Annual Report 2020

Bacchus Marsh Community Enterprise Limited

Community Bank
Bacchus Marsh

ABN 11 164 574 832

Contents

Chair's report

For year ending 30 June 2020

The 2019/20 financial year has provided some fabulous milestones and various challenges to the company and to our Community Bank. In October 2019 we celebrated five years of operation and recognised the four team members who were there on day one in 2014. We also celebrated the many shareholders and customers that believed in our organisation in that time.

The branch finished the year with footings of $197 million which was a 22% increase on last year's total of $161.6 million. Our revenue has continued to grow in line with our footings increase and the increase in revenue due to branch operation is 18% for the financial year. This is a fabulous result in a very competitive market with historically low interest rates and a credit to our branch team.

The last six months of the financial year created significant challenges for the branch and our customers. In addition to the health risks associated with the pandemic, the branch team were presented with many questions and issues created by the restrictions placed on the community. In the new 'workplace environment', our team were able to support many customers that have been affected and will continue to assist our customers through this difficult time. Our Franchise Agreement with Bendigo and Adelaide Bank has shielded our branch and company from reduced revenue due to the restrictions placed on the community.

We are very proud to announce that we have contributed over $500,000 to our community since our opening. Over 80 organisations have been supported over this time in many different areas of our community including arts and culture, education, health and wellbeing and sport. Some of the significant contributions in that time include the upgrade to the netball courts at Darley Park and the inspiring Nurture Room Project at Darley Primary School which is supporting vulnerable children, their families and the broader school community.

In October 2019 we renewed our Franchise Agreement with Bendigo and Adelaide Bank for a further five years and the company secured the branch premises for a further five years plus options. Bendigo and Adelaide Bank and the wider Community Bank network has continued to be a great support to the Board and branch team. We thank them for their ongoing contribution to the company.

The branch team has continued to grow and Ian now has five full-time and one part-time staff members. The team, along with Grant Hopkinson (Regional Mobile Relationship Manager) now has four lenders and every member of the branch is ready to assist our customers and the community with their banking needs. The Board is very proud of our local team and their dedication and passion for the community and we thank them for their contributions to the company.

The Board has spent some time finalising the three-year strategic plan and we are committed to being the best that we can be in order to support our customers and invest in our community. I would like to thank the Board for their ongoing contributions to the company and their passion for the community.

To the community of Bacchus Marsh, shareholders and customers who have supported this project from the beginning, we extend a sincere thank you. With your support our successful banking enterprise will continue to grow and generate considerable rewards for our community.

Claire Sutherland
Chair

Manager’s report

For year ending 30 June 2020

The year of COVID-19, one of the most challenging in my working life.

Despite all the unprecedented challenges thrown at us this year, I am pleased to say we have had another remarkable year of growth, which has helped see our bottom-line profit and contributions to the community increase significantly on our previous years.

As the pandemic gathered momentum in Australia, we all learnt very quickly how to adapt to change. In this time Bendigo and Adelaide Bank has been fantastic in providing daily updates and ensuring our staff were kept safe and compliant while continuing to deliver the best possible service.

When we set our targets, we had no idea what was to transpire in the 2019/20 financial year, so we set a very challenging growth target of $15.6 million. Our branch team were keen to improve on our growth from the previous year of $18.98 million and I am extremely proud to announce that we grew by $36.3 million, taking our total footings to over $197 million in five and a half years.

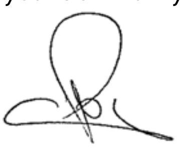
Our customer numbers grew by 6.7% and we now have over 2,700 customers and our footings grew by 22%. All of our combined efforts contributed to our income increasing by 23% on the previous year. Our net profit and community investment (donations, sponsorship, community grants and Community Enterprise Foundation™ funds) totalled $426,643 up 31% on the previous year.

During the year it was sad to see two of our inaugural staff members, Gina Volonnino and Melanie Tudball leave. I would like to thank them for all the good work they have done over the past five years. This created opportunities for two new staff with Melissa Fellows joining our team in November 2019 and Lucy Fitzgerald commenced 30 March 2020. Both staff are friendly and willing to learn and have fitted in well. I would like to thank Veronica Mayne, Janine Payne, Amanda Embling and Michelle Molenkamp, Melissa and Lucy for their dedication to our customers and community. They have all worked very hard during the year to achieve our outstanding growth and I am very grateful for their support.

We also have Grant Hopkinson, Regional Mobile Relationship Manager, who is employed by Bendigo and Adelaide Bank. Grant lives in Darley and is available to see clients after work or on weekends. As Bacchus Marsh has a large number of residents who commute to the city for work, it is convenient to have Grant to meet with clients after hours and he is a great asset to our branch.

The Board have been very proactive in building our brand in the community and providing the branch with all the tools we require to do our jobs effectively. The way our team and Board work together is one of the driving forces that has contributed to our rapid growth in the first five and a half years. I would also like to recognise Bendigo and Adelaide Bank for their support and for ensuring we are well trained and remain compliant. Their role is to make sure the Community Bank model works and is profitable.

To all the shareholders and customers, a big thank you for supporting this wonderful organisation and continuing to be advocates of our bank. Please pass on the message “Support the Community Bank that supports your Community”.



Ian Prince
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

In the 20-plus years since the opening of the very first Community Bank branch, it's fair to say we haven't seen a year quite like 2020.

After many years of drought, the 2019 calendar year ended with bushfires burning across several states. A number of our Community Bank companies were faced with an unprecedented natural disaster that impacted lives, homes, businesses and schools in local communities.

As fires took hold, Bendigo and Adelaide Bank's head office phones started to ring, emails came in from all over the world and our customers, and non-customers, headed into our branches to donate to an appeal that we were still in the process of setting up.

Our reputation as Australia's most trusted bank and the goodwill established by 321 Community Bank branches across the country meant that people instinctively knew that Bendigo, and our Community Bank partners, would be there to help. An appeal was established and donations were received in branch and online from 135,000 donors from all around the world. More than $45 million was donated.

Just as the fires had been extinguished and the Bank's foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

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

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

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

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

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

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

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

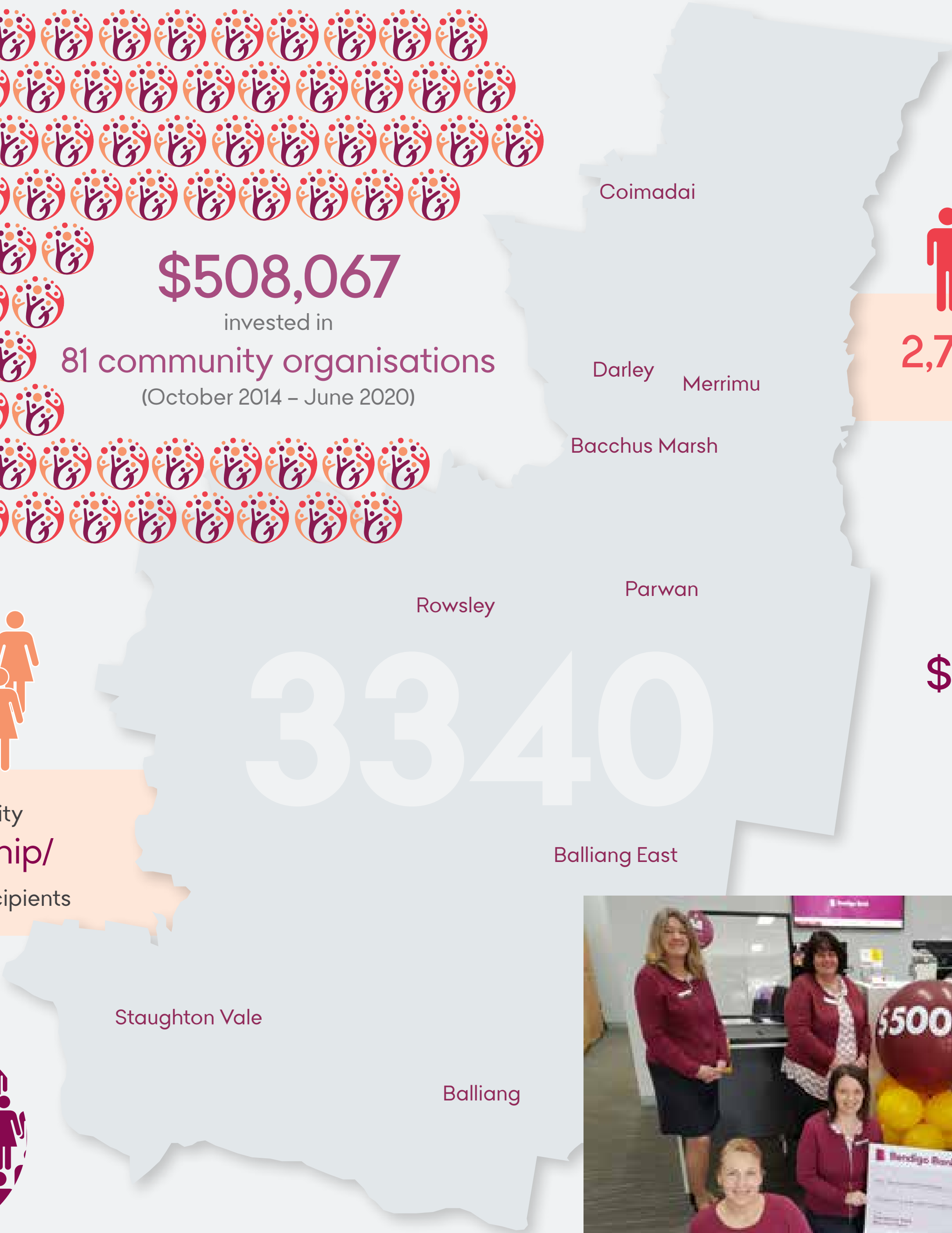
On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company Directors and shareholders and your branch staff and customers for your continued support throughout the year.

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Local customers + Local employees + Local shareholders = Local community benefits

$508,067
invested in
81 community organisations
(October 2014 – June 2020)



2,728 customers
at 30 June 2020

$197.9 million
footings
at 30 June 2020

7 university
scholarship/
bursary recipients

266
shareholders

$92,781 cumulative
dividends to 30 June 2020

54,302 hours
local
employment
since opening
30 October 2014 -
30 June 2020

Community Bank Bacchus Marsh staff
Standing (L-R): Michelle Molenkamp, Veronica Mayne and Ian Prince (Branch Manager).
Seated (L-R): Amanda Embling, Melissa Fellows, Lucy Fitzgerald and Janine Payne.

Directors' report

For the financial year ended 30 June 2020

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

Directors

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

Claire Therese Sutherland

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: 30 years' experience in the hospitality industry. Former Director and Chair of Djerriwarrh Health Services, Ronald McDonald House Parkville Inc. and former Director of Ronald McDonald House Charities. Current Chair of Bacchus Marsh Community Unlimited Inc.

Special responsibilities: Chair, Risk Management Committee, Finance & Investment Committee and Human Resources Committee

Interest in shares: 25,001 ordinary shares

Ian Colin Barnett

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: CFA Volunteer 38 years. Tyre Retailer & retreader 34 years. Treasurer for the Bacchus Marsh Community Unlimited Inc. Treasurer for Bacchus Marsh Fire Brigade, Treasurer for Bacchus Marsh Fire Brigade Group and Executive Committee Member Victorian Tyre Dealers Association - a Division of the Victoria Automobile Chamber of Commerce.

Special responsibilities: Treasurer, Risk Management Committee and Finance & Investment Committee

Interest in shares: 25,001 ordinary shares

Heather Jean Steegstra

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Office clerical & bookkeeping - Local Government 8 years. Integration aide with Education Department - 8 years. Certificate of Financial Management for Schools. Business Manager - Education Department - 16 years. Bacchus Marsh Golf Club Ladies Committee member for 4 years.

Special responsibilities: Secretary, Community Investment Committee

Interest in shares: 4,001 ordinary shares

Travis Ashley Bawden

Non-executive director

Occupation: IT Account Manager

Qualifications, experience and expertise: Over 20 years in the Information Technology industry within Management, Project Management and Consultancy. Master of Management, Member of CFA for 20 years including Volunteer & former office bearer.

Special responsibilities: Deputy Chair, Community Investment Committee

Interest in shares: 1 ordinary shares

Directors (continued)

Karen Patricia Hapgood

Non-executive director

Occupation: Engineer

Qualifications, experience and expertise: Karen Hapgood is a Professor of Engineering and currently the Executive Dean of the Faculty of Science Engineering & Built Environment at Deakin University. She leads the faculty including teaching & education, research & innovation, staff and budget responsibilities. She holds a Bachelor and PhD in Chemical Engineering, Graduate Certificate in Higher Education, and is a Graduate of the Australian Institute of Company Directors. She is a member of the Bacchus Marsh Historical Society, and the Bacchus Marsh Arts Council.

Special responsibilities: Human Resources Committee

Interest in shares: 2,000 ordinary shares

Simon Maynard Hooper

Non-executive director

Occupation: Head of Underwriting

Qualifications, experience and expertise: In 2018-2019 Simon was Head of Product - Precision Autonomy and is currently Head of Underwriting - Precision Autonomy. Since 2015 he has been a Director of Australian Association for Unmanned Systems. Simon holds a Bachelor of Aviation, Cert IV in General Insurance and Cert IV in Accounting and Bookkeeping.

Special responsibilities: Finance & Investment Committee, Risk Management Committee

Interest in shares: 2,000 ordinary shares

Paula Elizabeth McMillan

Non-executive director

Occupation: Ward Clerk

Qualifications, experience and expertise: Various roles including Management and Project Management in Australia Post for 26 years. Ward Clerk, Bacchus Marsh hospital, Board Member Bacchus Marsh Community College and Member of the Bacchus Marsh Urban Fire Brigade.

Special responsibilities: Community Investment Committee, Human Resources Committee

Interest in shares: 1,001 ordinary shares

Keith Walter Currie

Non-executive director

Occupation: Teacher

Qualifications, experience and expertise: Keith is a Mathematics and Science teacher. He has been Vice Principal of The Scots College (Sydney), Foundation Principal of Trinity Anglican College-Albury, Assistant Principal at Bacchus Marsh Grammar. Keith holds B.Sc (ANU), Dip. Ed. (CCAE), B.Bus. (Accounting) (CSU) and M. Ed. (U Syd). A member of Rotary Club of Bacchus Marsh. Chairman - Moorabool Light Orchestra, Board Member - Western Emergency Relief Network, Board Member - Bacchus Marsh Public Hall Committee of Management, Past President - Rotary Bacchus Marsh.

Special responsibilities: Human Resources Committee, Community Investment Committee

Interest in shares: nil share interest held

Peter George Tonks

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Peter has experience in accounting management and contracting. He is a member of the Tourism Association, Abbeyfield Community House and Probus.

Special responsibilities: Community Investment Committee

Interest in shares: 2,000 ordinary shares

Directors (continued)

Philip Dale McBean

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Phil has spent some 41 years in the finance industry: 31 years with ANZ Bank covering: retail banking, general administration, management accounting, risk management, commercial and corporate lending, and as a senior manager in the Bank's global lending headquarters. Upon leaving the bank, he ran his own financial planning business for 10 years. Phil has lectured at RMIT for a short period as a sessional lecturer in financial planning. Phil is also a Past President of the Rotary Club of Bacchus Marsh. Phil holds the following qualifications: B.Bus (Finance and Banking), Grad Dip (Tax, Trust and Company law), M.Com (Financial Planning), and a M.Sc (Astronomy). He is a Fellow with the Financial Services Institute of Australia, and a Fellow with the Australia and New Zealand Institute of Insurance and Finance.

Special responsibilities: Risk Management and Finance & Investment Committee

Interest in shares: 500 ordinary shares

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

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

Company Secretary

The company secretary is Heather Jean Steegstra. Heather was appointed to the position of secretary on 1 July 2013.

Heather has previously worked in office clerical and bookkeeping roles for Local Government and was also a Business Manager in the Education Department.

Principal activity

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

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

Operating results

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

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	100,362	56,270

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Claire Therese Sutherland	25,001	-	25,001
Ian Colin Barnett	25,001	-	25,001
Heather Jean Steegstra	4,001	-	4,001
Travis Ashley Bawden	1	-	1
Karen Patricia Hapgood	2,000	-	2,000
Simon Maynard Hooper	2,000	-	2,000
Paula Elizabeth McMillan	1,001	-	1,001
Keith Walter Currie	-	-	-
Peter George Tonks	2,000	-	2,000
Philip Dale McBean	500	-	500

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

Dividends

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

	Cents per share	Total amount
Final fully franked dividend	5	46,391
Total amount	**5**	**46,391**

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 3 and 4m for further details.

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 29 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings		Committee Meetings							
			Community Investment		Human Resources		Finance & Investment		Risk Management	
	E	A	E	A	E	A	E	A	E	A
Claire Therese Sutherland	12	12	8	4	1	1	2	2	-	-
Ian Colin Barnett	12	12	-	-	-	-	2	2	-	-
Heather Jean Steegstra	12	12	8	8	-	-	-	-	-	-
Travis Ashley Bawden	12	10	8	8	-	-	-	-	-	-
Karen Patricia Hapgood	12	11	-	-	1	1	-	-	-	-
Simon Maynard Hooper	12	9	-	-	-	-	2	2	-	-
Paula Elizabeth McMillan	12	9	8	8	1	1	-	-	-	-
Keith Walter Currie	12	9	8	8	1	1	-	-	-	-
Peter George Tonks	12	11	8	8	-	-	-	-	-	-
Philip Dale McBean	12	11	-	-	-	-	2	2	-	-

E - eligible to attend
A - number attended

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28 to the accounts.

The board of directors has considered the position and are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the directors at Bacchus Marsh, Victoria.

Claire Therese Sutherland,
Chair

Dated this 13th day of August 2020

Auditor's independence declaration

Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Bacchus Marsh Community Enterprise Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 13 August 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

Financial statements

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

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	1,183,759	984,338
Other revenue	9	92,624	35,659
Finance income	10	10,347	11,689
Employee benefit expenses	11f)	(581,806)	(470,483)
Charitable donations, sponsorship, advertising and promotion	11e)	(284,829)	(229,437)
Occupancy and associated costs		(20,002)	(98,361)
Systems costs		(34,886)	(31,796)
Depreciation and amortisation expense	11a)	(97,691)	(40,323)
Impairment losses	11b)	(20,580)	-
Finance costs	11c)	(40,209)	-
General administration expenses		(76,934)	(74,138)
Profit before income tax expense		**129,793**	**87,148**
Income tax expense	12a)	(29,431)	(30,878)
Profit after income tax expense		**100,362**	**56,270**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**100,362**	**56,270**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	31a)	10.82	6.06

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	722,554	648,536
Trade and other receivables	15	126,782	99,620
Current tax assets	19a)	2,794	-
Total current assets		**852,130**	**748,156**
Non-current assets			
Investment property	14a)	29,330	-
Property, plant and equipment	16a)	142,250	140,899
Right-of-use assets	17a)	649,859	-
Intangible assets	18a)	56,628	27,914
Deferred tax asset	19b)	38,960	-
Total non-current assets		**917,027**	**168,813**
Total assets		**1,769,157**	**916,969**
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	24,997	25,316
Current tax liabilities	19a)	-	303
Lease liabilities	21b)	42,385	-
Employee benefits	23a)	38,720	24,725
Total current liabilities		**106,102**	**50,344**
Non-current liabilities			
Trade and other payables	20b)	46,512	-
Lease liabilities	21c)	767,678	-
Employee benefits	23b)	19,548	13,790
Provisions	22a)	8,740	-
Deferred tax liability	19b)	-	1,501
Total non-current liabilities		**842,478**	**15,291**
Total liabilities		**948,580**	**65,635**
Net assets		**820,577**	**851,334**
EQUITY			
Issued capital	24a)	898,544	898,544
Accumulated losses	25	(77,967)	(47,210)
Total equity		**820,577**	**851,334**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		898,544	(57,089)	841,455
Total comprehensive income for the year		-	56,270	56,270
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30	-	(46,391)	(46,391)
Balance at 30 June 2019		**898,544**	**(47,210)**	**851,334**
Balance at 1 July 2019		898,544	(47,210)	851,334
Effect of AASB 16: Leases	3d)	-	(84,728)	(84,728)
Restated balance at 1 July 2019		898,544	(131,938)	766,606
Total comprehensive income for the year		-	100,362	100,362
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30	-	(46,391)	(46,391)
Balance at 30 June 2020		**898,544**	**(77,967)**	**820,577**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,365,902	1,098,204
Payments to suppliers and employees		(1,083,641)	(998,503)
Interest received		10,347	11,689
Interest paid		(407)	(27,757)
Lease payments (interest component)	11c)	(39,801)	-
Lease payments not included in the measurement of lease liabilities	11g)	(16,390)	-
Income taxes paid		(40,851)	-
Net cash provided by operating activities	**26**	**195,159**	**83,633**
Cash flows from investing activities			
Payments for property, plant and equipment		(22,526)	(7,970)
Payments for intangible assets		(14,095)	-
Net cash used in investing activities		**(36,621)**	**(7,970)**
Cash flows from financing activities			
Lease payments (principal component)	21a)	(38,129)	-
Dividends paid	30	(46,391)	(46,391)
Net cash used in financing activities		**(84,520)**	**(46,391)**
Net cash increase in cash held		**74,018**	**29,272**
Cash and cash equivalents at the beginning of the financial year		648,536	619,264
Cash and cash equivalents at the end of the financial year	**13a)**	**722,554**	**648,536**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2020

Note 1 Reporting entity

This is the financial report for Bacchus Marsh Community Enterprise 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
2/137A Main Street	2/137A Main Street
Bacchus Marsh VIC 3340	Bacchus Marsh VIC 3340

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 29.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 13 August 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) 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.

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

a) Definition of a lease (continued)

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.

b) As a lessee

As a lessee, the company leases many assets including property, motor vehicles, office equipment 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, office equipment, 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:

- 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.

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, including investment property, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	Note	1 July 2019 $
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	17b)	696,226
Right-of-use assets - investment property	14b)	43,432
Deferred tax asset	19b)	32,138
Liability		
Lease liabilities	21a)	(848,192)
Provision for make-good	22b)	(8,332)
Equity		
Accumulated losses		**(84,728)**

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

Lease liabilities reconciliation on transition	
Operating lease disclosure as at June 2019	380,640
Add: additional options now expected to be exercised	761,280
Less: AASB 117 lease commitments reconciliation	20,529
Less: present value discounting	(314,257)
Lease liability as at 1 July 2019	**848,192**

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.

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

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.

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Ability to change financial return (continued)

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

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

b) Other revenue

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

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

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

Discretionary financial contributions

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

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

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.

Note 4 Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

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 reliable 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.

Note 4 Summary of significant accounting policies (continued)

d) Employee benefits (continued)

Other long-term employee benefits (continued)

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

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

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

Deferred tax is not recognised for:

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

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

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

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

Goods and Services Tax

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

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

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

Goods and Services Tax (continued)

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 15 years
Plant and equipment	Straight-line and diminishing value	2.5 to 40 years
Furniture, fixtures and fittings	Diminishing value	4 to 40 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. The company has also acquired an agency/customer list from Bendigo Bank.

Recognition and measurement

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

Subsequent expenditure

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

Note 4 Summary of significant accounting policies (continued)

h) Intangible assets (continued)

Amortisation

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

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

Asset class	Method	Useful life
Franchise establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled customer accounts	Assessed for impairment	Indefinite

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 or one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, leases.

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

<u>Financial assets</u>

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.

Note 4 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets (continued)

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

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.

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.).

<u>Recognition of expected credit losses in financial statements</u>

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

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

Non-financial assets

For impairment testing, assets are grouped into the smallest groups of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation and amortisation, if no impairment loss had been recognised.

k) Issued capital

Ordinary shares

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

Note 4 Summary of significant accounting policies (continued)

l) Provisions

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

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

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

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

<u>As a lessee</u>

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

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

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

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

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

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

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

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

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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.

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.

Note 4 Summary of significant accounting policies (continued)

m) Leases (continued)

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.

n) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

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

a) Judgements

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

Note	Judgement
Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 11b) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

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

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

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company has also established risk management policies and procedures designed to address operational risks that may adversely impact financial performance. The company does not use derivative instruments.

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

a) Credit risk

Credit risk is the risk of financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligations.

The company's prime exposure to credit risk is detailed in note 4c. The company has no other significant concentrations of credit risk.

b) Liquidity risk

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

The company also believes that its sound relationship with Bendigo Bank positions itself favourable to access liquidity support via Bendigo Bank's range of lending facilities should liquidity support be required.

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.

	Contractual cash flows			
30 June 2020 Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	810,063	80,267	345,882	658,371
Trade payables	3,767	3,767	-	-
	813,830	**84,034**	**345,882**	**658,371**

	Contractual cash flows			
30 June 2019 Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade payables	4,346	4,346	-	-
	4,346	**4,346**	**-**	**-**

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.

Note 6 Financial risk management (continued)

c) Market risk (continued)

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $722,554 at 30 June 2020 (2019: $648,536). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 8 Revenue from contracts with customers

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

	2020 $	2019 $
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	1,183,759	984,338
	1,183,759	**984,338**
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	1,045,599	850,647
- Fee income	67,458	65,683
- Commission income	70,702	68,008
	1,183,759	**984,338**

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 owned investment properties, discretionary contributions received from the franchisor and cash flow boost from the Australian Government.

	2020 $	2019 $
Other revenue		
Revenue:		
- Sub-leasing income	20,124	21,909
- Market development fund income	10,000	13,750
- Cash flow boost*	62,500	-
	92,624	**35,659**

* Refer to note 4b) for details of the cash flow boost income.

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.

	2020 $	2019 $
Finance income		
At amortised cost:		
- Term deposits	10,347	11,689
	10,347	**11,689**

Note 11 Expenses

	2020 $	2019 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Leasehold improvements	12,014	12,014
- Plant and equipment	7,808	4,979
- Furniture and fittings	1,354	1,330
	21,176	**18,323**
Depreciation of right-of-use assets		
- Leased land and buildings	60,470	-
	60,470	**-**
Amortisation of intangible assets:		
- Franchise fee	2,118	2,000
- Franchise establishment fee	6,667	20,000
- Franchise renewal process fee	7,260	-
	16,045	**22,000**
Total depreciation and amortisation expense	**97,691**	**40,323**

Note 11 Expenses (continued))

a) Depreciation and amortisation expense (continued)

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

	2020 $	2019 $
b) Impairment losses		
Impairment of property, plant and equipment and intangible assets:		
- Domiciled customer accounts	16,976	-
- Domiciled agency or branch business	3,604	-
	20,580	**-**

The non-current assets listed above are impaired in accordance with the company's accounting policy (see Note 4j).

The directors have assessed the carrying amounts of its tangible and intangible non-financial assets for indicators of impairment. Where the carrying amount exceeds its recoverable amount, the asset is impaired and an impairment charge is recognised to reduce the asset to the higher of its fair value less costs to sell and value in use.

	Note	2020 $	2019 $
c) Finance costs			
Finance costs:			
- Lease interest expense	21a)	39,801	-
- Unwinding of make-good provision		408	-
		40,209	**-**

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

d) Impairment loss on trade receivables and contract assets

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo Bank receivable as at 30 June 2020.

e) 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	164,829	149,437
- Contribution to the Community Enterprise Foundation™	120,000	80,000
	284,829	**229,437**

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.

Note 11 Expenses (continued))

	2020 $	2019 $
f) Employee benefit expenses		
Wages and salaries	493,735	397,610
Non-cash benefits	682	235
Contributions to defined contribution plans	47,040	40,735
Expenses related to long service leave	4,427	7,298
Other expenses	35,922	24,605
	581,806	**470,483**
g) 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.		
Expenses relating to low-value leases	16,390	-
	16,390	**-**

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

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

Note 12 Income tax expense

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

	2020 $	2019 $
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Current tax	37,754	27,593
- Movement in deferred tax	(42,709)	3,285
- Adjustment to deferred tax on AASB 16 retrospective application	32,138	-
- Reduction in company tax rate	2,248	-
	29,431	**30,878**

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 gain of $2,248 related to the remeasurement of deferred tax assets and liabilities of the company.

Note 12 Income tax expense

	2020 $	2019 $
b) Prima facie income tax reconciliation		
Operating profit before taxation	129,793	87,148
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	35,693	23,966
Tax effect of:		
- Non-deductible expenses	8,678	6,912
- Temporary differences	10,571	(3,285)
- Movement in deferred tax	(42,709)	3,285
- Leases initial recognition	32,138	-
- Reduction in company tax rate	2,248	-
	46,619	**30,878**

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	92,419	128,748
- Term deposits	630,135	519,788
	722,554	**648,536**

Note 14 Investment property

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.

	2020 $	2019 $
a) Carrying amounts		
Investment properties - sub-lease		
At cost	70,431	-
Less: accumulated depreciation and impairment	(41,101)	-
Total written down amount	**29,330**	**-**

Note 14 Investment property (continued)

	Note	2020 $	2019 $
b) Reconciliation of carrying amounts			
Investment properties - sub-lease			
Initial recognition on transition - at cost	3d)	70,431	-
Initial recognition on transition - accumulated depreciation		(26,999)	-
Depreciation		(14,102)	-
Carrying amount at end		**29,330**	**-**
Total written down amount		**29,330**	**-**

Depreciation is recognised on a straight line basis over the expected life of the sub-lease, being a five year period.

The future minimum undiscounted lease payments receivable under non-cancellable operating lease in the aggregate and for each of the following periods:

	2020 $	2019 $
- not later than 12 months	21,954	-
- later than 12 months but less than two years	23,784	-
Total	**45,738**	**-**

The operating sub-lease is a three year lease which commenced 31 July 2017 and has an additional option of two years which is reasonably expected to be exercised.

Rental income recognised by the company during the period is $20,124 (2019: $21,909).

Note 15 Trade and other receivables

	2020 $	2019 $
a) Current assets		
Trade receivables	116,927	85,060
Prepayments	6,975	11,680
Other receivables and accruals	2,880	2,880
	126,782	**99,620**

Note 16 Property, plant and equipment

a) Carrying amounts

	2020 $	2019 $
Leasehold improvements		
At cost	169,054	169,054
Less: accumulated depreciation and impairment	(62,071)	(50,057)
	106,983	**118,997**
Plant and equipment		
At cost	59,361	37,814
Less: accumulated depreciation and impairment	(29,474)	(21,666)
	29,887	**16,148**

Note 16 Property, plant and equipment (continued)

	2020 $	2019 $
a) Carrying amounts (continued)		
Furniture and fittings		
At cost	9,002	8,022
Less: accumulated depreciation and impairment	(3,622)	(2,268)
	5,380	**5,754**
Total written down amount	**142,250**	**140,899**

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

b) Reconciliation of carrying amounts

	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	118,997	131,011
Depreciation	(12,014)	(12,014)
Carrying amount at end	**106,983**	**118,997**
Plant and equipment		
Carrying amount at beginning	16,148	13,157
Additions	21,547	7,970
Depreciation	(7,808)	(4,979)
Carrying amount at end	**29,887**	**16,148**
Furniture and fittings		
Carrying amount at beginning	5,754	7,084
Additions	980	-
Depreciation	(1,354)	(1,330)
Carrying amount at end	**5,380**	**5,754**
Total written down amount	**142,250**	**140,899**

c) Changes in estimates

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

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

Note 17 Right-of-use assets

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

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

Note 17 Right-of-use assets

	Note	2020 $	2019 $
a) Carrying amounts			
Leased land and buildings			
At cost		876,501	-
Less: accumulated depreciation and impairment		(226,642)	-
Total written down amount		**649,859**	**-**
b) Reconciliation of carrying amounts			
Leased land and buildings			
Initial recognition on transition	3d)	876,501	-
Accumulated depreciation on adoption	3d)	(180,275)	-
Depreciation		(46,367)	-
Total written down amount		**649,859**	**-**

Note 18 Intangible assets

a) Carrying amounts		
Franchise fee		
At cost	20,890	10,000
Less: accumulated amortisation and impairment	(11,452)	(9,333)
	9,438	**667**
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation and impairment	(100,000)	(93,333)
	-	**6,667**
Franchise renewal process fee		
At cost	54,450	-
Less: accumulated amortisation and impairment	(7,260)	-
	47,190	**-**
Cash-generating unit - domiciled accounts		
At cost	16,976	16,976
Less: accumulated amortisation and impairment	(16,976)	-
	-	**16,976**
Other intangible assets		
At cost	3,604	3,604
Less: accumulated amortisation and impairment	(3,604)	-
	-	**3,604**
Total written down amount	**56,628**	**27,914**

Note 18 Intangible assets (continued)

	2020 $	2019 $
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	667	2,667
Additions	10,889	-
Amortisation	(2,118)	(2,000)
Carrying amount at end	**9,438**	**667**
Franchise establishment fee		
Carrying amount at beginning	6,667	26,667
Amortisation	(6,667)	(20,000)
Carrying amount at end	**-**	**6,667**
Franchise renewal process fee		
Carrying amount at beginning	-	-
Additions	54,450	-
Amortisation	(7,260)	-
Carrying amount at end	**47,190**	**-**
Cash-generating unit - domiciled accounts		
Carrying amount at beginning	16,976	16,976
Impairment	(16,976)	-
Carrying amount at end	**-**	**16,976**
Other intangible assets		
Carrying amount at beginning	3,604	3,604
Impairment	(3,604)	-
Carrying amount at end	**-**	**3,604**
Total written down amount	**56,628**	**27,914**

c) Changes in estimates

The company has re-assessed the useful life of its cash-generating unit and goodwill on purchase of agency for business domiciled from Bendigo Bank to the company based on new information from Bendigo Bank relating to the customer product life cycle.

As a result of the reassessment, the carrying amount was found to exceed the recoverable amount indicating the asset is now fully impaired. As such, an impairment loss of $20,580 has been recognised for the financial year ending 30 June 2020.

Note 19 Tax assets and liabilities

	2020 $	2019 $
a) Current tax		
Income tax payable/(refundable)	**(2,794)**	**303**

Note 19 Tax assets and liabilities (continued)

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 other comprehensive income $	Recognised in equity $	30 June 2020 $
Deferred tax assets					
- expense accruals	770	(42)	-	-	728
- employee provisions	10,592	4,558	-	-	15,150
- make-good provision	-	4,563	-	(2,291)	2,272
- lease liability	-	443,869	-	(233,253)	210,616
Total deferred tax assets	**11,362**	**452,948**	**-**	**(235,544)**	**228,766**
Deferred tax liabilities					
- income accruals	792	(43)	-	-	749
- property, plant and equipment	12,071	397	-	-	12,468
- right-of-use assets	-	(26,817)	-	203,406	176,589
Total deferred tax liabilities	**12,863**	**(26,463)**	**-**	**203,406**	**189,806**
Net deferred tax assets (liabilities)	**(1,501)**	**479,411**	**-**	**(32,138)**	**38,960**

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 other comprehensive income $	Recognised in equity $	30 June 2019 $
Deferred tax assets					
- expense accruals	770	-	-	-	770
- employee provisions	10,307	285	-	-	10,592
Total deferred tax assets	**11,077**	**285**	**-**	**-**	**11,362**
Deferred tax liabilities					
- income accruals	792	-	-	-	792
- deductible prepayments	8,500	3,571	-	-	12,071
Total deferred tax liabilities	**9,292**	**3,571**	**-**	**-**	**12,863**
Net deferred tax assets (liabilities)	**1,785**	**(3,286)**	**-**	**-**	**(1,501)**

Note 19 Tax assets and liabilities (continued)

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 20 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.

	2020 $	2019 $
a) Current liabilities		
Trade creditors	3,767	4,346
Other creditors and accruals	21,230	20,970
	24,997	**25,316**
b) Non-current liabilities		
Other creditors and accruals	**46,512**	**-**

Note 21 Lease liabilities

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

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

Prior to 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. As a result, finance leases which were previously disclosed as property, plant and equipment have been reclassified to right-of-use assets upon adoption.

The company's lease portfolio includes:

- Bacchus Marsh - Shop 1

  2/137A Main Street, Bacchus Marsh commenced on 23 June 2014 and is a non-cancellable term of five years plus three additional five-year options. One option has been exercised with the other two reasonably expected to be exercised.

- Bacchus Marsh - Shop 2

  1/137A Main Street, Bacchus Marsh commenced on 23 July 2017 and is a non-cancellable term of six years and eleven months plus one option reasonably expected to be exercised of five years.

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.

Note 21 Lease liabilities (continued)

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.

	Note	2020 $	2019 $
Lease liabilities on transition			
Initial recognition on AASB 16 transition	3d)	848,192	-
Lease payments - interest		39,801	-
Lease payments - principal		(77,930)	-
		810,063	**-**
b) Current lease liabilities			
Property lease liabilities		80,267	-
Unexpired interest		(37,882)	-
		42,385	**-**
c) Non-current lease liabilities			
Property lease liabilities		1,004,253	-
Unexpired interest		(236,575)	-
		767,678	**-**
d) Maturity analysis			
- Not later than 12 months		80,267	-
- Between 12 months and 5 years		345,882	-
- Greater than 5 years		658,371	-
Total undiscounted lease payments		**1,084,520**	**-**
Unexpired interest		(274,457)	-
Present value of lease liabilities		**810,063**	**-**

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.

Note 21 Lease liabilities (continued)

e) Impact on the current reporting period (continued)

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 $16,493.

	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	77,930	(77,930)	-
- Depreciation and amortisation expense	-	60,470	60,470
- Finance costs	-	40,209	40,209
Increase in expenses - before tax	**77,930**	**22,749**	**100,679**
- Income tax expense / (credit) - current	(21,431)	21,431	-
- Income tax expense / (credit) - deferred	-	(27,687)	(27,687)
Increase in expenses - after tax	**56,499**	**16,493**	**72,992**

Note 22 Provisions

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

	2020 $	2019 $
a) Non-current liabilities		
Make-good on leased premises	8,740	-
	8,740	**-**

b) Make-good provision

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

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

	Note	2020 $	2019 $
Provision			
Face-value of make-good costs recognised	3d)	17,000	-
Present value discounting	3d)	(8,668)	-
Present value unwinding		408	-
		8,740	**-**

Note 22 Provisions (continued)

c) Changes in estimates

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

The lease is due to expire on 31 May 2034 at which time it is expected the face-value costs to restore the premises will fall due.

The financial effect of the reassessment, assuming no changes in the above judgements and estimates, on actual and expected finance costs and provisions was as follows:

	2020	2021	2022	2023	2024+
Profit or loss					
Expense:					
- Finance costs	408	428	449	471	6,912
Statement of financial position					
Liability:					
- Make-good provision	8,740	9,168	9,617	10,088	17,000

Note 23 Employee benefits

	2020 $	2019 $
a) Current liabilities		
Provision for annual leave	38,720	24,725
	38,720	**24,725**
b) Non-current liabilities		
Provision for long service leave	19,548	13,790
	19,548	**13,790**

c) Key judgement and assumptions

Employee attrition rates

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

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

Note 24 Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	927,810	927,810	927,810	927,810
Less: equity raising costs	-	(29,266)	-	(29,266)
	927,810	**898,544**	**927,810**	**898,544**

Note 24 Issued capital (continued)

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*.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 237. As at the date of this report, the company had 266 shareholders (2019: 265 shareholders).

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

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

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

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

Note 25 Accumulated losses

	Note	2020 $	2019 $
Balance at beginning of reporting period		(47,210)	(57,089)
Adjustment for transition to AASB 16	3d)	(84,728)	-
Net profit after tax from ordinary activities		100,362	56,270
Dividends provided for or paid		(46,391)	(46,391)
Balance at end of reporting period		**(77,967)**	**(47,210)**

Note 26 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	100,362	56,270
Adjustments for:		
- Depreciation	81,646	18,323
- Amortisation	36,626	22,000
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(27,164)	(17,399)
- (Increase)/decrease in other assets	(9,616)	1,785
- Increase/(decrease) in trade and other payables	(5,052)	282
- Increase/(decrease) in employee benefits	20,161	1,036
- Increase/(decrease) in tax liabilities	(1,804)	1,336
Net cash flows provided by operating activities	**195,159**	**83,633**

Note 27 Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	15	119,807	87,940
Cash and cash equivalents	13	92,419	128,748
Term deposits	13	630,135	519,788
		842,361	**736,476**
Financial liabilities			
Trade and other payables	20	3,767	4,346
Lease liabilities	21	810,063	-
		813,830	**4,346**

Note 28 Auditor's remuneration

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

	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	4,700	4,600
	4,700	**4,600**
Non audit services		
- Taxation advice and tax compliance services	700	1,395
- General advisory services	5,020	3,300
- Share registry services	2,814	3,210
	8,534	**7,905**
Total auditor's remuneration	**13,234**	**12,505**

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Claire Therese Sutherland
Ian Colin Barnett
Heather Jean Steegstra
Travis Ashley Bawden
Karen Patricia Hapgood
Simon Maynard Hooper
Paula Elizabeth McMillan
Keith Walter Currie
Peter George Tonks
Philip Dale McBean

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

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

Community Bank Directors' Privileges Package

The board has adopted the Community Bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank branch at Bacchus Marsh, Victoria. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders. The total benefits received by the directors from the Directors' Privilege Package are $nil for the year ended 30 June 2020 (2019: $nil).

Note 30 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	5.00	46,391	-	-
Unfranked dividend	-	-	5.00	46,391
Total dividends paid during the financial year	**5.00**	**46,391**	**5.00**	**46,391**

The tax rate at which dividends have been franked is 27.5%.

	2020 $	2019 $
b) Franking account balance		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	27,758	27,758
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	(13,342)	-
- Franking credits from the payment of income tax instalments during the financial year	54,193	-
- Franking debits from the payment of franked distributions	(17,596)	-
Franking account balance at the end of the financial year	**51,013**	**27,758**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(2,794)	4,274
Franking credits available for future reporting periods	**48,219**	**32,032**

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

Note 31 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	**100,362**	**56,270**

	Number	Number
Weighted-average number of ordinary shares	**927,810**	**927,810**

	Cents	Cents
Basic and diluted earnings per share	**10.82**	**6.06**

Note 32 Commitments

a) Lease commitments

Following adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can now be found in 'Lease liabilities' (Note 21) and 'Investment properties' (Note 14).

	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	-	76,128
- between 12 months and 5 years	-	304,512
Minimum lease payments payable	**-**	**380,640**
Operating lease commitments - lessor		
The future minimum lease payments receivable under non-cancellable operating lease in the aggregate and for each of the following periods:		
- not later than 12 months	-	21,954
- between 12 months and 5 years	-	1,830
Minimum lease payments receivable	**-**	**23,784**

b) Other commitments

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

Note 33 Contingencies

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

Note 34 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 Bacchus Marsh Community Enterprise 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.

Claire Therese Sutherland,
Chair

Dated this 13th day of August 2020

Independent audit report

Partners in success
Chartered Accountants

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

Independent auditor's report to the members of Bacchus Marsh Community Enterprise Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Bacchus Marsh Community Enterprise 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
Bacchus Marsh Community Enterprise 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.

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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: 13 August 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Community Bank · Bacchus Marsh
2/137A Main St,
Bacchus Marsh Vic 3340
Phone: 5367 4660 Fax: 5367 4506
Email: 9934@bendigoadelaide.com.au
Web: www.bendigobank.com.au/bacchus-marsh

Franchisee: Bacchus Marsh Community Enterprise Limited
ABN: 11 164 574 832
PO Box 1091 Bacchus Marsh 3340
Email: bacchusmarshcelsecretary@gmail.com

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
Phone: 5443 0344
Fax: 5443 5304
Email: shareregistry@afsbendigo.com.au

BacchusMarshCommunityBankBranch/facebook
bendigocb_bacchusmarsh/instagram

This Annual Report has been printed on 100% Recycled Paper

Bendigo Bank