Annual Report 2020

East Malvern Community Financial Services Limited

Community Bank
East Malvern

ABN 27 089 542 174

Contents

Chairman’s report

For year ending 30 June 2020

In what has been an extraordinary year dominated by the global pandemic, the results of your company have held up well demonstrating the sustainability of the social enterprise to successfully operate through recession and severe economic turbulence.

The COVID-19 pandemic and resulting disruption to financial markets along with government social distancing measures did however result in significant negative impacts to the company and an acceleration of several long term trends in retail banking that we cannot ignore. In the circumstances with Revenue down 22.3% compared to the prior year it was pleasing to boost Operating profits before sponsorships and tax by $71,000 or 28.4% and to mitigate the impact on our sponsorship programme and shareholder dividends.

Financial metrics were as follows:

$’000	2020	2019	Change
Revenue	1,062	1,366	down 22.3%
Operating profits before sponsorships and tax	321	250	up 28.4%
Sponsorships and donations	273	331	down 17.5%
Shareholder dividends (declared/paid)	99	110	down 10.0%
Branch footings	168.8 million	176.4 million	down 4.3%

The previous financial year was impacted by material one-off costs totalling $298,000 while the current year saw a $228,000 negative turnaround in investment earnings as many companies ceased or severely curtailed dividend payments and financial markets were crunched in March. Branch Revenue in the 2H20 was boosted by $45,000 in COVID-19 related government benefits but over the full year still fell by 7.5% due to a 4.3% fall in branch footings and further margin declines especially after the two emergency Reserve Bank of Australia (RBA) rate cuts in March. Declining margins has been a long term trend in the banking industry and was accelerated by the RBA emergency rate cuts. It is also widely anticipated that interest rates will remain at low levels for a long period of time and so our business needs to adapt to this environment.

Operating Results ($’000)	1H20	2H20	Total 2020	1H19	2H19	Total 2019
Community Banking						
Branch revenue	566	556	1,122	632	581	1,213
Branch operating profit	180	201	381	24	58	82
Operating margin	32%	36%	34%	4%	10%	7%
Investment Income						
Cash investment earnings	50	10	60	59	79	138
Mark-to-market adjustment	(45)	(75)	(120)	(57)	87	30
Operating Profit before Sponsorships and Tax	**185**	**136**	**321**	**26**	**224**	**250**
Sponsorships			(273)			(331)
Net profit/(loss) before tax			**48**			**(81)**

Our cash earnings from the investment portfolio declined by $78,000 from the prior year predominantly in the 2H20 and the non cash market-to-market adjustment was negative $120,000 as stock markets were hit by the COVID-19 crisis. Despite these circumstances the Board kept Sponsorships at a healthy level of $273,000 which was equivalent to 25.7% of revenue.

In 2020 the branch operating profit increased by $299,000 to $381,000 returning to more normal levels of profitability. The prior year result was significantly impacted by one-off costs for terminations and retirement benefits totalling $298,000. In the current year the combined impact of falling branch footings and declining margins resulted in a $136,000 reduction in Branch Revenue which was offset by the receipt of $45,000 in Federal Government cash boost benefits and a $92,000 reduction in ongoing expenses principally marketing related.

What cannot be ignored is the underlying $136,000 reduction in Branch Revenue comes on top of a $104,000 reduction in the prior year and steady decline in branch footings over the last three years (approx 4% pa). Foot traffic through our traditional branch has also been consistently declining for many years and the median age of our customer base at 52 is well above the median age of the East Malvern local government area which is 36. These factors are all indicators that our existing premises and business model are not attracting the millennial age group which is a key customer segment that we must engage with more fully to ensure the long term sustainability of our social enterprise and the health of the Community Partner programme.

Bendigo Bank has seen these trends developing across much of it's network and earlier this year announced a Network Transformation programme with many innovative elements. This has coincided with our own imperatives and timing of key lease renewal decisions. With the long term sustainability of the Branch front and centre, your Board has investigated consolidation opportunities, various alternative premises and explored the opportunities opening up with the Network Transformation programme. Key decisions have been taken to make major investments in our local community with new premises and a new format branch design that does away with the traditional banking chamber and opens up a completely new business model and experience centre. On behalf of your Board, we are extremely pleased to announce East Malvern will be one of the first to move into a future format branch located at 268 Waverley Road and this is expected to open in November this year after a significant fit-out is completed.

> **Network Transformation**
>
> "Across the banking industry customer behaviour is changing with the increase in online activity and self-service accelerating over recent months with COVID-19 which is impacting on the number of customers visiting branches. Although less customers are coming into the branch for transactions having a 'bricks and mortar' presence is still important for a lot of people. The Banks Future Network team has been working with Community Bank East Malvern over the past few months to develop their new physical presence. Taking learnings from the Banks recent Innovation Stores in Norwood, Leichhardt and Carlton the new space in Malvern East will be more than just a branch. We have gone through a process with the Board and staff to understand who our future high value customers will be and are implementing new Customer Experiences to attract them into the space. This includes a 'Retail Pop Up' in which we will give small retailers a chance to show and sell their wares and 'Event Space' where we will host after hours events targeted at these customers. These new Customer Experiences along with the local social media and marketing plan and some changes to staff roles in the branch are aimed at attracting new customers to Malvern East and giving us the opportunity to grow the business."
>
> **Marlow Schneider, Project Lead | Future Network – Design and Innovation**
> **Paul Thomson, Property Design and Delivery**

Community sponsorships

Despite the disruption faced this past year another key milestone was passed with cumulative sponsorships and donations reaching $4.6 million since the inception of the business.

The company provides grants to many Community Partners throughout the year and this is outlined in more detail in the Sponsorship Committee Report. This year we proactively reached out to many of our Community Partners to offer help as they coped with the fall-out from COVID-19 which has shut down sport seasons and closed many of the revenue raising opportunities that they would normally rely on. Just as is the case with our branch renewal, we see our Community Partners as long term relationships to be supported in the good times and adversity.

Dividends

The Board has maintained the final dividend for the year taking full year dividends to 25 cents (28 cents 2019) fully franked. Dividends for the year have comprised of an interim dividend of 10 cents (13 cents 2019) and a final dividend of 15 cents per share (15 cents 2019), payable on 31 October 2020 to all shareholders as at 31 August 2020.

As always the Board strives to keep the balance right between all our stakeholders including shareholders while staying true to the spirit of Community Bank programme. Since the business started through to the current year, the cumulative returns to the community and shareholders are as follows:

Sponsorships and donations	$4,599,000	74%
Dividends paid/payable to shareholders	$1,350,000	22%
Retained earnings	$ 292,000	5%
Total	**$6,241,000**	**100%**

Board of Directors

The Board comprises of L-R: Philip Carey, Stuart Martyn - Chairman, Melissa Robertshaw (appointed 1 January 2020), James Hayne, Anne Parsonson, Michael Arbon, Philip Williamson – Deputy Chairman.

The role and duties of the Board have significantly expanded to meet the opportunities and threats arising from the COVID-19 crises and ongoing focus on governance. This year we put into effect an extensive committee system and welcomed Melissa Robertshaw who has added key marketing and digital platform depth to the Board. I want to acknowledge the dedication and time they provide in guiding this company for the benefit of all its stakeholders, especially the enormous amount of work that has gone into branch renewal and reaching out to our Community Partners.

I want to thank those who are currently supporting our Community Bank with their banking business and look forward to that support continuing in the future.

Stuart Martyn
Chairman

Manager's report

For year ending 30 June 2020

During the past year I focused on building stronger relationships with our sporting clubs in particular and building pathways to enable them to refer their players and members for banking products and services with a particular focus on home loans.

This focus has taken a somewhat back seat with the outbreak of COVID-19 as I needed to ensure our staff felt safe and supported every day. This allowed the branch to remain open for the team to provide continued service to our customers. This has been a major challenge for the whole team at times but the support of the Board has been tremendous and greatly appreciated.

Our front line staff are critical to our success. We have been fortunate to recruit Oliver (Ollie) Monroe into our team as a Trainee. Ollie is part way through his 4 year degree in Commerce and will undertake a structured 12 month program that will see him gain practical experience as well as complete a Certificate III in Banking. I envisage that Ollie will stay on with us past his 12 months training program.

Taylor has continued to build strong relationships with our existing mortgage customers which has seen a marked reduction in discharges from our lending book. This will become even more important as the Government COVID-19 assistance packages are tapered off and or withdrawn.

Christine has taken on an increased role with our insurance offering as well as coaching Ollie in his first few months.

Georgia has continued to focus on customers over the counter transactions with her usual welcoming greetings to all.

Moving forward our staff will evolve and develop new skills to move forward with the change in banking trends which will see a reduction in cash transactions and an increase in demand for digital banking solutions.

Our key focus is in line with our strategic plan to ensure we deliver on what our current customers want today and moving into the future as well as attracting new customers. Our current lease was expiring, and after careful consideration of what Bendigo Bank considers is the Future of Banking we have procured a fantastic site just up Waverley Road from our current premises.

Focus groups were engaged to assist the Board sub committee and the following were identified as the key objectives:

- Update the branch to be somewhere customers, community and staff love to do business and be
- Earn return on investment for the business, our shareholders and community partners
- Increase the customer base with a focus on winning additional customers in our target market of younger family and business customers
- Ensure our branch remains relevant with the changing ways customers undertake their banking not only for today but into the future
- Reduce our branch costs and its environmental footprint.

We didn't just want a different location with a similar branch as we have now, we felt it very important as a leader of our community we had a space that celebrated local community, providing a space that could be used after hours as a community hub for meetings, event, seminars and other events as well as growing our customer base.

We are very confident we will achieve this with our new site at 268 Waverley Road, Malvern East that we are scheduled to move to in November 2020.

The excitement is building amongst us all as we are very keen to introduce you to the new look branch later this year.

Again I wish to thank my team for its hard work over the past year. I also wish to thank the Board for its ongoing support during this very challenging COVID-19 period, especially for their increased presence with our fortnightly remote meetings held over three months really assisted me with protecting the staff and customers and ensuring the branch remained open to service our community.

Ruth Hall
Senior Branch Manager

Sponsorship Committee report

For year ending 30 June 2020

The past year has seen us deliver more than $270,000 to our various valued Community Partners and not for profit groups. This year more than ever with COVID-19 having a devastating effect on local sporting groups our sponsorship programme has made a tangible difference. With all football cancelled at a cost to each club and no real ability to generate income, some of our clubs faced the reality not being able to survive without the continued support of their respective sponsors. In several cases the Board chose to reach out and provide funding which has been greatly appreciated, helping to ensure the long term survival of these important local community sporting clubs.

The quantum of support provided since the branch opened has now reached $4.6 million. Equally as significant although far more tangible is what our Community Partners actually do with these funds, and how better to explain but in their own words.

Ewing Kindergarten

“Ewing Kindergarten was established in 1946 and as such has seen many generations of local residents educate their children here. One of the key items that contributed to its ongoing success is the support of local businesses and families who reside in the area. Without this support, the opportunities that Ewing can offer the children that attend would be severely limited.

We are extremely grateful that Community Bank East Malvern has provided, and continues to provide financial assistance to us. Community Bank East Malvern has been instrumental in providing funds that were spent on building two sets of secure children's lockers and providing a contribution to the construction of an outdoor covered area. This area has enabled the curriculum that we offer the children to be expanded with outdoor play even when the weather doesn't permit it. This opportunity is one that we are forever grateful.

We look forward to the continued support of Community Bank East Malvern for future generations to come.”

Caulfield Grammarians Football Club

"Being associated with Community Bank East Malvern allows us to refer potential clients your way, knowing that they are in good hands. Your counsel and willingness to assist us, in terms of helping our young people with financial advice, loans, etc helps us improve their situation with confidence. We proudly identify you as our Partner on our Website, the scoreboard during games and during home game lunches. We look forward to continuing this relationship for years to come, and now that we are back in Premier Grade, giving you even more exposure to our wider community. We thank you for your ongoing support and sponsorship especially in this challenging year that should have been a year of our club celebrating our century."

Malvern Bowling Club

"Malvern Bowling Club is not just a sporting Club but a not-for-profit community hub and meeting place. We see our synergies as similar to Community Bank East Malvern and value our long term relationship.

This year has proven very challenging for our club and its members with no or limited bowling that has seen reduced revenue but also and more importantly reduced social activities for our members. Whilst Community Bank East Malvern sponsorship cannot assist us to return to the bowls their generous financial support provides comfort of the strength behind our long term relationship and will assist us return stronger next year. Ruth Hall and her staff have been most enthusiastic and helpful in arranging information evenings and we are working on joint projects we hope to deliver which will certainly be of mutual benefit in the future."

Malvern Cricket Club

Malvern Cricket Club is proud to have been supported by the Community Bank East Malvern over many years and values the strong community partnership highly. The funding allocated has assisted the Malvern Cricket Club in providing the purchase of resources, safety equipment, specialised coaching and activities to support our inclusive strategy for our local community. The Malvern Cricket Club and its wide membership proudly recommends the Community Bank East Malvern and its services to its members and families. The relationship between our two organisations is strong, with both understanding the role we both play in supporting and developing our local community.

Sponsorship Committee report (continued)

Below is the full list of community partners we have supported this year.

Sport	Community
Caulfield Cricket Club	Camp Quality
Caulfield Grammarians Football Club	Central Park Food & Wine Festival
Chadstone Bowls Club	Cystic Fibrosis Community Care
Coatesville Bowls Club	East Malvern Combined Probus Club
Collegians Football Club	Phoenix Park Neighbourhood House
De La Salle Football Club	East Malvern RSL Anglers Club`
East Malvern Tooronga Cricket Club	Fight MND
Prahran Assumption Football Club	Mecwacare
Malvern Bowling Club	Golden Days Radio
Elsternwick Cricket Club	Maddie Riewoldt Vision
Victorian Sub District Cricket Umpires Assoc.	Malvern Artists' Society
Scotchmans Creek Golf Club	Malvern Special Needs Playgroup
Old Xaverians Amateur Football Club	East Malvern Men's Shed
Powerhouse Amateur Football Club	Melbourne Racing Club
Camberwell Malvern Little Athletics	Stonington Symphony
St.Kevins Old Boys Football Club	
Old Melburnians Amateur Football Club	**Education**
Victorian Amateur Football Association	Ewing Kindergarten
Victorian Sub District Cricket Assoc.	Lloyd Street School
Prahran Cricket Club	St Rochs Primary School
East Malvern Football Netball Club	Men of Malvern
Coatesville Bowling Club	
Prahran Junior Football Club	
Powerhouse Amateur Football Club	
Glendearg Tennis Club	
Malvern Cricket Club	

Anne Parsonson
Chair Sponsorship & Marketing Committee

Directors' report

For the financial year ended 30 June 2020

Your directors submit the financial statements of the company for the financial year ended 30 June 2020.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Stuart Martyn
Director / Chairman
Chair of Audit, Risk & Governance Committee, Member of Nominations & Remuneration Committee, Member of Investment Committee, Member of 268 Waverley Rd Committee
Occupation: Company Director
Stuart has substantial CFO and Board experience across IT, Payments and Retail Banking. Chartered Accountant and MBA (AGSM) qualified he was an executive with a major retail bank for more than 8 years and a long term CFO for the Australian subsidiary of a large international IT company specialising in the financial services industry. A founding director of the Community Bank East Malvern he and his family have been Stonnington residents for over 30 years.
Interest in shares: 10,000 and 500 indirect

Philip Williamson
Director / Deputy Chairman
Chair of Nominations & Remuneration Committee, Member of Sponsorship & Marketing Committee
Occupation: General Manager People & Culture, SCT Logistics.
Phil had a 23-year career in retail banking with Westpac holding all roles from junior through to running a high performing branch. In addition, Phil held Regional banking roles in the People and Culture space as well as periods of heading up the Recruitment function for Victoria and senior management roles in Learning & Development. Subsequently, Phil has held the most senior People and Culture positions in Mercedes-Benz Australia Pacific, the Movember Foundation (Global), ECMS Early Childhood Management and a senior management role in People & Culture with the City of Monash. Phil has been involved in sporting, school, and kindergarten committees for almost 50 years and has held the role of President on two occasions at the Prahran Cricket Club.
Interest in shares: 1,000

Philip Carey
Director / Company Secretary
Member of Sponsorship & Marketing Committee, Member of Audit, Risk & Governance Committee
Occupation: Solicitor
A founding director of the Community Bank East Malvern and a current practising solicitor and practice principal for over 50 years. Former VAFA footballer Club Captain and President. Phil is particularly pleased to have played a part in the development of a bank which has been a contributor to the community for which it came into existence.
Interest in shares: 1,000 indirect

Directors (continued)

Michael Arbon

Director

Chair of Investment Committee, Member of the Audit, Member of Risk & Governance Committee, Member of the 20th / 21st Anniversary Committee

Occupation: Director PMO Major Infrastructure Delivery Water NSW, Aurecon

Michael joined the Board in 2008. He holds a Bachelor of Engineering Degree from Melbourne University and is a graduate of the Stanford Executive Program. Michael has worked in a variety of Infrastructure businesses during his career in Executive Management positions. Michael has lived in the City of Stonnington for over 30 years and is a life member of the Malvern Cricket Club.

Interest in shares: 4,500

Anne Parsonson

Director

Chair of Sponsorship & Marketing Committee, Member of the 20th / 21st Anniversary Committee

Occupation: Company Director

Anne joined the Board in 2012 and has over 25 years experience in the manufacturing and retail services sector including being a Director of Kidman Furniture Pty Ltd and Red Dust Furniture. Most recently she is involved in the accounting sector of her family business in Veneer Board manufacturing and distribution which operates in Victoria and Canberra. Anne has lived in Stonnington for more than 30 years and has been involved in local community groups, including Malvern Netball Club and East Malvern Tennis Club.

Interest in shares: 6,000 indirect

James Hayne

Director

Chair of the 20th / 21st Anniversary Committee, Member of Nominations & Remuneration Committee, Member of Investment Committee, Member of 268 Waverley Rd Committee

Occupation: Principal Customer Success Manager, Workday

James has been a member of the Board since October 2012. He was invited to join the board of the Community Bank East Malvern following his tenure as Sponsorship Manager and Committee Member at the East Malvern Junior Football Club. While on the EMJFC Committee, James developed a passion for community involvement and giving back to the community. James has lived in the local area for 20 years and has a strong affinity with the greater East Malvern community. James has a son and two daughters who have attended Malvern Primary School and participated in many local sporting and extra-curricular activities in the local community. James is a highly respected business and community leader, having held many senior positions specialising in IT business solutions and business efficiency. Interest in shares: 4,000

Melissa Robertshaw

Director (Appointed 1 January 2020)

Chair of 268 Waverley Rd Committee, Member of Sponsorship & Marketing Committee

Occupation: Head of Store Customer Platforms, Coles Group

In January we welcomed Melissa Robertshaw to the board. Melissa is an experienced Digital, Marketing and Technology leader within retail and is passionate about leveraging emerging technology, providing exceptional customer experiences and supporting our local community. She lives locally in Hughesdale with her husband and two young children.

Interest in shares: Nil

Directors (continued)

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

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

Company Secretary

Ric Sykes resigned as Company Secretary effective 1 January 2020 and Philip Carey took on the additional duties of Company Secretary on the same date.

Principal Activities

The principal activities of the company during the financial year were facilitating Community Bank services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	11,756	(57,384)

Dividends

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

	Cents per share	Total amount $
Dividends Paid		
Fully franked dividend	10	39,430
Dividends Proposed		
Fully franked dividend	15	59,145
Total dividends paid and payable		**98,575**

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings	
	A	B
Stuart Martyn	13	13
Philip Williamson	13	13
Philip Carey	13	11
Michael Arbon	13	11
Anne Parsonson	13	13
James Hayne	13	12
Melissa Robertshaw (appointed 1 January 2020)	8	8

A - eligible to attend
B - number attended

All directors participate in two or more committees the business of which are conducted informally on an as required basis with the Chair of each committee reporting to the monthly Board Meetings. During 2020 two additional Board meetings were held to discuss and plan the response of the Company to the unfolding Covid-19 crises.

Directors’ report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

Remuneration report

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

The board’s policy in respect of the Branch Manager is to maintain remuneration at parity within the Community Bank network and local market rates for comparable roles.

There are no company executives who are directly accountable and responsible for the strategic direction of the entity. This is wholly a board role (who act in a voluntary capacity).

East Malvern Community Financial Services Limited has not adopted the Community Bank directors’ privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the Community Bank East Malvern. There is no requirement to own BEN shares and there is no qualification period to qualify to use the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

Signed in accordance with a resolution of the board of directors at East Malvern, Victoria on 28 September 2020.

Stuart Martyn
Chairman

Auditor's independence declaration

To: The Directors
East Malvern Community Financial Services Limited

As lead engagement auditor for the audit of the financial report of the East Malvern Community Financial Services Limited for the year ended 30th June 2020, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

John S Creffield
Registered Company Auditor - 8821

Financial statements

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

	Notes	2020 $	2019 $
Revenue from ordinary activities	8	1,066,874	1,202,985
Other Revenue	9	(8,024)	156,021
Finance Income	10	2,926	7,056
Employee benefits expense	11(e)	(429,042)	(661,803)
Charitable donations and sponsorship	11(d)	(272,515)	(330,564)
Occupancy and associated costs		(23,935)	(121,160)
Systems costs		(22,086)	(20,419)
Depreciation and amortisation expense	11(a)	(86,746)	(10,146)
Finance costs	11(b)	(3,065)	(2)
General administration expenses		(176,594)	(303,184)
Profit (Loss) before income tax expense		**47,793**	**(81,216)**
Income tax (expense) credit	12(a)	(36,037)	23,832
Profit (Loss) after income tax expense		**11,756**	**(57,384)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:			
Earnings per share		**¢**	**¢**
Basic earnings per share	30	2.98	(14.55)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13	188,407	198,468
Trade and other receivables	14(a)	91,128	86,184
Total current assets		**279,535**	**284,652**
Non-current assets			
Trade and other receivables	14(b)	20,000	30,000
Property, plant and equipment	15(a)	41,034	-
Investments	16	503,333	669,859
Right-of-Use Assets	17(a)	297,606	-
Intangible assets	18(a)	13,269	1,701
Deferred tax asset	19(b)	34,076	-
Total non-current assets		**909,318**	**701,560**
Total assets		**1,188,853**	**986,212**
LIABILITIES			
Current liabilities			
Trade and other payables	20	116,697	211,695
Current Tax Liabilities	19(a)	35,920	(56,837)
Lease Liabilities	21(b)	70,120	-
Employee Benefits	22(a)	20,232	28,081
Other	23	8,535	6,250
Total current liabilities		**251,504**	**189,189**
Non-current liabilities			
Employee Benefits	22(b)	22,183	11,133
Lease Liabilities	21(c)	228,795	-
Deferred Tax Liabilities	19(c)	419	-
Total non-current liabilities		**251,397**	**11,133**
Total liabilities		**502,901**	**200,322**
Net assets		**685,952**	**785,890**
EQUITY			
Issued capital	31	394,300	394,300
Accumulated profits	25	291,652	391,590
Total equity		**685,952**	**785,890**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated profits $	Total equity $
Balance at 1 July 2018		394,300	559,378	953,678
Total comprehensive income for the year		-	(57,384)	(57,384)
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	30	-	(110,404)	(110,404)
Balance at 30 June 2019		**394,300**	**391,590**	**785,890**
Balance at 1 July 2019		394,300	391,590	785,890
Adjustment to Prior Year Tax Provision			(8,103)	(8,103)
Cumulative retrospective effect of AASB 16: Leases	3(d)	-	(5,016)	(5,016)
Restated balance at 1 July 2019		**394,300**	**378,471**	**772,771**
Total comprehensive income for the year		-	11,756	11,756
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	30	-	(98,575)	(98,575)
Balance at 30 June 2020		**394,300**	**291,652**	**685,952**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,117,451	1,354,648
Payments to suppliers and employees		(1,020,644)	(1,549,464)
Dividends and other investment income		27,746	102,400
Interest received		2,926	7,056
Rent received		27,291	27,333
Interest paid		(3)	-
Lease payments (interest component)	11(b)	(3,062)	-
Income taxes received/(paid)		28,827	(38,669)
Net cash provided by operating activities		**180,532**	**(96,696)**
Cash flows from investing activities			
Proceeds from (Payment for) property, plant and equipment		(41,177)	6,123
Net (investment)/disposal of shares		35,520	(47,399)
Payments for intangible assets		(14,476)	-
(Investment)/Redemption of term deposits		-	22,029
(Investment)/Repayment of loans		10,000	10,000
Net cash used in investing activities		**(10,133)**	**(9,247)**
Cash Flows from Financing Activities			
Lease payments (principal component)	21(a)	(88,845)	-
Dividends Paid		(91,615)	(110,404)
Net Cash Used in financing Activities		**(180,460)**	**(110,404)**
Net increase in cash held		**(10,061)**	**(216,347)**
Cash and cash equivalents at the beginning of the financial year		198,468	414,815
Cash and cash equivalents at the end of the financial year	**13**	**188,407**	**198,468**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2020

Note 1. Reporting Entity

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

Registered Office	**Principal Place of Business**
300 Waverley Road	300 Waverley Road
East Malvern VIC 3145	East Malvern VIC 3145

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

Note 2. Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 28 September 2020.

Note 3. Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 Determining whether an Arrangement contains a Lease. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 21.

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

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

b) As a lessee

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

<u>Leases classified as operating leases under AASB 117</u>

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

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

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

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

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

d) Impact on financial statements

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

	Note	1 July 2019 $
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	16(b)	111,594
Liability		
Lease liabilities	20(a)	(116,610)
Equity		
Accumulated losses		**(5,016)**

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.07%.

Lease liabilities reconciliation on transition	
Operating lease disclosure as at June 2019	119,907
Less: present value discounting	(3,297)
Lease liability as at 1 July 2019	**116,610**

Note 4. Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Note 4. Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Revenue Calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other Revenue

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

Note 4. Summary of significant accounting policies (continued)

b) Other Revenue (continued)

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund "of "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
Cash flow boost	Cash flow boost income is recognised when the right to receive the payment is established (e.g. monthly or quarterly in the activity statement).
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as receivable and carried at its recoverable amount.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

Note 4. Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

Note 4. Summary of significant accounting policies (continued)

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

Deferred tax is not recognised for:

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

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

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

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

Goods and Services Tax

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

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

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

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

Note 4. Summary of significant accounting policies (continued)

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset Class	Method	Useful Life
Plant and equipment	Straight-line	2.5 to 40 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

Asset Class	Method	Useful Life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (1 year)

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

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost

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

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

Note 4. Summary of significant accounting policies (continued)

j) Impairment (continued)

Non-derivative financial assets (continued)

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary Shares

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

l) Provisions

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

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

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

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee

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

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

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

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

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

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

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

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

The company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable before 1 July 2019

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

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

As a lessee

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

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

As a lessor

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

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

n) Standards issued but not yet effective

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

Note 5. Significant accounting judgements, estimates and assumptions

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

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

Note 5. Significant accounting judgements, estimates and assumptions

a) Judgements

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

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

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;

Note 6. Financial risk management

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

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

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

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

Note 6. Financial risk management (continued)

a) Credit risk

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

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

b) Liquidity risk

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

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

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

30 June 2020 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	298,915	70,120	228,795	-
Trade payables	1,219	1,219	-	-
	300,134	**71,339**	**228,795**	**-**

30 June 2019 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	-	-	-	-
Trade payables	-	7,497	-	-
	-	**7,497**	**-**	**-**

c) Market risk

Market risk

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

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

Price risk

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

Note 6. Financial risk management (continued)

c) Market risk (continued)

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $188,407 at 30 June 2020 (2019: $198,468). The cash and cash equivalents are held with BEN, which are rated BBB on Standard and Poor's credit ratings.

Note 7. Capital Management

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

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee 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 where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 8. Revenue from contracts with customers

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

	2020 $	2019 $
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	1,066,874	1,202,985
Disaggregation of revenue from contracts with customers		
- Margin income	941,647	972,449
- Fee income	58,356	59,088
- Commission income	64,605	139,721
- Other income	2,266	31,727
	1,066,874	**1,202,985**

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

Note 9. Other revenue

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

	2020 $	2019 $
Other revenue		
Revenue:		
- Dividend and distribution income	(79,416)	84,361
- Market development fund income	10,000	10,000
- Cash flow boost	45,410	-
- Rental income	27,291	27,333
- Profit (loss) on sale of assets	(11,420)	34,327
- Other income	111	-
	(8,024)	156,021

Note 10. Finance Income

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

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

	2020 $	2019 $
Finance income		
At amortised cost:		
- Term deposits	**2,926**	**7,056**

Note 11. Expenses

	2020 $	2019 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Plant and equipment	**143**	**7,877**
Depreciation of right-of-use assets:		
- Leased land and buildings	**83,695**	**-**
Amortisation of intangible assets:		
- Franchise fee	**2,908**	**2,269**
Total depreciation and amortisation expense	**86,746**	**10,146**

Note 11. Expenses (continued)

	Note	2020 $	2019 $
b) Finance costs			
Finance costs:			
- Borrowing costs paid		3	2
- Lease interest expense	20(a)	3,062	-
		3,065	**2**

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

c) Impairment loss on trade receivables and contract assets

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

d) Charitable donations, sponsorship, advertising and promotion

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

	2020 $	2019 $
Direct sponsorship and donations	**272,515**	**330,564**

	2020 $	2019 $
e) Employee benefit expenses		
Wages and salaries	371,822	373,166
Non-cash benefits	(5,358)	(25,953)
Contributions to defined contribution plans	32,734	34,715
Expenses related to long service leave	12,925	(9,392)
Terminations	-	249,959
Other expenses	16,919	39,308
	429,042	**661,803**

f) Recognition exemption

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

	2020 $	2019 $
Expenses relating to low-value leases	**7,224**	**-**

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

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

Note 12. Income tax expense

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

	2020 $	2019 $
a) Amounts recognised in profit or loss		
Current tax (expense) credit		
- Current tax	(10,511)	(14,015)
- Movement in deferred tax	(25,526)	37,847
	(36,037)	**23,832**
b) Prima facie income tax reconciliation		
Operating profit (loss) before tax	47,793	(81,216)
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	13,143	(22,334)
Add tax effect of:		
- Non-assessable income	9,347	13,265
- Temporary differences	(33,001)	(4,946)
- Permanent differences	1,416	-
- Movement in deferred tax	(26,942)	37,847
	(36,037)	**23,832**

Note 13. Cash and cash equivalents

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

	2020 $	2019 $
- Cash at bank and on hand	**188,407**	**198,468**

Note 14. Trade and other receivables

	2020 $	2019 $
a) Current assets		
Trade receivables	76,470	83,704
Other receivables and accruals	14,658	2,480
	91,128	**86,184**
b) Non-current assets		
Other receivables and accruals	20,000	30,000
	111,128	**116,184**

Note 15. Property, plant and equipment

	2020 $	2019 $
a) Carrying amounts		
Land & Buildings - Relocation		
At cost	33,540	-
Less: accumulated depreciation and impairment	-	-
	33,540	**-**
Plant and Equipment		
At cost	7,636	-
Less: accumulated depreciation and impairment	(142)	-
	7,494	**-**
Total written down amount	**41,034**	**-**

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

	2020 $	2019 $
b) Reconciliation of carrying amounts:		
Land & Buildings - Relocation		
Carrying amount at beginning	-	-
Additions	33,540	
Depreciation	-	-
Carrying amount at end	**33,540**	**-**
Plant and Equipment		
Carrying amount at beginning	-	-
Additions	7,636	-
Depreciation	(143)	-
Carrying amount at end	**7,493**	**-**
Total written down amount	**41,033**	**-**

c) Changes in estimates

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

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

Note 16. Investments

	2020 $	2019 $
Sponsorship Fund (ASX Listed Securities) at cost	496,563	543,502
Market value adjustment	6,770	126,357
	503,333	**669,859**

Note 17. Right-of-use assets

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

The company has elected to present right-of-use assets measured in right-of-use assets rather than the underlying asset class. Accordingly, leased assets recognised in the statement of financial position have been reallocated to right-of-use assets from property, plant and equipment.

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

	Note	2020 $	2019 $
a) Carrying amounts			
Leased land and buildings			
At Cost		716,079	-
Less: accumulated depreciation		(418,473)	-
Total written down amount		**297,606**	**-**
b) Reconciliation of carrying amounts			
Leased land and buildings			
Carrying at the beginning		-	-
Initial recognition on transition	3(d)	446,371	-
Accumulated depreciation on adoption	3(d)	(334,777)	-
Depreciation		(83,696)	-
Commitment - 268 Waverley Road, Malvern East		269,708	
Carrying amount at end		**297,606**	**-**
Total written down amount		**297,606**	**-**

Note 18. Intangible assets

	2020 $	2019 $
a) Carrying amount		
Franchise fee		
At cost	11,343	11,343
Less: accumulated amortisation	(11,343)	(9,642)
	-	**1,701**
Franchise Renewal Fee		
At cost	14,475	-
Less: accumulated amortisation	(1,206)	-
	13,269	**-**
Total written down amount	**13,269**	**1,701**
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	1,701	3,970
Amortisation	(1,701)	(2,269)
Carrying amount at end	**-**	**1,701**

Note 18. Intangible assets (continued)

	2020 $	2019 $
b) Reconciliation of carrying amounts (continued)		
Franchise Renewal Fee		
Carrying amount at beginning	-	-
Addition	14,475	
Amortisation	(1,206)	-
Carrying amount at end	**13,269**	**-**
Total written down amount	**13,269**	**1,701**

c) Changes in estimates

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

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

Note 19. Tax assets and liabilities

	2020 $	2019 $
a) Current tax		
Income tax payable/(refundable)	**35,920**	**(56,837)**

b) Deferred tax asset

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in other comprehensive income $	Recognised in equity $	30 June 2020 $
Deferred tax assets					
- tax losses	69,456	-	-	(35,380)	34,076
Total deferred tax assets	**69,456**	**-**	**-**	**(35,380)**	**34,076**

c) Deferred tax liability

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in other comprehensive income $	Recognised in equity $	30 June 2020 $
Deferred tax liabilities					
- increase in market value of investments	-	419	-	-	419
Total deferred tax liabilities	**-**	**419**	**-**	**-**	**419**

Note 19. Tax assets and liabilities (continued)

d) Uncertainty over income tax treatments

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

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

Note 20. Trade creditors and other payables

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

	2020 $	2019 $
Current liabilities		
Trade creditors	6,795	108,415
Other creditors and accruals	109,902	103,280
	116,697	**211,695**

Note 21. Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition for 300 Waverley Road, East Malvern was 4.79%. The discount rate used on recognition for 268 Waverley Road, East Malvern was 3.64%.

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

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

Lease portfolio

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

The company's lease portfolio includes:

- 300 Waverley Road, East Malvern

  The lease agreement is a non-cancellable lease with an initial term of four years, six months which commenced on the 1 May 2016.

- 268 Waverley Road, East Malvern

  The lease agreement is a non-cancellable lease with an initial term of five years, commencing on the 1 September 2020.

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

a) Lease liability measurement

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

Note 21. Lease liabilities

	Note	2020 $	2019 $
a) Lease liability measurement (continued)			
Lease liabilities on transition			
Balance at the beginning		-	-
Initial recognition on AASB 16 transition	3(d)	116,610	-
Lease payments - interest		(3,061)	-
Lease payments		(85,785)	-
Lease commitment - 268 Waverley Road		271,151	
		298,915	**-**
b) Current lease liabilities			
Property lease liabilities - 300 Waverley Road, East Malvern		28,000	-
Unexpired interest		(236)	-
Property lease liabilities - 268 Waverley Road, East Malvern		52,428	
Unexpired interest		(10,072)	
		70,120	**-**
c) Non-current lease liabilities			
Property lease liabilities - 268 Waverley Road, East Malvern		248,145	
Unexpired interest		(19,350)	
		228,795	**-**
d) Maturity analysis			
- Not later than 12 months		80,428	-
- Between 12 months and 5 years		248,145	
Total undiscounted lease payments		**328,573**	**-**
Unexpired interest		(29,658)	-
Present value of lease liabilities		**298,915**	**-**

e) Impact on the current reporting period

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

Comparison under current AASB 17 and former AASB 117

The net impact for the current reporting period is an increase in profit after tax of $3,735.

Note 21. Lease liabilities (continued)

e) Impact on the current reporting period (continued)

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	91,907	(91,907)	-
- Depreciation and amortisation expense	-	83,695	83,695
- Finance costs	-	3,061	3,061
Decrease in expenses - before tax	**91,907**	**(5,151)**	**86,756**
- Income tax expense/(credit)-current	(25,274)	25,274	-
- Income tax expense / (credit) - deferred	-	(23,858)	(23,858)
Decrease in expenses - after tax	**66,633**	**(3,735)**	**62,898**

Note 22. Employee Benefits

	2020 $	2019 $
a) Current liabilities		
Provision for annual leave	20,232	28,081
	20,232	**28,081**
b) Non-current liabilities		
Provision for long service leave	22,183	11,133
	22,183	**11,133**

c) Key judgement and assumptions

Employee attrition rates

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

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

Note 23. Other

	2020 $	2019 $
Rental Bond	6,250	6,250
Prepaid Income (Rent)	2,285	-
	8,535	**6,250**

Note 24. Issued Capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	**394,300**	**394,300**	**394,300**	**394,300**

b) Rights attached to issued capital

Ordinary Shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 172. As at the date of this report, the company had 172 shareholders.

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

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

Note 24. Issued Capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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

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

Note 25. Accumulated profits

	Note	2020 $	2019 $
Balance at the beginning of the financial year		391,590	559,378
Adjustment to Prior Year Tax Provision		(8,103)	
Adjustment for transition to AASB 16	3(d)	(5,016)	
Net profit from ordinary activities after income tax		11,756	(57,384)
Dividends paid or provided for	30	(98,575)	(110,404)
Balance at the end of the financial year		**291,652**	**391,590**

Note 26. Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	11,756	(57,384)
Adjustments for:		
- depreciation	83,838	7,877
- amortisation	2,907	2,269
- market value adjustment	119,587	(30,196)
- loss on disposal of asset	11,420	13,909
Changes in assets and liabilities:		
- (Increase)/decrease in receivables	(4,944)	20,366
- Increase/(decrease) in trade and other payables	(99,671)	-
- Increase/(decrease) in employee benefits	(7,850)	-
- Increase/(decrease) in provisions and other liabilities	63,489	(53,538)
Net cash flows provided by operating activities	**180,532**	**(96,696)**

Note 27. Financial Instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14	111,128	116,184
Cash and cash equivalents	13	188,407	198,468
		299,535	**314,652**
Financial liabilities			
Trade and other payables	19	6,795	108,415
Lease liabilities	20(a)	27,764	-
		34,559	**108,415**

Note 28. Auditor's remuneration

	2020 $	2019 $
Amounts received or due and receivable by the auditor of the company for the financial year.		
Audit and review services		
- Audit and review of financial statements	5,600	3,000
	5,600	**3,000**

Note 29. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Stuart Martyn

Philip Williamson

Philip Carey

Michael Arbon

Anne Parsonson

James Hayne

Melissa Robertshaw (appointed 1 January 2020)

b) Directors' remuneration

The number of Directors who were paid, or due to be paid remuneration (including brokerage, commissions, bonuses, retirement payments and salaries), directly or indirectly from the company or any related corporation, as shown in the following bands, were: 6 (2019: 7)

	2020 $	2019 $
The aggregate remuneration of all Directors was:	80,000	73,500

Note 29. Related parties (continued)

c) Related party transactions

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

	2020 $	2019 $
P Norman: Bookkeeping fee	-	6,000
Frontier Assets Pty Ltd (R Sykes): Accounting fee	6,153	7,800

Note 30. Dividends provided for or paid during the year

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Dividends Paid				
Fully franked dividend	0.10	39,430	0.13	51,259
Dividends Proposed				
Fully franked dividend	0.15	59,145	0.15	59,145
Total dividends provided for and paid during the financial year		**98,575**		**110,404**

Note 31. Earnings per share

Based and diluted earnings per share

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

	2020 $	2019 $
Profit attributable to the ordinary shareholders	11,756	(57,384)

	Number	Number
Weighted average number of ordinary shares	394,300	394,300

	Cents	Cents
Basic and diluted earnings per share	2.98	(14.55)

Note 32. Commitments

a) Lease commitments

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

	2020 $	2019 $
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	88,846
- between 12 months and 5 years	-	27,764
- greater than 5 years	-	-
Minimum lease payments payable	**-**	**116,610**

b) Other commitments

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

Note 33. Contingencies

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

Note 34. Subsequent events

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

Directors' declaration

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

In the opinion of the directors:

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

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

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

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

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

Stuart Martyn
Chairman

Signed on the 25 September 2020

Independent audit report

TO THE MEMBERS OF THE EAST MALVERN COMMUNITY FINANCIAL SERVICES LIMITED.

SCOPE

We have audited the financial report being the Director's Declaration, Profit & Loss Statement, Balance Sheet and Notes to the Financial Statements of East Malvern Community Financial Services Limited for the period 1st July 2019 to the 30th June 2020. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of East Malvern Community Financial Services Limited is in accordance with:

(a) the Corporations Law including:

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

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

(b) other mandatory professional reporting requirements

John Creffield
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John Creffield
Principal

25th September 2020

Annual Report East Malvern Community Financial Services Limited

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Bendigo Bank

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