
# Annual Report 2020

## Edenhope & District Financial Services Limited

ABN 68 103 869 227

Edenhope & District Community Bank Branch

*Edenhope & District Financial Services Limited*

# VISION:

To provide a professional banking service which will grow and strengthen our community.

# MISSION:

By partnering with the Bendigo Bank, we will provide competitive financial services which will allow us to invest back into our community.

# STRATEGIC DIRECTION:

1. Find our passion
2. Future board structure
3. Strengthen our director's role in our key customer and community segments
4. Strengthen our local marketing
5. Our future business performance.

We acknowledge and thank Chris Bull of Christine Bull Photography for allowing us to use her photograph, *"ISO Essential Workers – 30 April 2020"*, for the front cover of this report.

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# Chair’s report

## For year ending 30 June 2020

I am pleased to present the Annual Report for the 2019-2020 financial year on behalf of Edenhope & District Financial Services. Over the last 17 years in operation we have certainly experienced a steady growth, further strengthening our involvement within our community.

This year we have faced many challenges and we have to look at our overall business and the services we supply to our loyal customers and the community at large. Since March of this year our board has only met face to face on two occasions, while the other board meetings have been internet based.

During this trying time, I am pleased to say that we have maintained our customer base and market share. Customer numbers are steady, confirming that people have confidence in the way we conduct our business.

The Bendigo Bank places great emphasis building new relationships and certainly highlighting the fact that we are a "Community Bank" handing out grants to many local sporting, educational, medical and community organisations.

During the year we upgraded our security measures at the branch, further ensuring the safety of our staff at all times. We also changed our Security Monitoring company as it was deemed that their call-out time was too long before they attended (charging a premium rate). Not only did we reduce the attendance time, we also managed to get the same level of security at a much reduced rate.

Some of our achievements to date:

- Community grants to the total of $227,889 since opening.
- Profit for the 2019-2020 financial year $68,383.
- Branch refurbishment and security upgrade $61,967.
- Since 2016 we have reduced our Term Loan by a further $180,000 to $234,250.
- By maintaining our current payments of $39,600 Per Annum we should be able to clear this debt in 6 years.
- Total business growth since opening exceeds $60,000,000 - a significant amount for a small rural community branch.

**Staff**

Our customer's needs are met by our very friendly and capable staff;

Nathan Smith, our Senior Branch Manager, is doing a very great job in not only maintaining our current customer base, but also focusing on our Rural Bank relationship with the emphasis on business growth. We are fortunate to have a person of Nathan's calibre working for us and we will be working together for our mutual benefit for a long time to come.

Di Saunders is a Customer Service Officer with many years of banking experience, who delivers her skills in a very friendly and capable manner.

Gopa Mullasseril is our Customer Relationship Officer and since coming to us has developed into a very capable young man who is very keen to advance his skills even further.

Durga Venugopal is a Customer Service Officer who also delivers her customer service in a very friendly and capable manner.

Stacey Dubois has joined us more recently as a Casual Customer Service Officer and has embraced her role in an exemplary manner.

**Board**

Our board is made up of volunteer community members with very diverse backgrounds.  We certainly thank them for their diligence and willingness to serve whilst making a difference. During the year we have welcomed a new board member, Angelique Manwill, who has become a valuable member on our board and the Marketing Committee.

Our individual board members are highlighted further in this annual report.

# Chair’s report *(continued)*

## For year ending 30 June 2020

No board could function adequately without an efficient and dedicated secretary. We are grateful to have Sharon West fulfilling this role very admirably. We would be lost without her - she certainly keeps the chairman in line - and I am thankful for that.

**Thank you**

On behalf of the board I would like to thank our shareholders and supporters for your loyalty towards what we believe to be a very worthwhile community bank with a great future. We hope that we can continue to grow together for our mutual benefit.

Thank you for having the confidence in me to serve on your board as your chairman.

**Harry Ostendorf**
**Chairman**
**Edenhope & District Financial Services**

# Manager's report

## For year ending 30 June 2020

Thank you for having me for a second year at Edenhope & District Community Bank! Yet again, I've had a very enjoyable year with the staff, board, customers, and community across the district.

This year has been very interesting with the impact of Covid-19 in particular. We're used to seeing many challenges in the district – droughts, floods, fires, frosts etc, but Covid-19 has been very different to any of those challenges. It has been very pleasing to see our branch staff rise up and help our clients through this period though with some highlights being:

- Maintaining branch services
- Ensuring hygiene standards are followed
- Helping customers move to cashless banking

Clearly, the economic impact nationally has resulted in tighter margins on our finances. While we have done well overall in maintaining our book size, our reliance on deposits has resulted in lower overall income for the branch.

Through the 2019/2020 year, our overall book size did fall by $7.1m, due largely to the sale of Bendigo Financial Planning ($5.8m), and the loss of a large government deposit ($1.8m). Outside of these transactions, we did grow by $0.5m, primarily through growth in our deposits. At the end of the financial year we had over 1100 customers trusting us with $51.1m in business.

Yet again this year our branch staff have come to the forefront of serving our customers and the Edenhope and district communities. I want to thank Gopa Mullasseril, Di Saunders, Stacey Dubois and Durga Venugopal for their work through the year. As mentioned above, the staff have really had to move quickly to educate our customers with alternate banking solutions given the potential for lock downs related to Covid-19.

I particularly wanted to call out Robert Barnes, our business partner through Rural Bank. Robert has done an exceptional job not only with providing his customers with great advice and service, and is a passionate supporter of the Community Bank. Given our district, without this connection, our Community Bank would not be as successful as it is. Thank you, Robert, for your support.

Finally, thank you to the EDFS board (led by Harry Ostendorf) and our Regional office (led by Leanne Martin). The board have been a great encouragement in what we do as a branch as well as to myself personally. I will note that they also are willing to challenge and stretch me – as funny as that sounds, I do appreciate their constant desire to improve and achieve the best outcomes for the community. From an operational perspective, we couldn't operate the branches as smoothly as we do without Leanne's assistance.

I will be working with the board to slightly change the staffing at the branch. I believe with these changes though we will be setting EDFS up not only for a successful year next year, but on an ongoing basis.

Thank you,

**Nathan Smith**
**Branch Manager**
**Edenhope & District Community Bank Branch**

# Bendigo & Adelaide Bank report

## For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mark Cunneen**
**Head of Community Support**
**Bendigo and Adelaide Bank**

# Report of Sponsorships & Contributions

For year ending 30 June 2020

| RECIPIENT | AMOUNT ($) |
|---|---|
| Edenhope Fishing Club | 250 |
| Apsley Hotel | 400 |
| Crossroads Tennis Club | 1,000 |
| Edenhope Uniting Church | 900 |
| Harrow Horsemanship Committee | 350 |
| Edenhope College | 1,485 |
| Edenhope Golf Club | 600 |
| Edenhope College | 200 |
| Camp Awakenings | 450 |
| Henley on Lake Wallace Committee | 250 |
| Lake Charlegrark Country Music Marathon | 500 |
| Border Inn Apsley | 100 |
| Edenhope Race Club | 500 |
| Harrow Bush Nursing Centre | 1,175 |
| Edenhope Country Fire Authority | 300 |
| **TOTAL CONTRIBUTIONS** | **$8,460** |

# Directors' report

## For year ending 30 June 2020

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

**Directors**

The following persons were Directors of Edenhope & District Financial Services during or since the end of the financial year up to the date of this report:

| DIRECTORS | DETAILS |
|---|---|
| Herman Ostendorf | Many years of senior management experience, Owner/Operator of a small business, Life member of Apex. Edenhope Lions Club President. Also a member of the Finance & Audit Committee. |
| Miller Morrow | Bachelor of Education, Diploma of Franchising, Former owner of various businesses, including Aluminium Express. Also a member of the Community Investment & Marketing Committee. |
| Kate Hausler | Primary Producer in Edenhope for over 45 years. Experience in Banking and Insurance. Former Edenhope & District Memorial Hospital Board Member & Treasurer. Also a member of the Finance & Audit Committee. |
| Francis Carberry | Owner/Operator Edenhope Tyres & Fuel for over 11 years, prior to that in Motel Management, Trucks and tourism in Northern Territory for 18 years. President of the Edenhope Dirt Circuit. Also a member of the Community Investment & Marketing Committee. |
| Richie Middleton | Primary Producer in Edenhope & District for over 30 years. Edenhope Golf Club President; Kadnook CFA. |
| Joseph Bermudo | Former Director of Nursing for multiple hospitals, current Director of Nursing for Edenhope & District Memorial Hospital |
| Angelique Manwill (Appointed 27/11/2019) | Previous Marketing experience working for the Local Community in Bali, Indonesia for a Not-for-Profit Organisation. |
| Wayne Caldow (Resigned 27/11/2019) | Primary Producer in the Edenhope District for over 40 years. Former President of the Edenhope/Apsley Football Netball Club. |

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

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

# Directors' report *(continued)*

**Directors' meetings**

Attendances by each Director during the year were as follows:

| Director | Board meetings | |
|---|---|---|
| | A | B |
| Harry Ostendorf (Chairman) | 10 | 10 |
| Miller Morrow | 10 | 7 |
| Kate Hausler | 10 | 10 |
| Francis Carberry | 5 | 3 |
| Ritchie Middleton | 10 | 8 |
| Joseph Bermudo | 10 | 6 |
| Angelique Manwill (Appointed 27/11/2019) | 6 | 5 |
| Wayne Caldow (Resigned 27/11/2019) | 5 | 3 |

*A - The number of meetings eligible to attend.*

*B - The number of meetings attended.*

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**Company Secretary**
Sharon West is a non-director secretary. Sharon has over 20 years' experience in the insurance and finance industry.

**Principal activities**
The principal activities of the company during the course of the financial year were in providing Community Bank branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited

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

**Review of operations**
The profit of the company for the financial year after provision for income tax was $61,092 (2019 profit: $80,327), which is a 23.9% decrease as compared with the previous year.

**New Accounting Standards Implemented**
The Company has implemented a new accounting standard that is applicable for the current reporting period.

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

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

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

**Dividends**
No dividends were paid during the year ended 30 June 2019. No dividend has been declared or paid for the year ended 30 June 2020 as yet.

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

**Significant changes in the state of affairs**
No significant changes in the company's state of affairs occurred during the financial year

**Events subsequent to the end of the reporting period**
No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

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

**Environmental regulations**
The company is not subject to any significant environmental regulation.

# Directors' report *(continued)*

**Indemnifying Officers or Auditor**

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

**Proceedings on behalf of company**

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

**Auditor independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Edenhope on 24 September 2020.

**Harry Ostendorf**
**Chairman**

# Auditor’s Independence Declaration

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

**Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Edenhope & District Financial Services Limited**

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

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

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

**RSD Audit**

**Kathie Teasdale**
**Partner**
41A Breen Street
Bendigo VIC 3550

**Dated**: 24 September 2020

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

# Financial Statements

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

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **Revenue** | 2 | 398,956 | 455,940 |
| **Expenses** | | | |
| Employee benefits expense | 3 | (158,833) | (148,654) |
| Depreciation and amortisation | 3 | (32,582) | (18,249) |
| Finance costs | 3 | (8,179) | (13,163) |
| Bad and doubtful debts expense | 3 | - | (683) |
| Administration and general costs | | (23,446) | (35,559) |
| Professional Fees | | (36,007) | (35,223) |
| Occupancy Fees | | (23,290) | (37,014) |
| IT Expenses | | (17,956) | (19,199) |
| ATM Costs | | (11,404) | (12,968) |
| **Operating profit before charitable donations and sponsorship** | | **87,259** | **135,228** |
| Charitable donations and sponsorship | | (7,890) | (24,001) |
| **Profit before income tax** | | **79,369** | **111,227** |
| Income tax expense | 4 | (18,277) | (30,900) |
| **Profit for the year after income tax** | | **61,092** | **80,327** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **61,092** | **80,327** |
| Profit attributable to members of the company | | 61,092 | 80,327 |
| **Total comprehensive income attributable to members of the company** | | **61,092** | **80,327** |
| Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):<br>- basic earnings per share | 18 | 12.83 | 16.87 |

The accompanying notes form part of these financial statements

# Financial Statements *(continued)*

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 32,885 | 6,928 |
| Trade and other receivables | 6 | 5,453 | 17,394 |
| Other assets | 7 | 3,984 | 3,635 |
| **Total current assets** | | **42,322** | **27,957** |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 97,952 | 65,985 |
| Intangible assets | 9 | 39,667 | 52,888 |
| Deferred tax assets | 4 | 167,177 | 185,454 |
| **Total non-current assets** | | **304,796** | **304,327** |
| **Total assets** | | **347,118** | **332,284** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 21,837 | 55,853 |
| Borrowings | 12 | 39,600 | 24,000 |
| Leases | 13 | 12,756 | - |
| Provisions | 14 | 6,372 | 6,454 |
| **Total current liabilities** | | **80,565** | **86,307** |
| **Non-current liabilities** | | | |
| Trade and other payables | 11 | 13,222 | 26,444 |
| Borrowings | 12 | 232,494 | 288,150 |
| Leases | 13 | 7,764 | - |
| Provisions | 14 | 5,774 | 4,423 |
| **Total non-current liabilities** | | **259,254** | **319,017** |
| **Total liabilities** | | **339,819** | **405,324** |
| **Net assets** | | **7,299** | **(73,040)** |
| **Equity** | | | |
| Issued capital | 15 | 476,160 | 476,160 |
| Accumulated losses | 16 | (488,108) | (549,200) |
| **Total equity** | | **(11,948)** | **(73,040)** |

The accompanying notes form part of these financial statements

# Financial Statements *(continued)*

| | Note | Issued capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2019** | | **476,160** | **(549,200)** | **(73,040)** |
| Comprehensive income for the year | | | | |
| Profit for the year | | - | 61,092 | 61,092 |
| **Balance at 30 June 2020** | | **476,160** | **(488,108)** | **(11,948)** |
| | | | | |
| **Balance at 1 July 2018** | | **476,160** | **(629,527)** | **(153,367)** |
| Comprehensive income for the year | | | | |
| Profit for the year | | - | 80,327 | 80,327 |
| **Balance at 30 June 2019** | | **476,160** | **(549,200)** | **(73,040)** |

The accompanying notes form part of these financial statements

# Financial Statements *(continued)*

| | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 410,897 | 418,403 |
| Payments to suppliers and employees | | (311,923) | (328,630) |
| Interest paid | | (8,179) | (13,163) |
| **Net cash flows provided by operating activities** | 19b | **90,795** | **76,610** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | - | (31,216) |
| Purchase of intangible assets | | (13,223) | (13,222) |
| **Net cash flows used in investing activities** | | **(13,223)** | **(44,438)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (40,056) | (30,850) |
| Repayment of lease liabilities | | (11,559) | - |
| **Net cash flows used in financing activities** | | **(51,615)** | **(30,850)** |
| **Net increase in cash held** | | **25,957** | **1,322** |
| Cash and cash equivalents at beginning of financial year | | 6,928 | 5,606 |
| **Cash and cash equivalents at end of financial year** | 19a | **32,885** | **6,928** |

The accompanying notes form part of these financial statements

# Notes to the financial statements

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

Edenhope & District Financial Services Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 24th September 2020.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

# Notes to the financial statements *(continued)*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation (continued)**

*Going Concern*
For the period ended 30 June 2020, there are several factors that may cast a doubt on the entities ability to continue as a going concern. These conditions include:
- the net liabilities of the company as at 30 June 2020 were $11,944;

The Company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 30 June 2021. The overdraft has an approved limited of $50,000 (nil drawn as at 30 June 2020). The company also has a commercial bill facility of
$400,000, which was drawn down to $272,094 at year end.

The directors will continue to review their growth forecast budget and cash flows throughout the 2020/21 year, and continue to implement measure to preserve cash, and secure additional finance.

Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the Company and its operations for the 2020/21 financial year, and beyond, through the provision of the overdraft facility on normal commercial terms and conditions to assist with working capital requirements. The support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business. During the year, the Company reduced its borrowings by $40,056.

Based on the above, the directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

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

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

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

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

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

# Notes to the financial statements *(continued)*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Critical accounting estimates and judgements**
The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Estimates and judgements are reviewed on an ongoing basis.

Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

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

*Fair value assessment of non-current physical assets*
The AASB 13 Fair Value standard requires fair value assessments that may involve both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

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

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

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

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

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

AASB 16 Leases became mandatorily effective on 1 January 2019. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

# Notes to the financial statements *(continued)*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*AASB 16 Leases*

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

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

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

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

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

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

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 4.46%.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

| | $ |
|---|---|
| Total operating lease commitments disclosed at 30 June 2019 | 8,504 |
| Recognition exemptions: | 25,512 |
| Variable lease payments not recognised | **34,016** |
| Operating lease liabilities before discounting | 32,079 |

| | $ |
|---|---|
| Lease liability as at 1 July 2019 | 32,079 |
| Represented by: | |
| Current lease liabilities | 11,559 |
| Non-current lease liabilities | 20,520 |
| | **32,079** |

*Adjustments recognised in the balance sheet on 1 July 2019*

The recognised right-of-use assets relate to the following types of assets:

| | **30 June 2020 $** | **1 July 2019 $** |
|---|---|---|
| Properties | 19,247 | 32,079 |
| **Total right-of-use assets** | **19,247** | **32,079** |

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

| **Balance sheet item** | **Effect** | **Amount $** |
|---|---|---|
| Property, plant and equipment | Increase | 32,079 |
| Lease liabilities | Increase | 32,079 |

**(g) Change in accounting policies**

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

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

# Notes to the financial statements *(continued)*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Change in accounting policies (continued)**

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

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

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

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

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

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

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

<u>Accounting policy applicable before 1 July 2019</u>
*The Company as a lessee*
Finance leases
Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

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

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

# Notes to the financial statements *(continued)*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Change in accounting policies (continued)**

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

**Impact of standards issued but not yet applied by the entity**
*AASB 17 Insurance Contracts*
AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9.

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

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

*AASB 1059 Service Concession Arrangements: Grantors*
The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services.

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

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

**2. REVENUE**

| | **2020**<br>**$** | **2019**<br>**$** |
|---|---|---|
| Revenue | | |
| - service commissions | 386,423 | 407,495 |
| | 386,423 | 407,495 |
| Other revenue | | |
| - other revenue | 12,533 | 48,445 |
| | 12,533 | 48,445 |
| Total revenue | **398,956** | **455,940** |

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

# Notes to the financial statements *(continued)*

**2. REVENUE (continued)**

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

**Other income**
Other revenue is recognised when the right to the income has been established. All revenue is stated net of the amount of goods and services tax (GST).

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

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

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

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

*Discretionary Financial Contributions*
Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however,
it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

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

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

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

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

# Notes to the financial statements *(continued)*

**2. REVENUE (continued)**

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

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;
b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and
c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

**3. EXPENSES**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Amortisation | | |
| - Franchise fees | 13,223 | 13,223 |
| Total depreciation and amortisation | 19,750 | 18,249 |
| Finance costs | | |
| - Interest paid | 6,982 | 13,163 |
| Bad and doubtful debts expenses | - | 683 |
| Auditors' remuneration | | |
| Remuneration of the Auditor, RSD Audit, for: | | |
| - Audit or review of the financial report | 3,650 | 4,280 |
| - Non-audit services | 1,600 | 1,400 |
| Total revenue | **398,956** | **455,940** |

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

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

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

# Notes to the financial statements *(continued)*

**3. EXPENSES (continued)**

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

| Class of asset | Rate | Method |
|---|---|---|
| Right of Use Asset | 40% | Straight line |
| Plant and equipment | 7-20% | Straight line |
| Franchise Fee | 20% | Straight line |

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

*Gains/losses upon disposal of non-current assets*
Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

# Notes to the financial statements *(continued)*

**4. INCOME TAX**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **a. The components of tax expense comprise:** | | |
| Current tax expense | 20,170 | 30,792 |
| Deferred tax expense | 18,277 | 30,900 |
| Recoupment of prior year tax losses | (20,170) | (30,792) |
| | **18,277** | **30,900** |
| b. Prima facie tax payable<br>The prima facie tax on profit from ordinary activities<br>before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie tax on profit before income tax at 27.5% (2019: 27.5%) | 21,826 | 30,587 |
| Add tax effect of: | | |
| - Non-deductible expenses | - | 313 |
| **Income tax attributable to the entity** | **21,826** | **30,900** |
| The applicable weighted average effective tax rate is: | 23.03% | 27.78% |
| **c. Current tax liability** | | |
| Current tax relates to the following: | | |
| *Current tax liabilities / (assets)* | | |
| Current tax | 20,170 | 30,792 |
| Recoupment of PY tax losses | (20,170) | (30,792) |
| | - | - |
| **d. Deferred tax asset** | | |
| Deferred tax relates to the following: | | |
| **Deferred tax assets comprise:** | | |
| Property, plant & equipment | 350 | - |
| Accruals | 1,463 | 270 |
| Employee provisions | 3,340 | 2,991 |
| Unused tax losses | 162,024 | 182,193 |
| | **167,177** | **185,454** |
| **Net deferred tax asset** | **167,177** | **185,454** |
| **e. Deferred income tax included in income tax expense comprises:** | | |
| Decrease in deferred tax assets | 18,277 | 30,900 |

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

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

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

# Notes to the financial statements *(continued)*

**4. INCOME TAX (continued)**

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:
- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects nether accounting profit nor taxable profit (tax loss).

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

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

Current tax assets and liabilities are offset where a legally enforceable right of off-set exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

**5. CASH AND CASH EQUIVALENTS**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Cash at bank and on hand | 32,885 | 6,928 |
| | **32,885** | **6,928** |

Cash and cash equivalents include cash on hand.

**6. TRADE AND OTHER RECEIVABLES**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Current** | 5,453 | 17,394 |
| Trade receivables | | |
| | **5,453** | **17,394** |

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

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

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

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current and forecast directions of conditions at the reporting date.

There has been change in the estimation techniques or significant assumptions made during the current reporting period.

# Notes to the financial statements *(continued)*

**6. TRADE AND OTHER RECEIVABLES (continued)**

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

| | Gross amount | Not past due | Past due but not impaired < 30 days | Past due but not impaired 31-60 days | Past due but not impaired > 60 days | Past due and impaired |
|---|---|---|---|---|---|---|
| 2020 | $ | $ | $ | $ | $ | $ |
| Trade receivables | 5,453 | 5,453 | - | - | - | - |
| **Total** | **5,453** | **5,453** | **-** | **-** | **-** | **-** |
| 2019 | | | | | | |
| Trade receivables | 17,394 | 17,394 | - | - | - | - |
| **Total** | **17,394** | **17,394** | **-** | **-** | **-** | **-** |

**7. OTHER ASSETS**

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Prepayments | 3,984 | 3,635 |
| | **3,984** | **3,635** |

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

# Notes to the financial statements *(continued)*

**8. PROPERTY, PLANT AND EQUIPMENT**

| | 2020 $ | | | 2019 $ | | |
|---|---|---|---|---|---|---|
| | **At cost** | **Accumulated depreciation** | **Written down value** | **At cost** | **Accumulated depreciation** | **Written down value** |
| Right of Use Asset | 32,079 | (12,832) | 19,247 | - | - | - |
| Leasehold improvements – at cost value | 29,330 | (29,330) | - | 29,330 | (29,330) | - |
| Plant and equipment – at cost | 122,674 | (63,216) | 59,458 | 122,674 | (56,689) | 65,985 |
| **Total property, plant and equipment** | **184,083** | **(105,378)** | **78,705** | **152,004** | **(86,019)** | **65,985** |

*Plant and equipment*

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

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

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

**(a) Capital expenditure commitments**
The entity does not have any capital expenditure commitments at 30 June 2020 (2019: None)

# Notes to the financial statements *(continued)*

**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

**(b) Movements in carrying amounts of PP&E**

| 2020 | Plant & Equipment $ | Right of Use Asset $ | Total $ |
|---|---|---|---|
| Opening carrying value | 65,985 | - | 65,985 |
| Adjustment for adoption of AASB 16 | - | 32,079 | - |
| Additions | - | - | - |
| Depreciation | (6,527) | (12,832) | (6,527) |
| **Closing carrying value** | **59,458** | **19,247** | **59,458** |

| 2019 | Plant & Equipment $ | Right of Use Asset $ | Total $ |
|---|---|---|---|
| Opening carrying value | 9,044 | - | 9,044 |
| Additions | 61,967 | - | 61,967 |
| Depreciation | (5,026) | - | (5,026) |
| **Closing carrying value** | **65,985** | **-** | **65,985** |

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

| | 2020 $ |
|---|---|
| Leased Assets | 32,079 |
| Accumulated Depreciation | (12,832) |
| Total right-of-use assets | **19,247** |

# Notes to the financial statements *(continued)*

**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

**(c) Right of use assets**

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

*Options to extend or terminate*
The option to extend or terminate are contained in the property lease of the Company. All extension or termination options are only exercisable by the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right of use asset.

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

| | **Leased Building** **$** | **Total Right of Use Asset** **$** |
|---|---|---|
| Leased Asset | 32,079 | 32,079 |
| Accumulated Depreciation | (12,832) | (12,832) |
| | **19,247** | **19,247** |

*Movements in carrying amounts:*

| | **Leased Building** **$** | **Total Right of Use Asset** **$** |
|---|---|---|
| Recognised on initial application of AASB 16 | | |
| - previously classified as operating leases | 32,079 | 32,079 |
| Depreciation expense | (12,832) | (12,832) |
| Net carrying amount | **19,247** | **19,247** |

# Notes to the financial statements *(continued)*

**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

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

| | 2020<br>$ |
|---|---|
| Depreciation charge related to right-of-use assets | 12,832 |
| Interest expense on lease liabilities | 1,197 |
| Total cash outflows for leases | **14,029** |

**9. INTANGIBLE ASSETS**

| | 2020<br>$ | | | 2019<br>$ | | |
|---|---|---|---|---|---|---|
| | At cost | Accumulated amortisation | Written down value | At cost | Accumulated amortisation | Written down value |
| Franchise fees | 195,332 | (155,965) | 39,667 | 195,332 | (142,444) | 52,888 |
| Preliminary expenses | 80,541 | (80,541) | - | 80,541 | (80,541) | - |
| **Total intangible assets** | **275,873** | **(236,206)** | **39,667** | **275,873** | **(222,895)** | **52,888** |

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

**Movements in carrying amounts**

| 2020 | Opening written down value<br>$ | Amortisation<br>$ | Closing written down value<br>$ |
|---|---|---|---|
| Franchise fees | 52,888 | (13,223) | 39,665 |
| **Total intangible assets** | **52,888** | **(13,223)** | **39,665** |

| 2019 | Opening written down value<br>$ | Amortisation<br>$ | Closing written down value<br>$ |
|---|---|---|---|
| Franchise fees | 66,111 | (13,223) | 52,888 |
| **Total intangible assets** | **66,111** | **(13,223)** | **52,888** |

## 10. FINANCIAL LIABILITIES

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

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

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

## 11. TRADE AND OTHER PAYABLES

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Current** | | |
| Unsecured liabilities: | | |
| Trade creditors | 2,441 | 5,342 |
| Other creditors and accruals | 6,174 | 6,537 |
| Fit-out payable | - | 30,751 |
| Franchise Fees | 13,222 | 13,223 |
| | **21,837** | **55,853** |
| **Non Current** | | |
| Unsecured Liabilities | | |
| Franchise Fees | 13,222 | 26,444 |
| | **35,059** | **82,297** |

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

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

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

## 12. BORROWINGS

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Current** | | |
| *Secured liabilities* | | |
| Bank loan | 39,600 | 24,000- |
| | **39,600** | **24,000** |
| **Non-current** | | |
| *Secured liabilities* | | |
| Bank loan | 232,494 | 288,150 |
| | **232,494** | **288,150** |
| **Total borrowings** | **272,094** | **312,150** |

**12. BORROWINGS (continued)**

*Loans*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

To weighted average effective interest rate on the bank loans is 2.37% per annum (2019: 3.77% per annum).

**13. LEASES**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Current** | | |
| Property Leases | 12,756 | - |
| | **12,756** | - |
| **Non-current** | | |
| Property Leases | 7,764 | - |
| | 7,764 | - |
| **Total leases** | **20,520** | - |

The Company has leases for the building premises. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as a lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 8)

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant & equipment and incur maintenance fees on such items in accordance with the lease contracts.

**13. LEASES (continued)**

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were as follows:

| | Minimum lease payments due ($) | | | | |
|---|---|---|---|---|---|
| | Within 1 year | 1-2 years | 3-5 years | After 5 years | Total |
| **30 June 2020** | | | | | |
| Lease payments | 14,173 | 7,087 | - | - | 21,260 |
| Finance charges | (663) | (79) | - | - | (742) |
| **Net present values** | **13,510** | **7,008** | **-** | **-** | **20,518** |
| | | | | | |
| **30 June 2019** | | | | | |
| Lease payments | | | | | |
| Finance charges | | | | | |
| **Net present values** | | | | | |

**14. PROVISIONS**

| | **2020**<br>**$** | **2019**<br>**$** |
|---|---|---|
| **Current** | | |
| Employee benefits | 6,372 | 6,454 |
| **Non-current** | | |
| Employee benefits | 5,774 | 4,423 |
| **Total provisions** | **12,146** | **10,877** |

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

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

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

*Other long-term employee benefits*
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

### 15. SHARE CAPITAL

| | 2020 $ | 2019 $ |
|---|---|---|
| 476,160 Ordinary shares fully paid | 476,160 | 476,160 |
| | **476,160** | **476,160** |

Ordinary shares are classified as equity.

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

**(a) Movements in share capital**

Fully paid ordinary shares:

| | | |
|---|---|---|
| At the beginning of the reporting period | 476,160 | 476,160 |
| At the end of the reporting period | **476,160** | **476,160** |

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

**(b) Capital management**

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

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

(i) the Distribution Limit is the greater of:

a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

### 16. ACCUMULATED LOSSES

| | 2020 $ | 2019 $ |
|---|---|---|
| Balance at the beginning of the reporting period | (549,200) | (629,527) |
| Profit for the year after income tax | 61,092 | 80,327 |
| Balance at the end of the reporting period | **(488,108)** | **(549,200)** |

**17. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES**

No dividends were paid or proposed by the company during the period.

**18. EARNINGS PER SHARE**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Basic earnings per share (cents) | 12.83 | 16.87 |
| Earnings used in calculating basic earnings per share | 61,092 | 80,327 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 476,160 | 476,160 |

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

**19. STATEMENT OF CASH FLOWS**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **(a) Cash and cash equivalent balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:** | | |
| Cash and cash equivalents (Note 5) | 32,885 | 6,928 |
| As per the Statement of Cash Flow | **32,885** | **6,928** |
| **(b) Reconciliation of cash flow from operations with profit after income tax** | | |
| Profit for the year after income tax | 61,092 | 80,327 |
| Non-cash flows in profit | | |
| - Depreciation and amortisation | 32,581 | 18,249 |
| - Bad debts | - | 683 |
| - Debt Forgiven | - | (44,841) |
| Changes in assets and liabilities | | |
| - (Increase) / decrease in trade and other receivables | 11,941 | 3,193 |
| - (increase) / decrease in prepayments and other assets | (349) | (160) |
| - (Increase) / decrease in deferred tax asset | 18,277 | 30,900 |
| Increase / (decrease) in trade and other payables | (34,016) | (9,705) |
| Increase / (decrease) in current tax liability | - | - |
| Increase / (decrease) in provisions | 1,269 | (1,353) |
| Net cash flows from operating activities | **90,795** | **77,293** |

**(c) Credit standby arrangement and loan facilities**

The company has a bank overdraft and commercial bill facility amounting to $50,000 (2019: $100,000). This may be terminated at any time at the option of the bank. At 30 June 2020, none of this facility was used (2019: $0). Variable interest rates apply to these overdraft and bill facilities.

**19. STATEMENT OF CASH FLOWS (continued)**

**(d) Changes in Liabilities arising from Financing Activities.**

| | 1 July 2019 | Cash Flows | Initial application of AASB 16 | 30 June 2020 |
|---|---|---|---|---|
| Borrowings | 312,150 | (40,056) | - | 272,094 |
| Lease liabilities | - | - | 20,520 | 20,520 |
| Total | 312,150 | (40,056) | - | 292,614 |

**20. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES**

**(a) Key management personnel**

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company.

During the financial year, there was no renumeration paid to the board.

Key management personnel and related party disclosures (continued)

**(b) Other related parties**

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

**(c) Transactions with key management personnel and related parties**

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, there was no transactions with related parties to the Directors.

The Edenhope & District Financial Services Limited have not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch.

**(d) Key management personnel shareholdings**

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

| | 2020 | 2019 |
|---|---|---|
| Harry Ostendorf (Chairman) | - | - |
| Miller Morrow | - | - |
| Kate Hausler | 1,000 | 1,000 |
| Francis Carberry | - | - |
| Richie Middleton | 2,000 | 2,000 |
| Joseph Bermudo | - | - |
| Angelique Manwill (Appointed 27/11/2019) | - | - |
| Wayne Caldow (Resigned 27/11/2019) | 1,101 | 1,101 |
| | **4,101** | **4,101** |

**20. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES (continued)**

**(d) Key management personnel shareholdings (continued)**
There was no movement in key management personnel shareholdings during the year. Each share held has a paid-up value of $1 and is fully paid.

**(e) Other key management transactions**
There has been no other transactions key management or related parties other than those described above.

**21. EVENTS AFTER THE REPORTING PERIOD**

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

**22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

**23. OPERATING SEGMENTS**

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

**24. COMMITMENTS**

**(a) Operating lease commitments**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Payable: | | |
| - no later than 12 months | - | 8,504 |
| **Minimum lease payments** | - | 8,504 |

The property lease in 2019 is a non-cancellable lease with a one year term, with rent payable monthly in advance and with market based increases each year. This includes 3 x 1 year options.

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

**25. COMPANY DETAILS**

The registered office and principal place of business is 63 Elizabeth Street, Edenhope, Victoria.

**26. FINANCIAL INSTRUMENT RISK**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

*Specific financial risk exposure and management*

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

**26. FINANCIAL INSTRUMENT RISK (continued)**

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

| | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **Financial assets** | | | |
| Financial assets at amortised cost: | | | |
| - Cash and cash equivalents | 5 | 32,885 | 6,928 |
| - Trade and other receivables | 6 | 5,453 | 17,394 |
| **Total financial assets** | | **38,338** | **24,322** |
| | | | |
| **Financial liabilities** | | | |
| Financial liabilities at amortised cost: | | | |
| - Trade and other payables | 11 | 21,837 | 55,853 |
| - Borrowings | 12 | 272,094 | 312,150 |
| - Lease Liabilities | 13 | 20,520 | - |
| **Total financial liabilities** | | **314,451** | **368,003** |

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

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

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

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

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

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

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

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

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

**26. FINANCIAL INSTRUMENT RISK (continued)**

Financial liability and financial asset maturity analysis:

| 30 June 2020 | Weighted average interest rate | Total | Within 1 year | 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| | % | $ | $ | $ | $ |
| **Financial assets** | | | | | |
| - Cash and cash equivalents | 0% | 32,885 | 32,885 | - | - |
| - Trade and other receivables | | 5,453 | 5,453 | - | - |
| Total anticipated inflows | | 38,338 | 38,338 | - | - |
| **Financial liabilities** | | | | | |
| - Trade and other payables | | 21,837 | 21,837 | - | - |
| - Borrowings | 2.37% | 272,094 | 39,600 | 232,494 | - |
| - Lease Liabilities | | 20,518 | 13,510 | 7,008 | |
| **Total expected outflows** | | 314,449 | 74,947 | 239,502 | - |
| **Net inflow / (outflow) on financial instruments** | | **(276,111)** | **(36,609)** | **(239,502)** | **-** |

| 30 June 2019 | Weighted average interest rate | Total | Within 1 year | 1 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| | % | $ | $ | $ | $ |
| **Financial assets** | | | | | |
| - Cash and cash equivalents | 0.00% | 6,928 | 6,928 | - | - |
| - Trade and other receivables | | 17,394 | 17,394 | - | - |
| **Total anticipated inflows** | | 24,322 | 24,322 | - | - |
| **Financial liabilities** | | | | | |
| - Trade and other payables | | 55,853 | 55,853 | - | - |
| - Borrowings | 3.77% | 312,150 | 24,000 | 288,150 | - |
| **Total expected outflows** | | 368,003 | 79,853 | 288,150 | - |
| **Net inflow / (outflow) on financial instruments** | | **(343,681)** | **(55,531)** | **(288,150)** | **-** |

* The Bank overdraft has no set repayment period and as such all has been included as current

**(c) Market risk**

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

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

*Interest rate risk*

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

The financial instruments that primarily expose the company to interest rate risk are borrowings.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months

- A parallel shift of +/- 0.5% in market interest rates from year-end rates.

These movements will not have a material impact on the valuation of the company's financial assets and liabilities, nor will they have a material impact on the results of the company's operations.

# Directors’ Declaration

**Edenhope & District Financial Services Limited**
**ABN 68 103 869 227**
**Directors' Declaration**

In accordance with a resolution of the Directors of Edenhope & District Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 37 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as staled in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2019 and of the performance for the year ended on that dale;

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

**HARRY OSTENDORF**
Director

*Signed at Edenhope on 24 September 2020*

# Independent audit report

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**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF EDENHOPE & DISTRICT FINANCIAL SERVICES LIMITED**

**REPORT ON THE AUDIT OF THE FINANCIAL REPORT**

**Opinion**

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

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

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

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

**Material Uncertainty Related to Going Concern**

We draw attention to note 1 to the financial statements which highlights a material uncertainty regarding the going concern basis of accounting. The Company's total liabilities exceeded its total assets by $11,948. As stated in note 1, these events or conditions, along with other matters further detailed in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our audit report is not modified in respect of this matter.

**Basis for Opinion**

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

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

**Independence**

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

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

**Director's Responsibility for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the

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directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

**Auditor's Responsibility for the Audit of the Financial Report**

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

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

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

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

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

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

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

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

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

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

**Other Information**

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

**RSD Audit**
Chartered Accountants

**Kathie Teasdale**
Partner
Bendigo
Dated: 24 September 2020

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Email:  edfs.secretary@gmail.com
ABN: 68 103 869 227
Website: http://www.bendigobank.com.au/edenhope
Facebook Page: https://www.facebook.com/EdenhopeDistrictCommunityBankBranch

Date: October 2020