



Annual Report 2020

**Palerang Financial
Services Limited**

ABN 83 097 801 100

**Braidwood & Bungendore
Community Bank Branches**

Community Bank
Braidwood and Bungendore
B Bendigo Bank

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Chairman's report

For year ending 30 June 2020

It is my privilege to provide you with the 2019/20 Annual Report for Palerang Financial Services Limited.

This report reflects upon a year in which our region and Australia has been presented significant challenges that have affected all elements of our community. We note and respect the significant resilience and forward-looking attitude that is ever present within the Community.

The Company enjoyed excellent growth across the year with our staff serving 7219 customers (an increase of 283 on last year). Accompanying this growth was an increase in Loans (\$11,975,861) and Deposits (\$33,276,740) which takes our overall footings to \$368 million.







This is an exemplary outcome for our business as we need growth in order to stifle an ever-increasing cost base.

This year also saw us expand our business development activities especially in relation to supporting the agency at Crookwell. Our strategic approach is to grow the business through an initial small presence, and then expanding that presence for the benefit of that community, as well as our own shareholders.

On the back of the increased growth, we did have a slightly reduced revenue on last year (down some \$40k) and slightly increased Expense.

The reduction in revenue is driven by the reduced margins in a market where interest rates are at historical lows. There is little end in sight for this situation. Expense was also up in relation to Employee expense, as well as an adjustment to Depreciation and amortisation expense.

Community contributions remained high at \$630,626 across the year. This takes our total provisions since we commenced for Community endeavours to \$4.75m with \$3.7m of this funding delivered to the Community as at the 30 June 2020.

Revenue	Profit After Tax	Expense
\$2,503,444	\$231,560	\$1,726,123
		
New Business	New Customers	Assets
\$45.2m	283	\$2,328,463
		

The company encountered a turbulent business climate with impacts from a horrific bushfire season and the COVID-19 virus. This has affected our ability to operate and serve our customers at times, but I am pleased to advise that it has had a minimal impact. Our staff have been very resilient with some providing invaluable assistance to the firefighting effort and others who were confronted with perilous situations acting to support their neighbours and our customers as much as possible.

We continue to maintain our excellent structural position (i.e. no debt, \$2.328m in assets and \$0.309m in liabilities) and our current plans regarding growing the business will be able to utilise this as a base for growth. The company has declared a franked dividend of 7.5 cents per share (CPS) (\$0.075) as at 1 November 2020, to be paid to shareholders in December 2020. This maintains our provision of franked dividends to those who support this enterprise.

We look forward to seeing you in one of our branches soon.

Shane Holness
Chairman, PFSL Board of Directors

Senior Manager's Report

Year ending 30th June 2020

I am happy to present this year's annual report and a company profit of \$297,481 before tax, along with community contributions of \$630,626 for the past financial year.

A year that will go down as one of the most dramatic in recent history. The first half of the financial year was dominated by drought and then extreme bushfires at the end of the year. This was followed by the Covid19 pandemic, the likes of which have not been seen for 100 years.

While the 2020 year has been challenging in many ways it has also produced significant tests for us as a company. The main impact we have seen is that as interest rates have fallen to record lows, we have in turn seen our interest margin income also drop to historic lows. The interest margin, which is the dominate part of the income we receive, has dropped by 10.5% over the year. This has been largely offset by overall growth in our business of 14% over the year, resulting in only a 1.56% drop in total income.

How much more of an impact the low interest rates will have in the future is not known, but I do not see an overall improvement for us, or our depositors, in the near future.

We have also increased our staffing to serve the Crookwell agency with our Business Development Manager also being a lender and this is starting to show good results, although much of this has come on board since the end of the financial year.

There has also been some upside with us escaping the major impact of the pandemic, good rainfall and a La Nina being declared meaning a good season for the farming community. There has been an increase in people looking to live in a rural setting which has meant a strong local real estate market. We also benefit from being close to Canberra which continues to have strong employment and therefore less risk of home loan stress.

We are pleased that we can continue our dividend in difficult times and hope to continue this into the future. We also have a very strong balance sheet with \$2.328 million in assets and no debt which means we have a good buffer against any future shocks.

I would like to put out a sincere thank you to the staff who have continued to work with bushfires surrounding the area and through what has been a very uncertain period with the pandemic. We have often been short staffed for various reasons, and everyone has stepped up and shown great resilience in trying times and their efforts are very much appreciated.

There continues to be strong demand for loans in response to historical low rates and good local employment, so we are aiming for continuation of growth. The overall uncertainty means it is difficult to predict what the coming year will bring but we will continue to focus on the job at hand and hopefully be reporting a strong result and more stable environment next year.

I look forward to continuing our relationship into the future.

Craig Pettit

Senior Manager

Directors' Report

Directors

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

Shane Holness

Chairman

Occupation: Consultant

Qualifications, experience and expertise: AIMM;GAICD. Shane has operated a family business since 1999; former director in the APS; former member of the Royal Australian Navy; member of the Community Bank National Council.

Other current directorships: Warringah Financial Services Ltd

Special responsibilities: Chairman, Governance & Risk Committee, Finance & HR Committee

Interest in shares: 2,000 ordinary shares

Hanna Darmody

Vice-Chair

Occupation: Project Manager

Qualifications, experience and expertise: Hanna has a diploma of Marketing from Canberra Institute of Technology. She is currently employed in project management requiring a range of administration, financial and people management skills. Hanna has extensive involvement in the local Bungendore community.

Special responsibilities: Vice-Chair, Governance & Risk Committee, Bungendore Community Funding Committee

Interest in shares: 500 ordinary shares

Rhyll Tozer

Treasurer

Occupation: Chartered Accountant

Qualifications, experience and expertise: Rhyll is a qualified Chartered Accountant and registered Tax Agent.

Special responsibilities: Finance & HR Committee

Interest in shares: nil share interest held

Gordon Waters

Non-executive director

Occupation: IT business owner

Qualifications, experience and expertise: Gordon has a bachelor of Information Technology from CQU. Gordon runs a local IT support business. He is also the volunteer manager of the community radio station which keeps him in touch with various community organisations and events staged in the area.

Special responsibilities: Braidwood Community Funding Committee

Interest in shares: nil share interest held

Dale Towell

Non-executive director

Occupation: Authorised Marriage Celebrant

Qualifications, experience and expertise: Secretary, Rally director and magazine editor - Classic Riders Club Goulburn.

Special responsibilities: Governance & Risk Committee, Bungendore Community Funding Committee

Interest in shares: nil share interest held

Diana Izzard

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Di runs a sheep and cattle farm in the area. She is closely involved with several community groups including the Braidwood Show Society and the Gundillion Hall and Recreation Trust. Di also has previous experience in administration and accounts working in the Australia Federal Public Service and in private enterprise.

Special responsibilities: Braidwood Community Funding Committee

Interest in shares: 7,500 ordinary shares

Directors' report (continued)

Matt O'Brien

Non-executive director

Occupation: Solicitor

Qualifications, experience and expertise: Matt is a practicing solicitor and member of the NSW law society. Matt has a wide range of experience through his legal career. Matt has been the captain of the Wamboin Rural Fire Service since 2016.

Special responsibilities: Governance & Risk Committee

Interest in shares: nil share interest held

Richard Elliot

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Richard has a scientific background and has previously sat on the board of a Credit Union. Richard is currently the captain of the Majors Creek Rural Fire Service. He is involved in several community organisations such as Braidwood National Theatre s355 Committee, Braidwood Film Club and Historical Radio Society.

Special responsibilities: Braidwood Community Funding Committee

Interest in shares: 9,500 ordinary shares jointly held

Garry Cook

Non-executive director

Occupation: Business owner

Qualifications, experience and expertise: Garry is very active in local community groups and events. He also has a strong background in management and financial monitoring. Garry has his own agricultural business and he is a graduate of the Australian Institute of Company Directors.

Special responsibilities: Finance & HR Committee, Bungendore Community Funding Committee

Interest in shares: nil share interest held

Andrew Callan

Non-executive director (appointed 23 April 2020)

Occupation: Underground Mine Supervisor

Qualifications, experience and expertise: BA Agriculture / BA Business (UNE). Certificate IV in Metalliferous Mining Operations (Underground). Underground Mine Supervisor. Underground Miner. Farm Labourer. Committee Member of Braidwood & District Education Foundation.

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 Janene Collins. Janene was appointed to the position of secretary on 28 August 2014.

Qualifications, experience and expertise: Janene has a Diploma of Community Organisation Management and an Associate Degree in Library and Information Studies as well as many years experience as an Administrator and a volunteer board member with a variety of organisations.

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.

Directors' report (continued)

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
\$	\$
231,560	164,202

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Shane Holness	2,000	-	2,000
Hanna Darmody	500	-	500
Rhyll Tozer	-	-	-
Gordon Waters	-	-	-
Dale Towell	-	-	-
Diana Izzard	7,500	-	7,500
Matt O'Brien	-	-	-
Richard Elliot	9,500	-	9,500
Garry Cook	-	-	-
Andrew Callan	-	-	-

Dividends

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

	Cents per share	Total amount \$
Final fully franked dividend	7.50	99,032
Total amount	<u>7.50</u>	<u>99,032</u>

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.

Directors' report (continued)

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

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

Directors' meetings

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

	Board Meetings Attended	
	<i>Eligible</i>	<i>Attended</i>
Shane Holness	11	10
Hanna Darmody	11	10
Rhyll Tozer	11	10
Gordon Waters	11	10
Dale Towell	11	10
Diana Izzard	11	7
Matt O'Brien	11	9
Richard Elliot	11	11
Garry Cook	11	10
Andrew Callan	2	2

Proceedings on behalf of the company

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

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

Directors' report (continued)

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 29 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 Braidwood, NSW.



Shane Holness, Chairman

Dated this 24th day of September 2020

Auditor's independence declaration



Chartered Accountants

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

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

As lead auditor for the audit of Palerang 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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 24 September 2020

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor

Financial statements

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	2,502,444	2,542,071
Other revenue	9	141,700	43,963
Finance income	10	10,086	11,225
Employee benefit expenses	11d)	(1,252,168)	(1,137,170)
Charitable donations, sponsorship, advertising and promotion	11c)	(630,626)	(726,740)
Occupancy and associated costs		(59,159)	(72,952)
Systems costs		(47,992)	(45,659)
Depreciation and amortisation expense	11a)	(100,156)	(86,883)
Finance costs	11b)	(3,513)	-
General administration expenses		(263,135)	(282,404)
Profit before income tax expense		297,481	245,451
Income tax expense	12a)	(65,921)	(81,249)
Profit after income tax expense		231,560	164,202
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		231,560	164,202
Earnings per share		¢	¢
- Basic and diluted earnings per share:	32a)	17.54	12.44

Financial statements (continued)

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	894,431	747,063
Trade and other receivables	16a)	202,430	192,461
Current tax assets	20a)	7,882	-
Total current assets		1,104,743	939,524
Non-current assets			
Other investments	15a)	113,958	109,954
Investment property	14a)	11,004	-
Property, plant and equipment	17a)	1,022,897	1,055,196
Right-of-use assets	18a)	44,017	-
Intangible assets	19a)	21,335	47,411
Deferred tax asset	20b)	10,509	11,431
Total non-current assets		1,223,720	1,223,992
Total assets		2,328,463	2,163,516
LIABILITIES			
Current liabilities			
Trade and other payables	21a)	47,642	64,514
Current tax liabilities	20a)	-	10,614
Lease liabilities	22b)	14,866	-
Employee benefits	23a)	171,106	189,131
Total current liabilities		233,614	264,259
Non-current liabilities			
Lease liabilities	22c)	43,784	-
Employee benefits	23b)	32,170	10,898
Total non-current liabilities		75,954	10,898
Total liabilities		309,568	275,157
Net assets		2,018,895	1,888,359
EQUITY			
Issued capital	24a)	1,062,849	1,062,849
Reserves	25b)	115,817	115,817
Retained earnings	26	840,229	709,693
Total equity		2,018,895	1,888,359

Financial statements (continued)

	Notes	Issued capital \$	Revaluation reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018		1,062,849	115,817	644,522	1,823,188
Total comprehensive income for the year		-	-	164,202	164,202
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	31a)	-	-	(99,031)	(99,031)
Balance at 30 June 2019		1,062,849	115,817	709,693	1,888,359
Balance at 1 July 2019		1,062,849	115,817	709,693	1,888,359
Effect of AASB 16: Leases	3d)	-	-	(1,992)	(1,992)
Restated balance at 1 July 2019		1,062,849	115,817	707,701	1,886,367
Total comprehensive income for the year		-	-	231,560	231,560
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	31a)	-	-	(99,032)	(99,032)
Balance at 30 June 2020		1,062,849	115,817	840,229	2,018,895

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		2,897,408	2,849,312
Payments to suppliers and employees		(2,491,609)	(2,536,765)
Interest received		10,086	11,225
Interest paid		(9)	-
Lease payments (interest component)	11b)	(3,504)	-
Lease payments not included in the measurement of lease liabilities	11e)	(18,627)	-
Income taxes paid		(82,740)	(100,007)
Net cash provided by operating activities	27	311,005	223,765
Cash flows from investing activities			
Payments for property, plant and equipment		(27,083)	(24,922)
Proceeds from sale of property, plant and equipment		-	527,962
Payments for intangible assets		(23,705)	(21,335)
Payments for investments		-	(10,931)
Net cash provided by/(used in) investing activities		(50,788)	470,774
Cash flows from financing activities			
Lease payments (principal component)	22a)	(13,817)	-
Dividends paid	31a)	(99,032)	(99,031)
Net cash used in financing activities		(112,849)	(99,031)
Net cash increase in cash held		147,368	595,508
Cash and cash equivalents at the beginning of the financial year		747,063	151,555
Cash and cash equivalents at the end of the financial year	13a)	894,431	747,063

Notes to the Financial Statements

Note 1 Reporting entity

This is the financial report for Palerang 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
Unit 1, 19 Park Lane Braidwood NSW 2622	Unit 1, 19 Park Lane Braidwood NSW 2622

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 30.

Note 2 Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 24 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.

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.

Notes to the Financial Statements (continued)

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).

The company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

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 leases out its investment property, including own property and right-of-use assets. The company has classified these leases as operating leases.

The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor, except for a sub-leasing arrangement.

The company sub-leases some of its property. Under AASB 117, the head lease and the sub-lease contracts were classified as operating leases. On transition to AASB 16, the right-of-use asset recognised from the head leases are presented in investment property, and measured at cost at that date. The company assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under AASB 16.

The group has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Notes to the Financial Statements (continued)

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.

<i>Impact on equity presented as increase (decrease)</i>	Note	1 July 2019 \$
Asset		
Right-of-use assets - land and buildings	18b)	54,298
Right-of-use assets - investment property	14b)	13,574
Deferred tax asset	20b)	756
Liability		
Lease liabilities	22a)	(70,620)
Equity		
Retained earnings		<u>(1,992)</u>

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 5.39%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	29,637
Add: additional options now expected to be exercised	68,598
Less: AASB 117 lease commitments reconciliation	(18,204)
Less: present value discounting	(9,411)
Lease liability as at 1 July 2019	<u>70,620</u>

Notes to the Financial Statements (continued)

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:

<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.

Notes to the Financial Statements (continued)

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>
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
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).

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

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.

e) Taxes

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

Current income tax

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

Notes to the Financial Statements (continued)

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

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.

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Notes to the Financial Statements (continued)

Note 4 Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line 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>
Land and Buildings	Straight-line	6 to 80 years
Plant and equipment	Straight-line	5 to 40 years
Motor vehicles	Straight-line	4 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise fee	Straight-line	Over the franchise term (3 to 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, equity securities (shares, managed funds, ETFs).

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

Notes to the Financial Statements (continued)

Note 4 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

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.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment-by-investment basis.

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 that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - subsequent measurement and gains and losses

- Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- 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.

Notes to the Financial Statements (continued)

Note 4 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

Notes to the Financial Statements (continued)

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 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.

Notes to the Financial Statements (continued)

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) 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.

Notes to the Financial Statements (continued)

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

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.

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

At inception 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 their relative stand-alone prices.

When the company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the company is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the company applies AASB 16 to allocate the consideration in the contract.

Bungendore Community Bank Branch

Contributions to our community 2019/20

Organisation	Project Title	Amount \$
Bungendore War Memorial Committee	Commemorative Plaque	668.00
Rotary Club of Bungendore	Bungendore Car, Bike and Truck Show	5,000.00
Canberra City Lions Club	World Festival of Magic Event	1,091.00
Tarago & District Progress Association	Hall Electrical Switchboard Upgrade	3,063.50
Bungendore Country Music Muster Incorporated	2020 Bungendore Country Music Muster	4,000.00
Bungendore Public School P&C Association	BPS P&C Spring Fair	500.00
Rotary Club of Bungendore	National Breast Cancer Foundation for Pink Ribbon Breakfast	500.00
Bungendore Rugby Football Club Inc	Bungendore Rugby Football Club	5,500.00
Rotary Club of Bungendore	Defensive Driving Course May 2020	2,160.00
Suicide Prevention Awareness Newtwork Queanbeyan	Bungendore Tune Up Event	1,000.00
Suicide Prevention Awareness Newtwork Queanbeyan	Captains Flat Tune Up Event	1,000.00
NSW Rural Fire Service & Brigades Donations Fund	NSW RFS Boro/ Mt Fairy Brigade for Firefighting Equipment	2,809.00
NSW Rural Fire Service & Brigades Donations Fund	NSW RFS Lake George District for Gas Fire Training Props	5,000.00
Australian Sports Foundation	Bungendore Park Tennis Club - Court Surface Maintenance	15,708.00
St Mary's Fundraising	Bungendore & District Community Hampers	500.00
Blaze Aid	Fencing Repair & Replacement	5,000.00
Braidwood Life Centre	Braidwood Community Help Fund Bushfire Relief	30,000.00
Tarago Men's Shed Association	Tarago Men's Shed Recreation Room Solar Panels	5,000.00
QLD Bushfire Appeal	QLD Bushfire Appeal	1,000.00
Defib for Life	Bungendore Branch Defibrillator	3,080.00
NSW Bushfire Appeal	NSW Bushfire Appeal	10,000.00
Captains Flat Public School	Future-focused Learning Environment	38,485.00

Organisation	Project Title	Amount \$
Stacey Doyle	Scholarship	1,000.00
Mathea Michie	Scholarship	1,000.00
Patrick Knight	Scholarship	5,000.00
Emily Dawe	Scholarship	1,000.00
Emily Bray	Scholarship	5,000.00
Tarago Preschool	Playground Synthetic Turf	16,940.00

Bungendore total 2019-20	\$171,005
Combined total 2019-20	\$353,553
Bungendore total 2005-20	\$1,357,526
Combined total 2004-20	\$3,698,620

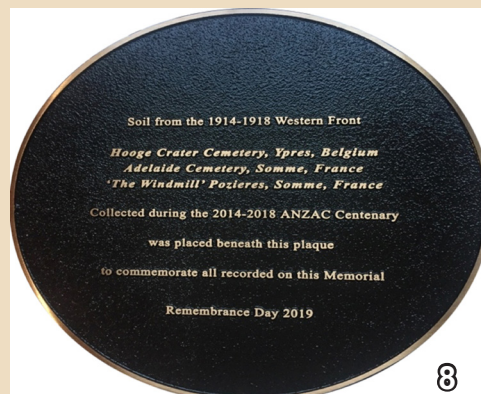
Community contributions 2019/20



Bungendore

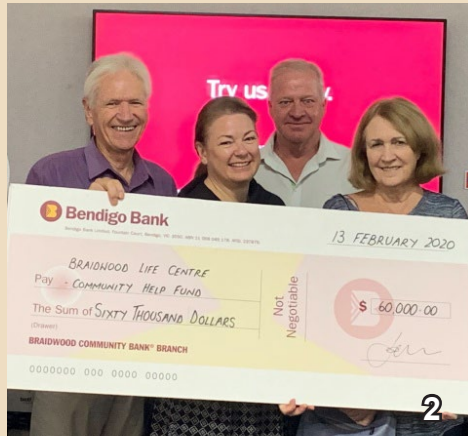


1. Bungendore Rugby Club
 2. Warming Captains Flat Preschool
 3. Bungendore Tennis Club Resurfacing
 4. Tarago Preschool Upgrade
 5. Ideas for Captains Flat Future Learning Space
 6. Palerang Cup Tennis Challenge
 7. Bungendore War Memorial Remembrance Day
 8. Remembrance Day Plaque
- Thanks to Sharon at Regional Independent for photos





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Braidwood



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10

- 1. Jessie Kaye Scholarship recipient
- 2. Braidwood Community Help Fund for Bushfire relief
- 3. St Bede's Community Hall renovation
- 4. Kids activities at MCMF
- 5. Golf Club Ladies Day Challenge
- 6. BraidwoodHealth Tune Up Day
- 7. Majors Creek Music Festival
- 8. Braidwood Redbacks Rugby Club
- 9. Majors Creek Rec Ground Defibrilator
- 10. Braidwood Old Anglican Hall upgrade

Braidwood & Bungendore
Community Bank Branches

Braidwood Community Bank Branch Contributions to our community 2019/20

Organisation	Project Title	Amount \$
Braidwood Rugby Union Club	2019 Season	5,000.00
Braidwood Quilters Inc.	Mid-Winter Luncheon	100.00
Braidwood Servicemen's Club	Braidwood Bowling Club for 2019-20 Tournaments	5,000.00
Braidwood Junior Soccer Club Inc	Team Uniforms	5,000.00
Lions Club of Braidwood Inc.	Annual Antique Fair	1,500.00
Braidwood Urban Landcare Group	Flood Creek Tree Planting Project	556.00
Braidwood Preschool Inc	Braidwood Preschool Trivia Night	375.00
Majors Creek Festival Inc	2019 Majors Creek Festival	5,000.00
Araluen Sports Day Association	2019 Araluen Sports Day	3,000.00
Braidwood Servicemen's Club	Braidwood Motor Club Drink Coolers	230.00
Braidwood Rugby Union Club	Braidwood Touch Football Club 2020 Season	1,000.00
Braidwood Quilters Inc	2019 Airing of the Quilts	1,000.00
Braidwood & District Education Foundation	Melbourne Cup Luncheon Fundraiser	100.00
Braidwood Servicemen's Club	Braidwood Apex Christmas Raffle	200.00
Braidwood Clean Energy Inc	Power Talk Workshops	1,800.00
Braidwood Preschool Inc	Air Purifiers	909.10
Braidwood & Villages Business Chamber	Braidwood - More than a Cul-de-Sac Event	1,000.00
Upper Shoalhaven Landcare Council	Post Fire Habitat Restoration	500.00
Braidwood Central School P&C	Debating and Public Speaking Program	650.00
Araluen Progress Assoc.	Upgrade Araluen Federal Hall	4,850.00
Lions Club of Braidwood Inc	Young Writers Festival 2020	6,000.00
Native Animal Rescue Group	Fundraising Calendars	100.00
Dry July	Dry July Foundation	412.00
Braidwood Historical Society	Reading Room Printer and Scanner	1,600.00
Braidwood & District Education Foundation	Student Grants for 2020	3,000.00
Braidwood & District Historical Society	Braidwood Historic Cemetery	5,350.00
Braidwood Life Centre	Braidwood Ladies Golf Open/BLC Fundraiser	570.00
Braidwood Life Centre	Christmas Hampers	5,000.00

Organisation	Project Title	Amount \$
St John Ambulance Australia (NSW)	First Aid Station	3,000.00
NSW Rural Fire Service & Brigades Donation Fund	Fair Air Fire Masks	1,000.00
Braidwood Life Centre	Bushfire Relief	5,000.00
Blaze Aid	Fencing Repair & Replacement	5,000.00
Braidwood Life Centre	Braidwood Community Help Fund	30,000.00
Braidwood Education Foundation	Tribute for Keith Lyons	200.00
Braidwood Regional Arts Group	Solar Panels installation	5,415.50
Araluen Progress Association	Araluen Community Hall Defibrillator	3,050.00
St Bedes Primary School	St Bedes Community Hall Floor Refurbishment	15,000.00
QLD Bushfire Appeal	QLD Bushfire Appeal	1000.00
Majors Creek Recreation Reserve	Majors Creek Hall Defibrillator & Cabinet	3,080.00
NSW Bushfire Appeal	NSW Bushfire Appeal	10,000.00
Jarrah Parsons	Scholarship	3,000.00
Emily Lavis	Scholarship	5,000.00
Sean De Munk	Scholarship	5,000.00
Liam Hayes	Scholarship	3,000.00
Jessie Kay	Scholarship	1,500.00
Lily Jones	Scholarship	1,500.00
Braidwood Old Anglican Hall	Hall Refurbishment	22,000.00

Braidwood total 2019-20	\$182,548
Combined total 2019-20	\$353,553
Braidwood total 2005-20	\$2,341,094
Combined total 2004-20	\$3,698,620

Notes to the Financial Statements (continued)

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessor (continued)

The company applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease (see Note 4(l)). The company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the company as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

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.

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

When the company acted as a lessor, it determined at lease inception whether each lease was a finance or operating lease.

To classify each lease, the company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Notes to the Financial Statements (continued)

Note 4 Summary of significant accounting policies (continued)

n) Fair value measurement

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

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

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

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

o) 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;
- Note 22 - 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: <ul style="list-style-type: none">- the amount;- the lease term;- economic environment; and- other relevant factors.

Notes to the Financial Statements (continued)

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:

<u>Note</u>	<u>Assumptions</u>
- Note 20 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 17 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;

c) Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The company recognises transfers between levels of the fair value hierarchy at the end of each reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 17 - property, plant and equipment.
- Note 28 - financial instruments.

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.

Independent Auditor's Report (continued)



Chartered Accountants

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03 5443 0344
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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.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 24 September 2020

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

Joshua Griffin
Lead Auditor

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Notes to the Financial Statements (continued)

Note 6 Financial risk management (continued)

a) Credit risk

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

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

b) Liquidity risk

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

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

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>
Lease liabilities	58,650	17,664	47,104	-
Trade payables	16,263	16,263	-	-
	<u>74,913</u>	<u>33,927</u>	<u>47,104</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>
Trade payables	14,477	14,477	-	-
	<u>14,477</u>	<u>14,477</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (continued)

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 primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

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

Sensitivity analysis - equity price risk

30 June 2020:	Profit or loss	
	10% increase	10% decrease
Equity securities	11,396	(11,396)
	<u>11,396</u>	<u>(11,396)</u>

30 June 2019:	Profit or loss	
	10% increase	10% decrease
Equity securities	10,995	(10,995)
	<u>10,995</u>	<u>(10,995)</u>

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of \$894,431 at 30 June 2020 (2019: \$747,063). 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:

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

Notes to the Financial Statements (continued)

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	2,502,444	2,542,071
	<u>2,502,444</u>	<u>2,542,071</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	2,222,693	2,262,466
- Fee income	168,979	169,890
- Commission income	110,772	109,715
	<u>2,502,444</u>	<u>2,542,071</u>

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

Note 9 Other revenue

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

<i>Other revenue</i>	2020	2019
	\$	\$
Revenue:		
- Sub-leasing income	3,545	5,436
- Dividend and distribution income	1,219	-
- Market development fund income	33,750	35,000
- Cash flow boost	62,500	-
- At FVTPL - equity instruments	2,588	3,527
- Other income	38,098	-
	<u>141,700</u>	<u>43,963</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	10,086	11,225
	<u>10,086</u>	<u>11,225</u>

Notes to the Financial Statements (continued)

Note 11 Expenses

a) Depreciation and amortisation expense	2020	2019
	\$	\$
<i>Depreciation of non-current assets:</i>		
- Buildings	25,980	25,980
- Plant and equipment	20,363	19,971
- Motor vehicles	13,039	8,420
	59,382	54,371

Depreciation of right-of-use assets

- Leased land and buildings	14,698	-
	14,698	-

a) Depreciation and amortisation expense (continued)

	2020	2019
	\$	\$
<i>Amortisation of intangible assets:</i>		
- Franchise fee	26,076	32,512
	26,076	32,512
Total depreciation and amortisation expense	100,156	86,883

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	Note	2020	2019
		\$	\$
<i>Finance costs:</i>			
- Lease interest expense	22a)	3,504	-
- Other		9	-
		3,513	-

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

c) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

	2020	2019
	\$	\$
- Direct sponsorship, advertising, and promotion payments	243,626	227,740
- Contribution to the Community Enterprise Foundation™	387,000	449,000
- Telstra blackspot tower contribution	-	50,000
	630,626	726,740

The funds contributed are held by the Community Enterprise Foundation™ (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

In the prior year the company contributed \$50,000 to a blackspot tower project between Braidwood and Cooma. This is still considered a donation, however as the donation has been paid to Telstra and not a community group, the balance has been separately stated in the above note. This was determined to be non-deductible for tax purposes.

Notes to the Financial Statements (continued)

Note 11 Expenses (continued)

d) Employee benefit expenses	2020	2019
	\$	\$
Wages and salaries	1,099,456	959,843
Non-cash benefits	-	1,911
Contributions to defined contribution plans	105,373	94,856
Expenses related to long service leave	3,247	(280)
Other expenses	44,092	80,840
	<u>1,252,168</u>	<u>1,137,170</u>

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	18,627	-
	<u>18,627</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	64,243	79,168
- Movement in deferred tax	316	2,081
- Adjustment to deferred tax on AASB 16 retrospective application	756	-
- Reduction in company tax rate	606	-
	<u>65,921</u>	<u>81,249</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 \$606 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	297,481	245,451
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	81,807	67,499
Tax effect of:		
- Non-deductible expenses	710	13,750
- Non-assessable income	(17,188)	-
- Temporary differences	(1,086)	-
- Movement in deferred tax	316	-
- Leases initial recognition	756	-
- Reduction in company tax rate	606	-
	<u>65,921</u>	<u>81,249</u>

Notes to the Financial Statements (continued)

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	356,546	219,100
- Term deposits	537,885	527,963
	<u>894,431</u>	<u>747,063</u>

Note 14 Investment property

Investment properties are held to generate long-term rental yields and capital appreciation. All tenant leases are on an arm's length basis.

The company sub-leases some of its property. The company initially measures the head lease in accordance with AASB 16 before separately identifying the sub lease portion under AASB 140 Investment Property. The investment property is initially measured at cost under AASB 16 and subsequently measured at cost less accumulated depreciation under AASB 140 and assessed for impairment under AASB 136 Impairment of Assets.

a) Carrying amounts

	2020	2019
	\$	\$
<i>Investment properties - sub-lease</i>		
At cost	17,822	-
Less: accumulated depreciation	(6,818)	-
Total written down amount	<u>11,004</u>	<u>-</u>

Notes to the Financial Statements (continued)

Note 14 Investment property (continued)

b) Reconciliation of carrying amounts	Note	2020 \$	2019 \$
<i>Investment properties - sub-lease</i>			
Carrying amount at beginning		-	-
Initial recognition on transition - at cost	3d)	17,452	-
Initial recognition on transition - accumulated depreciation		(3,878)	-
Remeasurement adjustments		370	-
Depreciation		(2,940)	-
Total written down amount		<u>11,004</u>	<u>-</u>

Note 15 Other investments

The primary goal of the company's other investments is to hold the investments for the long term for strategic purposes.

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

a) Non-current investments	2020 \$	2019 \$
Equity securities - at FVTPL	113,958	109,954
	<u>113,958</u>	<u>109,954</u>

Note 16 Trade and other receivables

a) Current assets	2020 \$	2019 \$
Trade receivables	193,627	192,461
Prepayments	8,803	-
	<u>202,430</u>	<u>192,461</u>

Notes to the Financial Statements (continued)

Note 17 Property, plant and equipment

a) Carrying amounts	2020	2019
	\$	\$
<i>Land</i>		
At fair value	172,780	172,780
	<u>172,780</u>	<u>172,780</u>
<i>Buildings</i>		
At fair value	824,519	824,519
Less: accumulated depreciation	(104,910)	(78,930)
	<u>719,609</u>	<u>745,589</u>
<i>Plant and equipment</i>		
At cost	297,687	293,449
Less: accumulated depreciation	(191,059)	(170,696)
	<u>106,628</u>	<u>122,753</u>
<i>Motor vehicles</i>		
At cost	56,526	33,681
Less: accumulated depreciation	(32,646)	(19,607)
	<u>23,880</u>	<u>14,074</u>
Total written down amount	<u>1,022,897</u>	<u>1,055,196</u>
b) Reconciliation of carrying amounts		
<i>Land</i>		
Carrying amount at beginning	172,780	172,780
Carrying amount at end	<u>172,780</u>	<u>172,780</u>
<i>Buildings</i>		
Carrying amount at beginning	745,589	771,569
Depreciation	(25,980)	(25,980)
Carrying amount at end	<u>719,609</u>	<u>745,589</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	122,753	117,802
Additions	4,238	24,922
Depreciation	(20,363)	(19,971)
Carrying amount at end	<u>106,628</u>	<u>122,753</u>
<i>Motor vehicles</i>		
Carrying amount at beginning	14,074	22,494
Additions	22,845	-
Depreciation	(13,039)	(8,420)
Carrying amount at end	<u>23,880</u>	<u>14,074</u>
Total written down amount	<u>1,022,897</u>	<u>1,055,196</u>

Notes to the Financial Statements (continued)

Note 17 Property, plant and equipment (continued)

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.

d) Fair value hierarchy

The fair value of property, plant and equipment was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued.

The company's property, plant and equipment were independently valued effective 30 June 2016 by Regional Valuers. The valuation showed the market value of the property at Unit 1, 33 Ellendon Street, Bungendore to be \$500,000 and the market value of the property at 93-95 Wallace Street, Braidwood to be \$500,000. These values have been recorded in the financial statements at 30 June 2020.

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

Note 18 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.

a) Carrying amounts	Note	2020 \$	2019 \$
<i>Leased land and buildings</i>			
At cost		71,289	-
Less: accumulated depreciation and impairment		(27,272)	-
Total written down amount		44,017	-
b) Reconciliation of carrying amounts			
<i>Leased land and buildings</i>			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	69,812	-
Accumulated depreciation on adoption	3d)	(15,514)	-
Remeasurement adjustments		1,477	-
Depreciation		(11,758)	-
Total written down amount		44,017	-

Notes to the Financial Statements (continued)

Note 19 Intangible assets

a) Carrying amounts	2020	2019
	\$	\$
<i>Franchise fee</i>		
At cost	201,483	201,483
Less: accumulated amortisation and impairment	(180,148)	(154,072)
Total written down amount	<u>21,335</u>	<u>47,411</u>

b) Reconciliation of carrying amounts

<i>Franchise fee</i>		
Carrying amount at beginning	47,411	79,923
Amortisation	(26,076)	(32,512)
Total written down amount	<u>21,335</u>	<u>47,411</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 20 Tax assets and liabilities

a) Current tax	2020	2019
	\$	\$
Income tax payable/(refundable)	<u>(7,882)</u>	<u>10,614</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	Recognised in equity	30 June 2020
	\$	\$	\$	\$
<i>Deferred tax assets</i>				
- expense accruals	1,863	(1,663)	-	200
- employee provisions	55,008	(2,023)	-	52,985
- lease liability	-	(4,172)	19,421	15,249
Total deferred tax assets	<u>56,871</u>	<u>(7,858)</u>	<u>19,421</u>	<u>68,434</u>
<i>Deferred tax liabilities</i>				
- fair value of investments	-	602	-	602
- property, plant and equipment	44,030	(1,012)	-	43,018
- right-of-use assets	-	(4,360)	18,665	14,305
Total deferred tax liabilities	<u>44,030</u>	<u>(4,770)</u>	<u>18,665</u>	<u>57,925</u>
Net deferred tax assets (liabilities)	<u>12,841</u>	<u>(3,088)</u>	<u>756</u>	<u>10,509</u>

Notes to the Financial Statements (continued)

Note 20 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
	\$	\$	\$	\$
<i>Deferred tax assets</i>				
- expense accruals	388	1,475	-	1,863
- employee provisions	57,594	(2,586)	-	55,008
Total deferred tax assets	57,982	(1,111)	-	56,871
<i>Deferred tax liabilities</i>				
- fair value of investments	440	970	-	1,410
- property, plant and equipment	44,031	(1)	-	44,030
Total deferred tax liabilities	44,471	969	-	45,440
Net deferred tax assets (liabilities)	13,511	(2,080)	-	11,431

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 21 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	16,263	14,477
Other creditors and accruals	31,379	50,037
	47,642	64,514

Notes to the Financial Statements (continued)

Note 22 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 5.39%.

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:

- Park Lane Lease The lease agreement is a non-cancellable lease with an initial term of two years which commenced in March 2018. An extension option term of two years was exercised in March 2020. The lease has one further two 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.

<i>Lease liabilities on transition</i>	Note	2020 \$	2019 \$
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	70,620	-
Remeasurement adjustments		1,847	-
Lease payments - interest		3,504	-
Lease payments		(17,321)	-
		<u>58,650</u>	<u>-</u>
b) Current lease liabilities			
Property lease liabilities		17,664	-
Unexpired interest		(2,798)	-
		<u>14,866</u>	<u>-</u>
c) Non-current lease liabilities			
Property lease liabilities		47,104	-
Unexpired interest		(3,320)	-
		<u>43,784</u>	<u>-</u>

Notes to the Financial Statements (continued)

Note 22 Lease liabilities (continued)

d) Maturity analysis	2020	2019
	\$	\$
- Not later than 12 months	17,664	-
- Between 12 months and 5 years	47,104	-
Total undiscounted lease payments	<u>64,768</u>	<u>-</u>
Unexpired interest	(6,118)	-
Present value of lease liabilities	<u>58,650</u>	<u>-</u>

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 decrease in profit after tax of \$638.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	17,321	(17,321)	-
- Depreciation and amortisation expense	-	14,698	14,698
- Finance costs	-	3,504	3,504
Increase in expenses - before tax	<u>17,321</u>	<u>881</u>	<u>18,202</u>
- Income tax expense / (credit) - current	(4,763)	4,763	-
- Income tax expense / (credit) - deferred	-	(5,006)	(5,006)
Increase in expenses - after tax	<u>12,558</u>	<u>638</u>	<u>13,196</u>

Note 23 Employee benefits

a) Current liabilities	2020	2019
	\$	\$
Provision for annual leave	70,490	70,490
Provision for long service leave	100,616	118,641
	<u>171,106</u>	<u>189,131</u>
b) Non-current liabilities		
Provision for long service leave	32,170	10,898
	<u>32,170</u>	<u>10,898</u>

Notes to the Financial Statements (continued)

Note 23 Employee benefits (continued)

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 24 Issued capital

a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	1,062,849	1,062,849	1,062,849	1,062,849
Bonus shares - fully paid (2:1)	257,570	-	257,570	-
	<u>1,320,419</u>	<u>1,062,849</u>	<u>1,320,419</u>	<u>1,062,849</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*.

Notes to the Financial Statements (continued)

Note 24 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 25 Reserves

a) Nature and purpose of reserves

Revaluation reserve

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

b) Disaggregation of reserve balances, net of tax

Reserves for the period ended 30 June 2020

	Revaluation reserve	Total
	\$	\$
Balance at beginning of reporting period	115,817	115,817
Balance at end of reporting period	<u>115,817</u>	<u>115,817</u>

Reserves for the period ended 30 June 2019

	Revaluation reserve	Total
	\$	\$
Balance at beginning of reporting period	115,817	115,817
Balance at end of reporting period	<u>115,817</u>	<u>115,817</u>

Notes to the Financial Statements (continued)

Note 26 Retained earnings

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		709,693	644,522
Adjustment for transition to AASB 16	3d)	(1,992)	-
Net profit after tax from ordinary activities		231,560	164,202
Dividends provided for or paid	31a)	(99,032)	(99,031)
Balance at end of reporting period		<u>840,229</u>	<u>709,693</u>

Note 27 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	231,560	164,202
Adjustments for:		
- Depreciation	74,080	54,371
- Amortisation	26,076	32,512
- Increase in fair value of equity instruments designated at FVTPL	(2,588)	(3,527)
- Income reinvested in financial assets	(1,416)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(9,968)	4,701
- (Increase)/decrease in other assets	(6,204)	2,080
- Increase/(decrease) in trade and other payables	6,832	(331)
- Increase/(decrease) in employee benefits	3,247	(9,404)
- Increase/(decrease) in tax liabilities	(10,614)	(20,839)
Net cash flows provided by operating activities	<u>311,005</u>	<u>223,765</u>

Notes to the Financial Statements (continued)

Note 28 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. 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.

Accounting classifications and fair values for the year ended 30 June 2020:

	Note	FVTPL	Carrying amount		Fair value		
			At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:							
Equity securities	15	113,958	-	113,958	113,958	-	113,958
		<u>113,958</u>	<u>-</u>	<u>113,958</u>	<u>113,958</u>	<u>-</u>	<u>113,958</u>
Financial assets not measured at fair value:							
Trade and other receivables	16	-	193,627	193,627	-	-	-
Cash and cash	13	-	356,546	356,546	-	-	-
Term deposits	13	-	537,885	537,885	-	-	-
		<u>-</u>	<u>1,088,058</u>	<u>1,088,058</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value:							
Trade and other payables	21	-	16,263	16,263	-	-	-
		<u>-</u>	<u>16,263</u>	<u>16,263</u>	<u>-</u>	<u>-</u>	<u>-</u>

Accounting classifications and fair values for the year ended 30 June 2019:

	Note	FVTPL	Carrying amount		Fair value		
			At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:							
Equity securities	15	109,954	-	109,954	109,954	-	109,954
		<u>109,954</u>	<u>-</u>	<u>109,954</u>	<u>109,954</u>	<u>-</u>	<u>109,954</u>
Financial assets not measured at fair value:							
Trade and other receivables	16	-	192,461	192,461	-	-	-
Cash and cash	13	-	219,100	219,100	-	-	-
Term deposits	13	-	527,963	527,963	-	-	-
		<u>-</u>	<u>939,524</u>	<u>939,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value:							
Trade and other payables	21	-	14,477	14,477	-	-	-
		<u>-</u>	<u>14,477</u>	<u>14,477</u>	<u>-</u>	<u>-</u>	<u>-</u>

Valuation techniques and significant unobservable inputs

There were no Level 2 or Level 3 classifications held during the relevant financial years.

Transfers between Levels 1 and 2

There were no transfers between Level 1 and Level 2 during the financial year. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the financial year.

Notes to the Financial Statements (continued)

Note 29 Auditor's remuneration

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

	2020	2019
	\$	\$
<i>Audit and review services</i>		
- Audit and review of financial statements (AFS)	2,400	-
- Audit and review of financial statements (RSD)	4,235	7,975
	<u>6,635</u>	<u>7,975</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	-
- General advisory services	3,095	-
	<u>3,695</u>	<u>-</u>
Total auditor's remuneration	<u>10,330</u>	<u>7,975</u>

Note 30 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Shane Holness
Hanna Darmody
Rhyll Tozer
Gordon Waters
Dale Towell
Diana Izzard
Matt O'Brien
Richard Elliot
Garry Cook
Andrew Callan

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
	\$	\$
<i>Transactions with related parties</i>		
- Rhyll Tozer supplied conference goods and staff relief	-	1,307
Total transactions with related parties	<u>-</u>	<u>1,307</u>

Notes to the Financial Statements (continued)

Note 31 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Fully franked dividend	7.50	99,032	7.50	99,031
Total dividends provided for and paid during the financial year	<u>7.50</u>	<u>99,032</u>	<u>7.50</u>	<u>99,031</u>

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

b) Franking account balance

	2020	2019
	\$	\$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	492,587	430,144
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	82,740	100,007
- Franking debits from the payment of franked distributions	(37,564)	(37,564)
Franking account balance at the end of the financial year	<u>537,763</u>	<u>492,587</u>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(7,882)	10,615
Franking credits available for future reporting periods	<u>529,881</u>	<u>503,202</u>

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

Note 32 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	<u>231,560</u>	<u>164,202</u>
	Number	Number
Weighted-average number of ordinary shares	<u>1,320,419</u>	<u>1,320,419</u>
	Cents	Cents
Basic and diluted earnings per share	<u>17.54</u>	<u>12.44</u>

Notes to the Financial Statements (continued)

Note 33 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 22).

	2020	2019
	\$	\$
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	16,775
- between 12 months and 5 years	-	12,862
Minimum lease payments payable	-	29,637

b) Other commitments

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

Note 34 Contingencies

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

Note 35 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 Palerang 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.



Shane Holness, Chairman

Dated this 24th day of September 2020

Independent Auditor's Report



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
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Independent auditor's report to the members of Palerang Financial Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Palerang 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

Palerang Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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Independent Auditor's Report (continued)



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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 24 September 2020

Joshua Griffin
Lead Auditor

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