Annual Report 2020

Stonnington Community Financial Services Ltd

Community Bank
Windsor

ABN 31 099 416 092

Contents

Bendigo and Adelaide Bank report.

For year ending June 30 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 a 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 cafés, 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
Head of Community Support
Bendigo and Adelaide Bank

Chairman's report.

For year ending June 30 2020.

As I sit to write this report at my dining table I reflect on the past year. I thought that 2019 was abnormal with Royal Commission in to Banking Misconduct. Our plans for 2020 strongly revolved around build on our strong relationships within our community. And then the COVID-19 pandemic hit our shores.

Our Branch team, led by our resilient and capable manager Paige Wills, have coped remarkably well during the lockdown periods. With just one staff change over this year, (we welcomed Ryan de Silva in February), the year was largely one of 'bedding' down. The Branch team have now been working together for over a year and have developed into a strong cohesive team, committed to their customers and community partners, and in so doing they have been able to establish stronger relationships within these groups. Because the Branch team is now established we have been able to work on a succession plan for the branch, upskilling the staff and optimising ongoing training opportunities. I take this opportunity to sincerely thank Paige for her leadership and the Branch team for their continued commitment to the Windsor Community. Thankyou Natalie, Sean, Daniel and Ryan.

As with the Branch team we have had no changes to our Board of Directors this year, which is a first for a long time. This has allowed the Board to focus on reviewing the efficacy of our back of house procedures such as our Governance Policy, Risk Register and New Director Induction. Having a stable Board also means that we have the opportunity to strengthen the relationships with our sponsor groups and our long established partners. It has also meant that we have been able to assist a number of the clubs during this horrible time in our lives. We look forward to returning to normality soon and reaching out to our community groups once again.

There is a substantial amount of work that goes on behind the scenes in relation to the Board and I would like to sincerely thank our Company Secretary Charlotte Rendle-Short and our Treasurer Jon Caneva for their continued commitment to their roles. I would also thank the rest of the Board, Amie, Elizabeth, Harry, Martyn, Sue and Warrick for their passion, creativity and for the support they have shown to the branch, the community and to myself over the past twelve months.

Also at this time it is important to acknowledge our partner Bendigo and Adelaide Bank and thank them for their continued support and belief in our Community Banks.

Once again we were able to award $50,000 to our grant recipients this year and were delighted to have them attend our AGM last October. Unfortunately we were unable to hold our Grants Night in May 2020, but we have some very happy, deserving recipients nonetheless. They were John Pierce Centre, Lighthouse Foundation, Star Health, Dymocks Children Charity, Prahran Mechanics Institute, Reading Out of Poverty, Footscape Inc, Renown Kindergarten, St Kilda Lifesaving Club, Stonnington Toy Library, U3A Stonnington and Windsor Primary School.

As we continue to experience the unknown please be assured that the Branch team and the Board will continue to be working to meet the needs of our customers, shareholders and community partners, as well as the unseen people in our community that will require assistance following this tumultuous time in our lives.

We are committed to the Windsor community and the people living, working and volunteering in it. Your bank will remain a focal point in the community as it has been over the in the past eighteen years.

Julie Scott
Chair

Treasurer's report.

For year ending June 30 2020.

Dear Shareholders, I may have mentioned in last year's report that "There is never a dull moment in the Banking and Finance industry" and just when you thought nothing worse could happen, we end up with a global pandemic. This year has really tested our resolve. We have navigated through the Covid-19 situation reasonably well but as we enter the new financial year the light at the end of the tunnel looks a long way off.

Our new way of doing things has and will see a lot of change in our industry over the coming year and possibly into the next few years. The dramatic drop in over the counter transactions coupled with our customers wanting to do banking differently will see us make changes to address those needs that will turn things upside down. These changes are hard to quantify currently and putting a cost on them is even harder.

In summary, compared to the previous year, our net revenue was 56k less, but this was subsidised by a one-off increase in our Marketing Fund by Bendigo Bank and the Cash Flow bonus from the ATO. Without these additional funds our income would have been approx. 550k less. Our expenses were down by 570k mainly due to lower wages. Our team have done a remarkable job of keeping our expenses in check.

The result of our expenses being contained has resulted in a solid profit. However, we maintained a considerable contribution to our grants and sponsorships programs, a key part of our commitment to our community. This year the Board declared a 2 cents per share dividend, fully franked, to be paid in October 2020. This is a decrease compared to the 2079,3 cps dividend. This was decided to ensure that the unpredictability of the coming year was sufficiently covered.

The Board has worked hard to ensure our business is in a strong financial position as you will notice in our Balance Sheet that we have healthy cash reserves in excess of S500k which allows us the opportunity to invest in and protect us against future issues.

I would like to take this opportunity to thank the Board of Directors for their commitment and dedication throughout the year and their help in continuing our mission. I would like to thank and congratulate our Chair, Julie Scott, for her leadership and commitment; she has performed exceedingly well in some difficult times and we appreciate all she has done.

A successful business does not exist without its most important asset and that is our staff. Led by Paige Wills, Paige and her team have done a marvellous job in making sure our business continues to be relevant and respected in our community. On behalf of the Board of Directors I thank them all for the excellent job they have done.

Jon Caneva
Treasurer

Manager's report.

For year ending June 30 2020.

As I reflect on the last financial year I wanted to start off by thanking my team. Natalie, Sean, Daniel and Ryan, it is your hard work, resilience and dedication that sets our branch apart from our competition. You are the reason why our customers love banking with Windsor Community Bank.

Over the last twelve months we have continued to make large contributions to our community through many different grants and sponsorship programs. We have been privileged to work with a number of new community groups. This is something that I am very proud of. Our focus on community continues to be our point of difference in the market.

We ended the year with $123.6 million in loans and deposits. While this is $2.0 million lower than the previous year, I am very pleased, given the uncertain times, that the reduction is so small. With the interruptions we have faced in the second half of the year, I believe that we are in a strong position to start out the new Financial Year.

Bendigo and Adelaide Bank is committed to being Australia's bank of choice. The team at Windsor Community Bank Branch remains committed to being our community's bank branch of choice. If you or your family don't bank with us already, I encourage you to give me a call on 0422 808 079 to see how I can assist you with your financial needs.

Lastly, it would be remiss of me not to acknowledge and thank our committed Directors who all volunteer their time to provide such positive impact and change in the Windsor and surrounding communities. Your support, as always, is greatly appreciated.

Paige Wills
Branch Manager

Director's report.

The Directors present their report of the company for the financial year ended 30 June 2020.

The following persons were Directors of Stonnington Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Julie Scott

Julie was Company Secretary until appointed as Chairperson in October 2018. She holds a Diploma of Catering Management and Certificate 2 Wine Appreciation - WSET. Julie is an experienced manager, who has developed her skills over the past thirty years in both Catering Management and Banking, including over ten years within the Bendigo Bank **Community Bank®** network. Her specific areas of interest are volunteering within her community, and mentoring good people to be better.

Charlotte Rendle-Short

Charlotte was appointed as Company Secretary in November 2018. She holds a Masters of Business Administration, Med Admin, Diploma of education, Bachelor of Music and Certificate in Executive Coaching & Mentoring. Charlotte has had more than 32 years experience in education, having held senior leadership positions at school and system level. In her current work, she coaches and mentors principals and school leadership teams across all three sectors. Charlotte is also Deputy Chair on the Board of Early Childhood Management Services.

Geovanni Caneva

Jon has been Treasurer since June 2017. He holds a Certificate IV in Accounting and is a registered BAS Agent. Jon assists other businesses with business development, administration, bookkeeping and BAS preparation. He also owned and operated the then Duke of Windsor Hotel (Lucky Coq) for 14 years and was instrumental in getting the Windsor **Community Bank®** Branch and Windsor IGA up and running.

Sue Denmead

Sue was appointed as director in October 2016 and is a Registered Nurse, Registered midwife and Lactaction consultant (IBCLC). She was a Maternal and Child Health nurse for Stonnington Council for 14 years and is currently working as an Enhanced MCHN, focusing on the socially disadvantaged and culturally challenged families within Stonnington.

Elizabeth Weston

Elizabeth was appointed as a director in May 2017, Elizabeth holds a Master of Business Administration, Masters of Laws and Bachelor of Arts (Hons). She is a financial services executive and dual-qualified Australian/UK corporate lawyer, with more than 16 years experience in investment management, superannuation, regulatory compliance, corporate governance and risk matters. Elizabeth is a Member of the Australian Institute of Company Directors.

Amie Bast

Amie was appointed as a director in June 2018. She has a Bachelor of Applied Science, Post Graduate Diploma in Human Nutrition and Masters in Health Science (Health Promotion). Through working locally as a Health Promotion Officer, Amie has gained valuable insight into the strengths and challenges facing the Stonnington community. Her community engagement skills, project management and passion for equity ensures there is voice given to those less heard.

Warrick King

Appointed as a director in January 2019, Warrick is a Chartered Accountant who holds a Graduate Diploma in Applied Finance & Investment and is currently completing a Graduate Diploma of Applied Corporate Governance. He was a Manager at PwC and Financial Controller at a Global Services Company. Warrick is currently the General Manager Finance and Company Secretary for a privately owned corporate group.

Martin Joyce

Martin was appointed as a director in July 2019. He has a Bachelor of Arts and is currently studying a Masters of Sustainability (Regional Development) while working at Melbourne Metropolitan Fire Brigade. Martin is an office bearer of local sporting clubs and joined Board through a joint venture between Deakin University and Bendigo Bank.

Harrison Wines

Harrison was appointed as a director in July 2019. He is studying a Bachelor of Commerce/Bachelor of Property & Real Estate at Deakin University under a Vice-Chancellor's Academic Excellence Scholarship and is a Graduate Associate Member Scholarship with the Institute of Public Accountants. Harrison is currently employed as a Commercial Administrator for an Engineering Contractor. As a non-Executive director on the Windsor Community Bank he has had the great pleasure of not only forging strong links and partnerships with various community organisations, but also gaining a new understanding of the operations of a Board of Directors.

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

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

Director's Meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit committee meetings	
Director	A	B	A	B
Julie Scott	10	10	N/A	N/A
Charlotte Rendle-Short	10	9	N/A	N/A
Geovanni Caneva	10	9	1	1
Sue Denmead	10	9	N/A	N/A
Elizabeth Weston	10	8	N/A	N/A
Amie Bast	10	9	N/A	N/A
Warrick King	10	9	1	1
Martin Joyce	10	7	1	0
Harrison Wines	10	9	N/A	N/A

A - The number of meetings eligible to attend
B - The number of meetings attended
N/A - not a member of that committee

Company Secretary

Charlotte was appointed as a director in May 2018 and became Company Secretary in November 2018. Charlotte has had more than 31 years experience in education, having held senior leadership positions at school and system level. In her current work, she coaches and mentors principals and school leadership teams across all three sectors. Charlotte is also Deputy Chair on the Board of Early Childhood Management Services.

Principal Activities

The principal activities of the company during the course of the financial year were in providing Community Bank branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited. There has been no significant changes in the nature of these activities during the year.

Review of Operations

The profit of the company for the financial year after provision for income tax was $64,125 (2019 profit: $18,030), which is a 255.7% increase as compared with the previous year.

Revenue was similar to 2019 when including the $23,466 Cash Flow Boost, while expenses decreased by $42,993 which is mostly due to lower employment costs.

New Accounting Standards Implemented

The Company has implemented a new accounting standard that is applicable for the current reporting period.

AASB 16: Leases has been applied retrospectively using the modified cumulative approach, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases .

Director’s report. (continued)

The Directors present their report of the company for the financial year ended 30 June 2020.

COVID-19 Impact on Operations

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary interventions to stabilise economic conditions.

One staff member contracted Covid-19 and the Branch was closed between 10-24 July. To date all staff have now been cleared to work, with the infected staff member returning to work 28 July. During the closure Staff monitored emails and calls remotely. The business has not been eligible for any government assistance like Job Keeper or Vic Gov Grants, as it has not met any of the criteria for eligibility. Due to this there has been no decrease in rent. There have been changes in business activity such as less ATM transactions, an increase in Term Deposits and Cash deposited and a lowering of loans as customers have tried to minimise debt. Foot traffic has decreased due to the number of businesses in the area being closed and not requiring their normal banking such as depositing and change requirements.

The Company has determined that these events have not required any specific adjustments within the financial report. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as any impact on the financial position and results of the Company for future periods.

Dividends

The board resolved at its June 2019 meeting to pay a 3 cent dividend in September 2019. The $19,500 dividend was recognised in the financial statements as being payable at 30 June 2019, but paid in October 2019. The board declared at its May 2020 meeting that it would declare a 2 cent dividend and pay the $13,000 in October 2020.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant Changes in the State of Affairs

No significant changes in the company’s state of affairs occurred during the financial year.

Events Subsequent to the End of the Reporting Period

With the exception of a staff member contracting Covid-19 and the resulting branch closure between 10-24 July 2020, no matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Likely Developments

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

Environmental Regulations

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 5 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Windsor on 27 August 2020..

Julie Scott
Director

Auditor’s independence declaration.

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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Stonnington

Community Financial Services Limited

In accordance with Section 307C of the *Corporations Act 2001*, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 27 August 2020

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 85 619 186 908
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements.

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

	Note	2020 $	2019 $
Revenue	**2**	**904,675**	**900,299**
Expenses			
Employee benefits expenses	3	(389,665)	(432,658)
Depreciation and amortisation	3	(135,199)	(25,850)
Finance costs	3	(18,997)	(787)
Bad and doubtful debt expense	3	(1,621)	(1,243)
Administration and general costs		(57,418)	(56,521)
Occupancy expenses		(1,072)	(117,391)
IT expenses		(46,215)	(44,773)
ATM expenses		(18,873)	(25,880)
Repairs and maintenance		(3,882)	(3,002)
Other expenses		(94,301)	(115,339)
		(767,243)	**(823,444)**
Operating profit before charitable donations and sponsorship		**137,432**	**76,855**
Charitable donations and sponsorship		(57,884)	(51,986)
Profit before income tax		**79,548**	**24,869**
Income tax expense	4	(15,423)	(6,839)
Profit for the year after income tax		**64,125**	**18,030**
Other comprehensive income		-	-
Total comprehensive income for the year		**64,125**	**18,030**
Profit attributable to members of the company		64,125	18,030
Total comprehensive income attributable to members of the company		**64,125**	**18,030**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	19	9.91	2.79

The accompanying notes form part of these financial statements.

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	5	318,536	228,560
Trade and other receivables	6	55,730	40,995
Financial assets	7	200,000	200,000
Current tax assets	4	-	8,251
Other assets	8	-	2,556
Total current assets		**574,266**	**480,362**
Non-current assets			
Property and plant equipment	9	30,114	43,084
Right of use assets	9	278,023	-
Intangible assets	10	25,710	36,728
Deferred tax assets	4	8,300	702
Total non-current assets		**342,147**	**80,514**
Total assets		**916,413**	**560,876**
Liabilities			
Current liabilities			
Trade and other payables	12	43,271	31,447
Current tax liability	4	16,040	-
Borrowings	13	12,544	12,544
Leases	14	116,671	-
Provisions	15	11,482	3,993
Total current liabilities		**200,008**	**47,984**
Non-current liabilities			
Borrowings	13	12,544	25,088
Leases	14	176,771	5,204
Total non-current liabilities		**189,315**	**30,292**
Total liabilities		**389,323**	**78,276**
Net assets		**527,090**	**482,600**
Equity			
Issued capital	16	647,010	647,010
Accumulated losses	17	(119,920)	(171,045)
Total equity		**527,090**	**475,965**

The accompanying notes form part of these financial statements.

Financial statements. (continued)

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

	Note	Issued capital $	Accumulated losses $	Total Equity $
Balance at 1 July 2019 (reported)		647,010	(171,045)	475,965
Comprehensive income for the year				
Profit for the year		-	64,125	64,125
		-	**64,125**	**64,125**
Transactions with owners in their capacity as owners				
Dividends paid or provided	18	-	(13,000)	(13,000)
Balance at 30 June 2020		**647,010**	**(119,920)**	**527,090**
Balance at 1 July 2018 (reported)		647,010	(169,575)	477,435
Comprehensive income for the year				
Profit for the year		-	18,030	18,030
		-	**18,030**	**18,030**
Transactions with owners in their capacity as owners				
Dividends paid or provided	18	-	(19,500)	(19,500)
Balance at 30 June 2019		**647,010**	**(171,045)**	**475,965**

The accompanying notes form part of these financial statements.

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		969,688	1,010,792
Payments to suppliers and employees		(730,519)	(939,759)
Interest paid		(18,452)	(787)
Interest received		6,162	8,210
Income tax paid		1,269	3,806
Net cash flows provided by operating activities	**20b**	**228,058**	**82,262**
Cash flows from investing activities			
Purchase of tangible assets		(12,545)	(12,545)
Net cash flows used in investing activities		**(12,545)**	**(12,545)**
Cash flows from financing activities			
Repayment of lease liabilities		(107,631)	(6,302)
Dividends paid		(17,906)	(30,967)
Net cash flows used in financing activities		**(125,537)**	**(30,967)**
Net increase in cash held		**89,976**	**38,750**
Cash and cash equivalents at beginning of financial year		228,560	189,810
Cash and cash equivalents at end of financial year	**20a**	**318,536**	**228,560**

The accompanying notes form part of these financial statements.

Notes to the financial statements.

For the year ending 30 June 2020.

These financial statements and notes represent those of Stonnington Community Financial Services Limited (the Company) as an individual entity.

Stonnington Community Financial Services Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 27 August 2020.

1. Summary of significant accounting policies.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

> *Economic dependency*
>
> The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Windsor.

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

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

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

- *Advice and assistance in relation to the design, layout and fit out of the* ***Community Bank®*** *branches;*
- *Training for the Branch Managers 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; and*
- *Sale techniques and proper customer relations.*

(b) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset’s fair value less cost to sell and value in use, to the asset’s carrying amount. Any excess of the asset’s carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset’s recoverable amount exceeds its carrying amount.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(f) New and revised standards that are effective for these financial statements

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2019. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2019 are the relevant policies for the purposes of comparatives.

Notes to the financial statements. (continued)

For the year ending 30 June 2020.

AASB 16 Leases became mandatory effective on 1 January 2019. Accordingly, these standards apply for the first time to this set of annual financial statements.

The nature and effect of changes arising from these standards are summarised in the section below.

AASB 16 *leases*

AASB 16 Leases replaces AASB 117 Leases and three associated Interpretations. The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated, as permitted under the specific transition provisions in the standard.

For contracts in place at the date of initial application, as permitted under the specific transition provisions in the standard, the Company has elected to apply the definition of a lease from AASB 117 and relevant associated interpretations, and has not applied AASB 16 to arrangements that were previously not identified as a lease under AASB 117 and associated interpretations. This means that any contracts that were deemed to not contain a lease under AASB 117 have not been reassessed under AASB 16.

The Company has also elected to not include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. Furthermore, at this date, the Company has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value-assets (less than $10,000) the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 5.39%.

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019.

	$
Total operating lease commitments disclosed at 30 June 2019	481,398
Operating lease liabilities before discounting	**481,398**
Lease liability discounted using incremental borrowing rate at date of initial application (1 July 19)	389,233
Lease liability as at 1 July 2019	389,233
Represented by:	
- Current lease liabilities	100,997
- Non current lease liabilities	288,236
	389,233

Adjustments recognised in the balance sheet on 1 July 2019

The recognised right-of-use assets relate to the following types of assets:	30 June 2020 $	1 July 2019 $
Properties	278,023	389,233
Total right-of-use assets	**278,023**	**389,233**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

Balance sheet item	Effect	Amount
Property, plant and equipment	Increase	389,233
Lease liabilities	Increase	389,233

(g) Change in accounting policies

Accounting policy applicable from 1 July 2019

The company as a lessee

For any new contracts entered into on or after 1 July 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net any incentives received).

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right- of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in borrowings.

Notes to the financial statements. (continued)

For the year ending 30 June 2020.

Accounting policy applicable before 1 July 2019

The Company as a lessee

Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Impact of standards issued but not yet applied by the entity

AASB 17 Insurance Contracts

AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. As the company does not issue any insurance contracts or investment contracts with discretionary participation features, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

AASB 1059 Service Concession Arrangements: Grantors

The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services.

As the company is not a grantor in a service concession arrangement, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

2. Revenue.

	2020 $	2019 $
Revenue		
- Service commissions	861,006	892,319
	861,006	**892,319**
Other revenue		
- Interests received	5,916	7,980
- Sundry income	14,287	-
- Cash flow boost	23,466	-
	43,669	**7,980**
Total revenue	**904,675**	**900,299**

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

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Interests and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

All revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. The core banking products, as at the end of the financial year included loans and deposits.

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income

Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

Notes to the financial statements. (continued)

For the year ending 30 June 2020.

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These above mentioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

3. Expenses.

	2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- Wages and salaries	331,578	341,419
- Superannuation costs	32,359	33,955
- Other costs	25,728	57,284
	389,665	**432,658**
Depreciation and amortisation		
Depreciation		
- Leasehold improvements	5,776	5,935
- Plant and equipment	4,082	4,746
- Lease AASB 16	111,210	-
- Motor vehicles	3,112	4,150
	124,180	**14,831**

	2020 $	2019 $
Amortisation		
Franchise fees	11,019	11,019
Total depreciation and amortisation	**135,199**	**25,850**
Finance costs		
- interest paid	18,997	787
Bad and doubtful debts expenses	1,621	1,243
Auditors remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	8,950	5,093
	8,950	**5,093**

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Leasehold improvements	10 - 20%	Straight line
Plant and equipment	7.5 - 33.33%	Straight line
Motor vehicles	25%	Diminished value

Notes to the financial statements. (continued)

For the year ending 30 June 2020.

4. Income tax.

	2020 $	2019 $
a. The components of tax expense comprise:		
Current tax expense	23,021	8,865
Deferred tax expense	(7,598)	(2,026)
	15,423	**6,839**

b. Prima facie tax payable

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

	2020 $	2019 $
Prima facie tax on profit before income tax at 27.5% (2019: 27.5%)	21,876	6,839
Less tax effect of:		
- non assessable income	(6,453)	-
Income tax attributable to the entity	**15,423**	**6,839**
The applicable weighted average effective tax rate is:	-19.39%	-27.50%

c. Current tax liability

Current tax relates to the following:

Current tax liabilities / assets

	2020 $	2019 $
Opening balance	(8,251)	(20,921)
Income tax paid	1,270	3,805
Current tax	23,021	8,865
	16,040	**8,251**

d. Deferred tax asset / liability

Deferred tax relates to the following:

Deferred tax assets comprise:

	2020 $	2019 $
Accruals	2,963	1,004
Employee provisions	3,158	1,098
ROU assets and lease liabilities from AASB 16	2,808	-
	8,929	**2,102**

	2020 $	2019 $
Deferred tax liabilities comprise:		
Accrued income	629	297
Prepayments	-	703
	629	**1,400**
Net deferred tax asset / liability	**8,300**	**702**

e. Deferred income tax included in income tax expense comprises:

Decrease I (increase) in deferred tax assets	(6,827)	(1,959)
(Decrease) I increase in deferred tax liabilities	(771)	(67)
Under / (over) provision prior years	(7,598)	(2,026)

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities/assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

5. Cash and cash equivalents.

	2020 $	2019 $
Cash at bank and on hand	318,536	228,560
	318,536	**228,560**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less.

6. Trade and other receivables.

	2020 $	2019 $
Current		
Trade receivables	39,685	38,461
Other receivables	16,045	2,534
	55,730	**40,995**

Trade and other receivables are initially measured at the transaction price. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

The Company's main debtor relates to the Bendigo & Adelaide Bank monthly profit share distribution, which is deposited 14 days post month end, there is no items that require the application of the lifetime expected credit loss model.

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31 - 60 days $	> 61 days $	
2020						
Trade receivables	39,685	39,685	-	-	-	-
Other receivables	16,045	16,045	-	-	-	-
Total	**55,730**	**55,730**	**-**	**-**	**-**	**-**
2019						
Trade receivables	38,461	38,461	-	-	-	-
Other receivables	2,534	2,534	-	-	-	-
Total	**40,995**	**40,995**	**-**	**-**	**-**	**-**

7. Financial assets.

	2020 $	2019 $
Amortised cost		
Term deposits	200,000	200,000
	200,000	**200,000**

The effective interest rate on the bank deposit was 1.55% (2019: 2.45%). This consists of two $100,000 term deposits that each have a term of 12 months, one maturing on 17th August 2020 and the other 17th December 2020.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- amortised cost

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

(b) Measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

(c) Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

8. Other assets.

	2020 $	2019 $
Prepayments	-	2,556
	-	**2,556**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

Notes to the financial statements. (continued)

For the year ending 30 June 2020.

9. Property, plant and equipment.

2020	At cost $	Accumulated depreciation $	Written down value $
Leasehold improvements	348,103	(344,778)	3,325
Plant and equipment	99,950	(82,499)	17,451
Motor Vehicles	23,501	(14,163)	9,338
Total property, plant and equipment	**471,554**	**(441,440)**	**30,114**

2019	At cost $	Accumulated depreciation $	Written down value $
Leasehold improvements	348,103	(339,002)	9,101
Plant and equipment	99,950	(78,417)	21,533
Motor Vehicles	23,501	(11,051)	12,450
Total property, plant and equipment	**471,554**	**(428,470)**	**43,084**

Plant and property equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Leased assets

As described in Note 1(h), the Company has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 17.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(a) Capital expenditure commitments

There are no capital expenditure commitments in 2020 (2019: None).

(b) Movements in carrying amounts of PP&E

2020	Leasehold Improvements $	Plant and equipment $	Motor vehicles $	Total $
Opening carrying value	9,101	21,533	12,450	43,084
Adjustment for adoption of AASB 16	-	-	-	-
Restated opening net book amount	**9,101**	**21,533**	**12,450**	**43,084**
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(5,776)	(4,082)	(3,112)	(12,970)
Closing current value	**3,325**	**17,451**	**9,338**	**30,114**

2019				
Opening carrying value	15,035	26,280	16,600	57,915
Depreciation	(5,934)	(4,747)	(4,150)	(14,831)
Closing current value	**9,101**	**21,533**	**12,450**	**43,084**

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	2020 $
Lease	278,023
Total right-of-use assets	**278,023**

(c) Right of use assets

The Company's lease portfolio includes buildings, plant and equipment.

Options to extend or terminate

There is no option to extend the property lease of the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right of use asset.

(i) AASB 16 related amounts recognised in the statement of financial position

	Leased building $
Leased asset	389,233
Accumulated depreciation	(111,210)
	278,023

Movements in carrying amounts:

Recognised on initial application of AASB 16	389,233
- previously classified as operating leases	-
- transferred from property, plant & equipment	-
Additions	-
Depreciation expense	(111,210)
Net carrying amount	**278,023**

Notes to the financial statements. (continued)

For the year ending 30 June 2020.

(ii) AASB 16 related amounts recognised in the statement of profit or loss

	2020 $
Depreciation charge related to right-of-use assets	111,210
Interest expense on lease liabilities	18,542
Total cash outflows for leases	**119,539**

10. Intangible assets.

2020	At cost $	Accumulated amortisation $	Written down value $
Franchise fees	122,555	(117,413)	5,142
Establishment costs	25,000	(25,000)	-
Renewal franchise fee	90,224	(69,656)	20,568
Training fee	1,925	(1,925)	-
Total intangible assets	**239,704**	**(213,994)**	**25,710**

2019	At cost $	Accumulated amortisation $	Written down value $
Franchise fees	122,555	(115,210)	7,345
Establishment costs	25,000	(25,000)	-
Renewal franchise fee	90,224	(60,841)	29,383
Training fee	1,925	(1,925)	-
Total intangible assets	**239,704**	**(202,976)**	**36,728**

Franchise fees and establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

Movement in carrying amounts

	Opening written down value $	Additions $	Amortisation $	Closing written down value $
2020				
Franchise fees	7,345	-	(2,204)	5,141
Renewal franchise fee	29,383	-	(8,815)	20,568
Total intangible assets	**36,728**	**-**	**(11,019)**	**25,709**
2019				
Opening carrying value	9,549	-	(2,204)	7,345
Depreciation	38,198	-	(8,815)	29,383
Closing current value	**47,747**	**-**	**(11,019)**	**36,728**

11. Financial liabilities.

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as “fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

12. Trade and other payables.

	2020 $	2019 $
Current		
Unsecured liabilities		
Trade creditors	4,697	1,196
Dividend payable	18,771	23,678
Other creditors and accruals	19,803	6,573
	43,271	**31,447**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

The average credit period on trade and other payables is one month.

13. Borrowings.

	2020 $	2019 $
Current		
Unsecured liabilities		
Franchise and renewal fees	12,544	12,544
	12,544	**12,544**
Non-current		
Unsecured liabilities		
Franchise and renewal fees	12,544	25,088
	12,544	**25,088**
Total borrowings	**25,088**	**37,632**

Notes to the financial statements. (continued)

For the year ending 30 June 2020.

14. Leases.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. These lease liabilities relate to the adoption of AASB 16 from 1st July 2019.

(a) Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Current		
Property leases	111,466	-
Motor Vehicle leases	5,205	6,635
	116,671	**6,635**
Non-current		
Property leases	176,771	-
Motor Vehicle leases	-	5,204
	176,771	**5,204**
Total leases	**293,442**	**5,204**

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. The expense relating to payments not included in the measurement of the lease liability is as follows:

At 30 June 2020, the Company was not committed to short-term leases.

Total cash outflows for leases for the year ended 30 June 2020 was $107,631 (2019: $6,302).

Additional information on the right-of-use assets by class of assets is as follows:

	30 June 2020
Short-term leases	-
Leases of low value assets	-
Variable lease payments	-
	-

15. Provisions.

	2020 $	2019 $
Current		
Annual leave	11,482	3,993
Total provisions	**11,482**	**3,993**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits.
All other short term employee benefit obligations are presented as payables.

16. Share capital.

	2020 $	2019 $
Fully paid ordinary shares:		
620,100 Ordinary shares fully paid	620,100	620,100
29,900 Ordinary shares fully paid	26,910	26,910
	647,010	**647,010**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	647,010	647,010
At the end of the reporting period	**647,010**	**647,010**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

(b) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the 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.

- (i) 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 Franchisee over that 12 month period; and
- (ii) 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 can be seen in the Statement of Profit or Loss and Comprehensive ncome.

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

17. Accumulated losses

	2020 $	2019 $
Balance at the beginning of the reporting period	(171,045)	(169,575)
Profit for the year after income tax	64,125	18,030
Dividends paid	(13,000)	(19,500)
Balance at the end of the reporting period	**(119,920)**	**(171,045)**

Notes to the financial statements. (continued)

For the year ending 30 June 2020.

18. Dividends paid or provided for on ordinary shares.

	2020 $	2019 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 2 cents per share (2019:3 cents)	13,000	19,500

Franked at the tax rate of 27.5% (2019: 27.5%)

19. Earnings per share.

	2020 $	2019 $
Basic earnings per share (cents)	9.91	2.79
Earnings used in calculating basic earnings per share	64,125	18,030
Weighted average number of ordinary shares used calculating basic earnings per share	647,010	647,010

Basic earnings per share.

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

20. Statement of cash flows.

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2020 $	2019 $
Cash and cash equivalents (Note 5)	318,536	228,560
As per the Statement of Cash Flow	**318,536**	**228,560**

(b) Reconciliation of cash flow from operations with profit after income tax

Profit for the year after income tax	64,125	18,030
Non-cash flows in profit		
- Depreciation and amortisation	135,199	25,850
- Bad debts	1,621	1,243
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(16 356)	28,680
- (increase) / decrease in prepayments and other assets	2,556	14
- (Increase) / decrease in deferred tax asset	7,598	2,026
- Increase / (decrease) in trade and other payables	16,731	(5,672)
- Increase / (decrease) in current tax liability	24,291	12,670
- Increase / (decrease) in provisions	7,489	3,473
Net cash flows from operating activities	**228,058**	**82,262**

(c) Credit standby arrangement and loan facilities

The company has available a loan facility amounting to $70,000. The balance was $0 at 30th June 2020 (2019: $0).

21. Key management personnel and related party disclosures.

(a) Key management personnel

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company. The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2020 $	2019 $
Short-term employee benefits	9,554	7,175
Total key management personnel compensation	**9,554**	**7,175**

> ***Short-term employee benefits.***
>
> These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods / services provided	Value $
Caneva Management Pty Ltd, a company of which Giovanni Caneva is a director.	**Bookkeeping & Administration**	**12,000**

Stonnington Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **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 branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders, however directors are yet to receive any benefits from the Directors Privilege Package

The number of ordinary shares in Stonnington Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2020	2019
Julia Scott	500	500
Giovanni Caneva	40,000	40,000
	40,500	**40,500**

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

Notes to the financial statements. (continued)

For the year ending 30 June 2020.

(e) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

22. Events after the reporting period.

There have been no events after the end of the financial year that would materially affect the financial statements.

23. Contingent liabilities and contingent assets.

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

24. Operating segments.

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Stonnington, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 96% of the revenue (2019: 100%).

25. Commitments.

Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

	2020 $	2019$
Payable - minimum lease payments:		
- No later than 12 months	-	7,089
- Between 12 months and five years	-	5,317
Minimum lease payments	**-**	**12,406**
Less future interest charges	-	(567)
Finance lease liability	**-**	**11,389**

During April 2017 a motor vehicle was purchased using an equipment loan.
This loan is to be repaid over 48 months with no balloon payment.

26. Company details.

The registered office and principal place of business is 111 Chapel Street, Windsor, VIC 3181.

27. Financial instrument risk.

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Finance and Audit Committee which reports to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 9Financial Instruments as detailed in the accounting policies are as follows (next page):

	Note	2020 $	2019 $
Financial assets			
Financial assets at amortised cost:			
- Cash and cash equivalents	5	318,536	228,560
- Trade and other receivables	6	55,730	40,995
- Financial assets	7	200,000	200,000
Total financial assets		**574,266**	**469,555**
Financial liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	12	43,271	31,447
- Borrowings	13	25,088	37,632
Total financial liabilities		**68,359**	**69,079**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 6.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Notes to the financial statements. (continued)

For the year ending 30 June 2020.

Financial liability and financial asset maturity analysis:

	Weighted average interest rate %	Total $	Within 1 year $	1 - 5 years $	Over 5 years $
30 June 2020					
Financial assets					
- Cash and cash equivalents	1.07%	318,536	318,536	-	-
- Trade and other receivables	0.00%	55,730	55,730	-	-
Financial assets	1.55%	200,000	200,000	-	-
Total anticipated inflows		**574,266**	**574,266**	**-**	**-**
Financial liabilities					
- Trade and other payables	0.00%	43,271	43,271	-	-
- Borrowings	1.30%	25,088	12,544	12,544	-
Total expected outflows		**68,359**	**55,815**	**12,544**	**-**
Net inflow / (outflow) on financial instruments		**505,907**	**518,451**	**(12,544)**	**-**
30 June 2019					
Financial assets					
- Cash and cash equivalents	1.67%	228,560	228,560	-	-
- Trade and other receivables	0.00%	40,995	40,995	-	-
Financial assets	2.45%	200,000	200,000	-	-
Total anticipated inflows		**469,555**	**469,555**	**-**	**-**
Financial liabilities					
- Trade and other payables	0.00%	31,447	31,447	-	-
- Borrowings	1.30%	37,632	12,544	25,088	-
Total expected outflows		**69,079**	**43,991**	**25,088**	**-**
Net inflow / (outflow) on financial instruments		**400,476**	**425,564**	**(25,088)**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates.

The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	2020		2019	
	Profit $	Equity $	Profit $	Equity $
+/- 1% in interest rates (interest income)	3,185	3,185	4,286	4,286
+l- 1% in interest rates (interest expense)	(251)	(251)	(376)	(376)
	2,934	**2,934**	**3,909**	**3,909**

Director's decloration.

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

In accordance with a resolution of the Directors of Stonnington Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 38 are in accordance with the *Corporations Act 2001*.
   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   (ii) give a true and fair view of the company's financial position as at 30 June 2020 and of the performance for the year ended on that date;
2. In the Directors' opinion 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 resolution is made in accordance with a resolution of the Board of Directors.

Julie Scott
Director

Signed at Windsor on 27 August 2020.

Independent audit report.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STONNINGTON COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Stonnington Community Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.
Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial* Report section of our report.

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

Independence

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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements 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.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 85 619 186 908

Independent audit report. (continued)

rsd Audit

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information, 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, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 27 August 2020

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Bendigo Bank

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