end	<u>5,498</u>	<u>7,736</u>

Franchise renewal process fee

Carrying amount at beginning	33,677	44,869
Amortisation	(11,192)	(11,192)
Carrying amount at end	<u>22,485</u>	<u>33,677</u>
Total written down amount	<u>27,983</u>	<u>41,413</u>

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 17 Tax assets and liabilities

a) Current tax

	2020 \$	2019 \$
Income tax payable	<u>6,973</u>	<u>5,497</u>

b) Deferred tax

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

	30 June 2019	Recognised in profit or loss	30 June 2020
	\$	\$	\$
<i>Deferred tax assets</i>			
- expense accruals	797	139	936
- employee provisions	13,878	669	14,547
Total deferred tax assets	<u>14,675</u>	<u>808</u>	<u>15,483</u>
<i>Deferred tax liabilities</i>			
- income accruals	483	(326)	157
- deductible prepayments	-	1,124	1,124
Total deferred tax liabilities	<u>483</u>	<u>798</u>	<u>1,281</u>
Deferred taxes brought to account	-	-	-
Net deferred tax assets (liabilities)	<u>14,192</u>	<u>10</u>	<u>14,202</u>

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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	61,932	47,140
- Term deposits	339,287	325,198
	<u>401,219</u>	<u>372,338</u>

Note 14 Trade and other receivables

a) Current assets

	2020 \$	2019 \$
Trade receivables	46,487	48,444
Prepayments	4,322	9,315
Other receivables and accruals	602	1,760
	<u>51,411</u>	<u>59,519</u>

Note 15 Property, plant and equipment

a) Carrying amounts

	2020 \$	2019 \$
<i>Land</i>		
At cost	219,352	219,352
	<u>219,352</u>	<u>219,352</u>
<i>Buildings</i>		
At cost	381,290	381,290
Less: accumulated depreciation	(133,832)	(128,294)
	<u>247,458</u>	<u>252,996</u>
<i>Furniture and fittings</i>		
At cost	137,524	136,137
Less: accumulated depreciation	(132,816)	(135,761)
	<u>4,708</u>	<u>376</u>
Total written down amount	<u>471,518</u>	<u>472,724</u>

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.

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11 Expenses

a) Depreciation and amortisation expense

	2020 \$	2019 \$
<i>Depreciation of non-current assets:</i>		
- Buildings	5,538	5,538
- Furniture and fittings	560	636
	<u>6,098</u>	<u>6,174</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,238	2,238
- Franchise renewal process fee	11,192	11,192
	<u>13,430</u>	<u>13,430</u>
Total depreciation and amortisation expense	<u>19,528</u>	<u>19,604</u>

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).

b) Finance costs

	2020 \$	2019 \$
<i>Finance costs:</i>		
- Bank loan interest paid or accrued	9,268	11,113
	<u>9,268</u>	<u>11,113</u>

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

c) Impairment loss on trade receivables and contract assets

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The 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 the Bendigo Bank receivable as at 30 June 2020.

d) Employee benefit expenses

	2020 \$	2019 \$
Wages and salaries	319,482	307,706
Contributions to defined contribution plans	30,491	30,374
Expenses related to long service leave	4,636	9,294
Other expenses	24,188	31,763
	<u>378,797</u>	<u>379,137</u>

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6 Financial risk management (continued)

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$401,219 at 30 June 2020 (2019: \$372,338). The cash and cash equivalents are held with BEN, 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.

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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.

m) 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:

<u>Note</u>	<u>Judgement</u>
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;

b) Assumptions and estimation uncertainties

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

<u>Note</u>	<u>Assumptions</u>
- Note 8 - revenue recognition	estimate of expected returns;
- Note 17 - 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 20 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

i) Financial instruments (*continued*)

Classification and subsequent measurement (continued)

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.

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.

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Building	Straight-line	40 years
Furniture, fixtures and fittings	Straight-line	5 years

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

h) Intangible assets

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

Recognition and measurement

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

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

c) Economic dependency - Bendigo Bank (*continued*)

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.

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.

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*.

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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.

<u>Revenue</u>	<u>Revenue recognition policy</u>
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).

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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.

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:

<u>Revenue</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
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.

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

b) Other revenue (*continued*)

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.

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.

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

e) Taxes

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 not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on the company either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

h) Intangible assets (*continued*)

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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
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 and borrowings.

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

The directors have assessed the ECL and noted it is not material.

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.

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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.

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	122,628	48,000	74,628	-
	<u>122,628</u>	<u>48,000</u>	<u>74,628</u>	<u>-</u>

30 June 2019

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	161,240	48,000	113,240	-
Trade payables	1,000	1,000	-	-
	<u>162,240</u>	<u>49,000</u>	<u>113,240</u>	<u>-</u>

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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.

<i>Revenue from contracts with customers</i>	2020	2019
	\$	\$
Revenue:		
- Revenue from contracts with customers	612,442	655,125
	<u>612,442</u>	<u>655,125</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	511,083	546,785
- Fee income	43,719	47,495
- Commission income	57,640	60,845
	<u>612,442</u>	<u>655,125</u>

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 from the Australian Government.

<i>Other revenue</i>	2020	2019
	\$	\$
Revenue:		
- Market development fund income	35,000	35,000
- Cash flow boost	38,715	-
- Other income	-	455
	<u>73,715</u>	<u>35,455</u>

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.

<i>Finance income</i>	2020	2019
	\$	\$
At amortised cost:		
- Term deposits	3,833	7,205
	<u>3,833</u>	<u>7,205</u>

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11 Expenses (continued)

e) 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	7,947	-
	<u>7,947</u>	<u>-</u>

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

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

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 \$
<i>Current tax expense</i>		
- Current tax	15,645	18,630
- Movement in deferred tax	(829)	578
- Reduction in company tax rate	819	-
- Under/(Over) provision of tax in the prior period	2,091	(537)
	<u>17,726</u>	<u>18,671</u>

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 \$819 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2020 \$	2019 \$
Operating profit before taxation	86,083	68,806
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	23,673	18,922
Tax effect of:		
- Non-deductible expenses	343	286
- Temporary differences	2,276	(578)
- Other assessable income	(10,647)	-
- Movement in deferred tax	(829)	578
- Reduction in company tax rate	819	-
- Under/(over) provision of income tax in the prior year	2,091	(537)
	<u>17,726</u>	<u>18,671</u>

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15 Property, plant and equipment (continued)

b) Reconciliation of carrying amounts

	2020 \$	2019 \$
<i>Land</i>		
Carrying amount at beginning	219,352	219,352
Carrying amount at end	219,352	219,352
<i>Buildings</i>		
Carrying amount at beginning	252,996	258,534
Depreciation	(5,538)	(5,538)
Carrying amount at end	247,458	252,996
<i>Furniture and fittings</i>		
Carrying amount at beginning	376	1,012
Additions	4,971	-
Disposals	(79)	-
Depreciation	(560)	(636)
Carrying amount at end	4,708	376
Total written down amount	471,518	472,724

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 Intangible assets

a) Carrying amounts

	2020 \$	2019 \$
<i>Franchise fee</i>		
At cost	61,192	61,192
Less: accumulated amortisation	(55,694)	(53,456)
	5,498	7,736
<i>Franchise renewal process fee</i>		
At cost	55,961	55,961
Less: accumulated amortisation	(33,476)	(22,284)
	22,485	33,677
Total written down amount	27,983	41,413

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17 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	30 June 2019
	\$	\$	\$
<i>Deferred tax assets</i>			
- expense accruals	770	27	797
- employee provisions	14,543	(665)	13,878
Total deferred tax assets	15,313	(638)	14,675
<i>Deferred tax liabilities</i>			
- income accruals	543	(60)	483
Total deferred tax liabilities	543	(60)	483
Net deferred tax assets (liabilities)	14,770	(578)	14,192

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 18 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	-	1,000
Other creditors and accruals	44,642	44,281
	<u>44,642</u>	<u>45,281</u>

b) Non-current liabilities

Other creditors and accruals	16,326	32,653
	<u>16,326</u>	<u>32,653</u>

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 Issued capital

a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	452,909	452,909	452,909	452,909
Less: equity raising costs	-	(92,382)	-	(92,382)
	<u>452,909</u>	<u>360,527</u>	<u>452,909</u>	<u>360,527</u>

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*.

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	68,357	50,135
Adjustments for:		
- Depreciation	6,098	6,174
- Amortisation	13,430	13,430
- (Profit)/loss on disposal of current assets	78	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	8,109	1,603
- (Increase)/decrease in other assets	(10)	578
- Increase/(decrease) in trade and other payables	(14,712)	3,668
- Increase/(decrease) in employee benefits	5,479	(2,416)
- Increase/(decrease) in tax liabilities	1,476	(17,728)
Net cash flows provided by operating activities	88,305	55,444

Note 24 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	14a)	47,089	50,204
Cash and cash equivalents	13a)	61,932	47,140
Term deposits	13a)	339,287	325,198
		448,308	422,542
Financial liabilities			
Trade and other payables	18a)	-	1,000
Secured bank loans	19c)	122,628	161,240
		122,628	162,240

Note 25 Auditor's remuneration

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

	2020 \$	2019 \$
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	4,600
Non audit services		
- General advisory services	2,210	1,830
- Share registry services	922	-
	3,132	1,830
Total auditor's remuneration	7,932	6,430

York & Districts Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28 Earnings per share

a) Based 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	68,357	50,135
	Number	Number
Weighted-average number of ordinary shares	452,909	452,909
	Cents	Cents
Basic and diluted earnings per share	15.09	11.07

Note 29 Contingencies

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

Note 30 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.

York & Districts Community Financial Services Limited

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Diane Robertson Smith, Chair

Dated this 25th day of August 2020



(**Photo:** York and Districts Community Financial Services Ltd reassures the York Community about the future of banking in York at a public meeting in October 2019.)

Community Bank York & Districts

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Bendigo & Adelaide Bank Limited

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