Annual Report 2020

Macedon Ranges Community Enterprises Ltd

Community Bank
Gisborne & District

ABN 57 130 493 499

Contents

Chair's report

For year ending 30 June 2020

Welcome to Macedon Ranges Community Enterprises Ltd Annual Report for the year ended 30 June 2020. As Chair it is my privilege to bring this information to you.

This has been a year of two halves, pre and post COVID-19. The six months to December 2019 were normal with no indication of the disruption that would occur in the second half of the year with the advent of COVID-19.

We are immensely proud of the way in which our staff, led by Branch Manager Sarah Barton, responded to the challenges presented by COVID-19. In a very short space of time they had to make changes to the branch operations to ensure a safe and secure environment for our customers to continue with their banking needs. This has been carried out with good grace and humour whilst maintaining very professional levels of customer service – a trait our communities are well aware of.

We are also very grateful for the advice and assistance offered by Bendigo and Adelaide Bank Limited during this challenging time which, it would seem, will be with us for the foreseeable future.

Operations

Despite the challenges presented by COVID-19, total revenue grew by 13.6% made up by revenue share received from Bendigo 10.5% and Commonwealth Government 'cash flow boost' 3.1%. Operating expenses increased by 19.3% with employee costs being the main driver as we increased our loan writing capability to cater for increased and sustained demand for mortgage loans.

Operating profit before community investments increased by 2.0%. Profit after tax decreased by 22.8% resulting in earnings per share of 14.45 cents.

Community investing

Our community investing for the year has been negatively impacted by COVID-19 as many projects that had been funded as part of our Autumn 2019 program were unable to proceed and we have undertaken to honour these commitments when it will be safe for them to go ahead.

Despite this set back, we invested $103,000 in community projects and funded a further $26,000 from our Community Enterprise Account.

We were also able to transfer a further $200,000 to our account with Community Enterprise Foundation™, increasing that account to $453,000 which provides us with significant funds for future projects.

Dividend

Given our sustained financial result and our positive outlook for the future I am pleased to advise that the dividend declared for the current year has been retained at 9 cents per ordinary share fully franked.

Outlook

Based on our experience to date with COVID-19 and our modelling of possible future developments, we retain a positive outlook for the company of continued growth for the branch banking operations. Our budget for the current year is based on continuing growth with strong control over our expense base.

Our staff

I have previously mentioned the esteem in which we hold our staff for their ability to meet and manage the various challenges that were created out of COVID-19.

There are many points of difference between our Community Bank and other banks. Perhaps the most important of these is our staff.

We receive constant feedback that our staff provide exceptional and caring customer service. We also know that they take great pride and personal satisfaction knowing that the business they help transact is responsible for generating funds which are reinvested in their communities. They epitomise the purpose of Bendigo and Adelaide Bank Limited, 'to feed into the prosperity of our customers and communities, not off it'.

Sarah Barton – Branch Manager	
Daniel Barre – Customer Relationship Manager	**Edyta Wyatt** – Customer Relationship Manager
Zoe Olive – Customer Relationship Officer	**Jodie Schinck** – Customer Relationship Officer
Michelle Morrison – Customer Service Officer	**Rebecca Baber** – Customer Service Officer
Maria Downes – Customer Service Officer	

We are also grateful for the support provided to the Board by Corinne Shaddock (Marketing & Community Engagement Officer) and Alice McMahon (Executive Officer & Company Secretary). Their roles in 'telling our story' and ensuring that our business is well managed and governed is greatly appreciated.

Directors

The success of the company since its inception in November 2008 can in part be attributed to the many Directors who have given freely of their time and expertise. The company is now of a size and complexity that it requires significant time and effort to oversee its operation.

At this year's AGM, current long-serving Director Graham Stewart will not be seeking re-election to the Board.

Graham was appointed to the Board in June 2011 and was chair from November 2015 to November 2019. During his time on the Board Graham has been involved in all facets of our operations and maintained a strong relationship with Bendigo and Adelaide Bank Limited.

We are greatly indebted to Graham for his guidance and leadership and on behalf of our shareholders and customer base thank him for a great contribution.

During the year Jamie Byron resigned from the Board and we thank him for his contribution.

Our communities have a great record of voluntary service which is reinforced and enhanced by this Board.

My thanks to the current Board for their involvement and service – we all agree that it is a privilege to be part of a wonderful provider to our communities.

Gary McSwain
Chair

Manager's report

For year ending 30 June 2020

The 2020 financial year was another busy and successful year for the branch. The branch benefited from an increase in staff members to our lending space due to the strong growth and changes to the network to increase efficiency and adjust to the new working environments created by the COVID-19 pandemic.

Partnering with Australia's fifth largest bank, we're proud of the positive contribution that our branch makes to one of Australia's most trusted brands.

I am pleased to share that during the 2020 financial year we expanded our overall 'footings' by $22.4 million; $16.3 million in lending and $6.1 million growth in deposits – another consistent year of growth. With this healthy financial position, thanks to your support, we were able to provide community investments and continue to pay a dividend to our shareholders.

Community Bank Gisborne & District has now grown its footings to over $200 million since its inception in 2008, an amazing effort. The continued expansion of our customer base enables a strong return on your investment and more, beneficial community investment this year, and in the years to come.

It has though been a challenging year for our Victorian heartland due to bushfires and the COVID-19 and I want to thank all of our staff and Board members for continuing to do a great job of supporting our customers and each other in these times.

I'd like to personally thank the branch staff of Daniel Barre, Edyta Wyatt, Michelle Morrison, Zoe Olive, Jodie Schinck, Rebecca Baber and Maria Downes for their dedication to our customers and community; and their hard work. Thank you also, Nicole Morvell and Angela Dickins who have relocated to other positions within the organisation.

My thanks to the Board of Directors: Graham Stewart, Gary McSwain, Karen Clifford, Corinne Shaddock, Dominic Andreacchio, Sarah Matthee and Erin McKinnon and retired Board member Jamie Byron.

I would also like to thank Alice McMahon the Company Secretary. I enjoy working closely with you all and appreciate the time and effort you give in supporting and assisting the growth of our successful business; and being supportive of our wellbeing during this challenging new working environment created by the current world pandemic.

To the shareholders and branch customers I extend my biggest thanks, because you have the largest impact on this business. With this continued support, the ability to invest in the local community continues to grow. Banking with us is building a better community and if you tell just one person about us, the more we can grow and make a difference.

My team are ready for your referrals; and growing the positive difference our Community Bank makes. It's an exciting time at Community Bank Gisborne & District, seeing it grow and develop even in these difficult times. Watch out for the changes to the refreshed branding of Bendigo Bank as it shifts towards a more modern identity appealing to younger customers.

Sarah Barton
Branch Manager

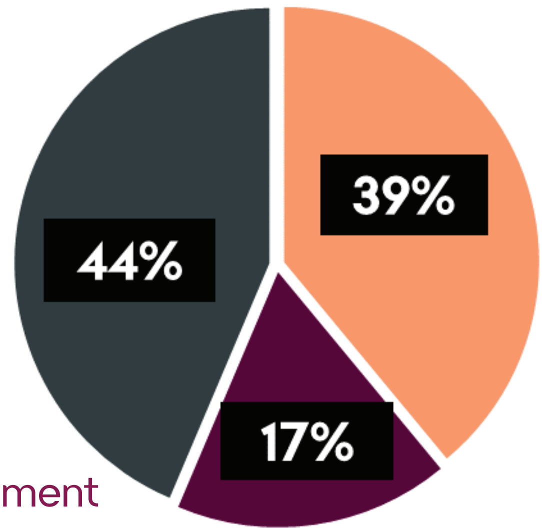
Community Investment

Balance Sheet 2019/20

Community Bank $250 million Contributions

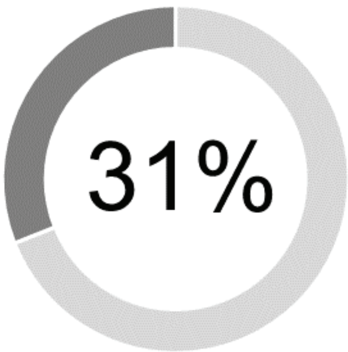
Macedon Ranges Community Enterprises Ltd

Projects Funded	**36**
Community Project Investment	**$123,953.45**



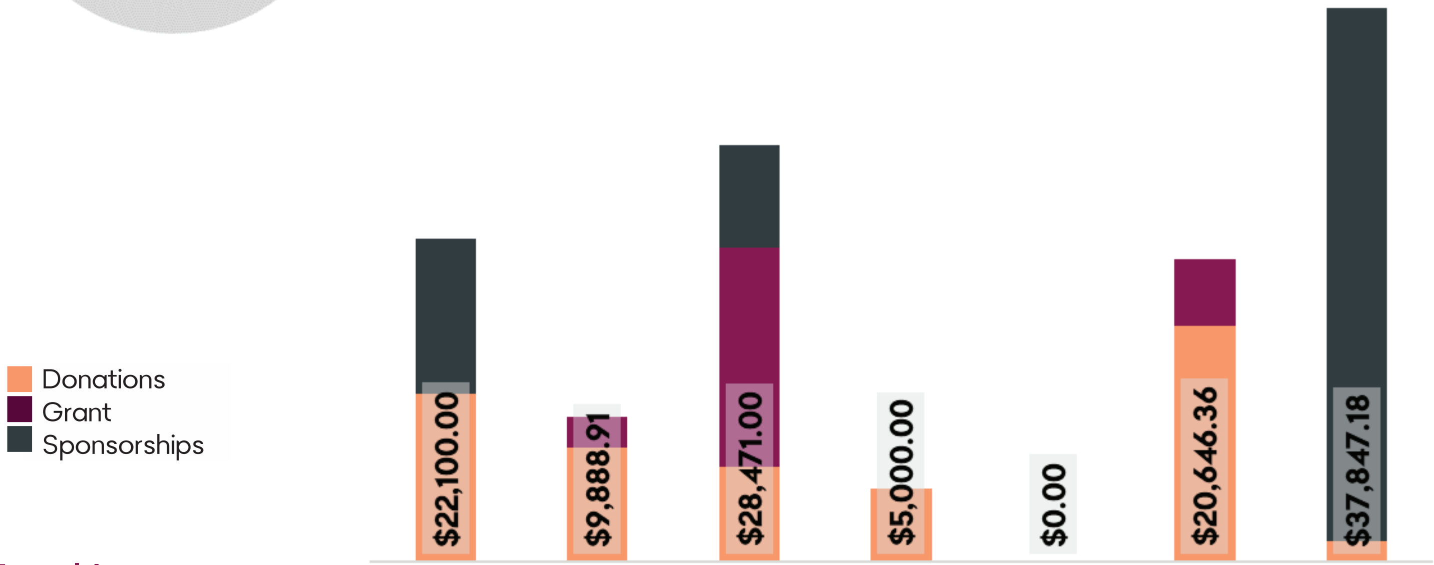
Biggest Impact Area:

Sport & Recreation



Total Investment by Theme:

Donations	$48,324.36
Grants	$21,590.91
Sponsorships	$54,038.18



Total Investment by Sector:

Community support

▲ 2019 Macedon Ranges Basketball Association 3x3 Competition

◀ Spring 2019 Community Investment Evening

▲ Sponsor of 2019 Candlebark Trials at Riddells Creek Pony Club

▲ 2020 Loddon Murray Community Leadership Program scholarship

▲ Sand buckets for Mt Macedon Golf Club

▲ First Aid Course for Riddell Basketball Club

▲ Sambas for outdoor music play area at Holy Cross Primary School

▲ Sponsor of Riddells Creek Netball Association

▲ 2019 Local Hero Award and Gisborne Community Carols

▲ 2019 Bendigo Bank Macedon Ranges Business Excellence Awards

▲ Major sponsor of Gisborne Secondary College and Community Chaplaincy in 2020 ($10,000)

▲ Major sponsor of 2019 Lions Gisborne Festival ($5,000)

▲ 2019 Magic Moments Youth Leadership & Business Summit scholarships ($7,500)

▲ Lobby refurbishment of The Mountview Theatre ($4,690)

▲ 2020 branch university scholarships ($15,000 new, $10,000 continuing)

▲ Major sponsor of Macedon Ranges Netball Association ($10,000)

▲ Community Bowls at Gisborne Bowling Club

▲ Youth Associate Program for branch scholarship students past and present

▲ Three new courts at Riddells Creek Tennis Club ($20,000)

▲ Defibrillator for Gisborne Community (Scout) Hall

▲ Shade for Riddell Cricket Club

▲ Macedon Ranges Music Collective scholarships for young musicians

▲ Driveway works at Mt Macedon Golf Club

▲ Major sponsor of Macedon Ranges Music Festival 2020 ($4,500)

▲ Sponsor of Gisborne Masters Football Club ($4,000)

▲ 2019 student awards at Gisborne Secondary College

▲ Supporter of Macedon Ranges Legacy

▲ Healthy Eating Program at Swinburne Avenue Kindergarten

▲ Leadership conference for senior students at St Brigid's Catholic Learning Community

Directors' report

For the financial year ended 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 Macedon Ranges Community Enterprises Ltd during or since the end of the financial year up to the date of this report:

Gary Robert McSwain

Position	Chairman
Professional qualifications	Dip.Bus.Stud., Grad.Dip.Acc & Corp.Gov., CPA, ACIS
Other current directorship	McSwain Family Superannuation Pty Ltd
Experience and expertise	Accountant, extensive finance and general management experience in insurance sector.

Graham Charles Stewart

Position	Director
Professional qualifications	B.Ag.Sc.
Other current directorship	Netherlea Investments Pty Ltd, Antipodean Trade Group Ltd
Experience and expertise	Business Proprietor, extensive experience agricultural goods and logistics.

Karen Anne Clifford

Position	Director
Professional qualifications	B.App.Sc (Phys.Ed), MBM
Other current directorship	Barham Superannuation Fund Pty Ltd
Experience and expertise	Extensive experience in consultancy roles and community not-for-profit organisations.

Andrew Robert Nicoll

Position	Treasurer (resigned 25 November 2019)
Professional qualifications	B.A., Grad.Dip.Acc.
Other current directorship	Nil
Experience and expertise	Management Accountant, diverse experience in agricultural, retail and small business.

Corinne Shaddock

Position	Director and Community Engagement Officer
Professional qualifications	B.A., M.B.A
Other current directorship	Nil
Experience and expertise	Marketing and communications at multinational, national and local level.

Directors (continued)

Dominic Andreacchio

Position	Director and Chair of the HR Committee
Professional qualifications	Master of Business Management, Post Grad. Dip. Business Management, Diploma of HR, Member AHRI
Other current directorship	Club Sunbury (Sunbury Bowling Club)
Experience and expertise	Extensive public and private sector board and HR experience, including non profits and clubs. Lecturer at Australian Institute of Management MBA Program.

Sarah Jane Matthee

Position	Director
Professional qualifications	LLB / B.Eng (Chemical)
Other current directorship	Nil
Experience and expertise	Non-practising lawyer, extensive experience in community not-for-profit sector.

Erin McKinnon

Position	Director (appointed 22 July 2019)
Professional qualifications	BA, MA, GradDipEd
Other current directorship	Nil
Experience and expertise	Extensive management experience in community not-for-profit sector.

Jamie Byron

Position	Director (appointed 22 July 2019, resigned 3 April 2020)
Professional qualifications	Master of Business Administration (MBA)
Other current directorship	None
Experience and expertise	Extensive experience across the private, public and government sectors with deep links to the Macedon Ranges community through volunteer work.

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

Apart from details provided in Note 21 no Directors have material interests in contracts or proposed contracts with the company.

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit Committee meetings	
	A	B	A	B
Gary Robert McSwain	14	14	2	2
Graham Charles Stewart	14	13	2	1
Karen Anne Clifford	12	12	N/A	N/A
Andrew Robert Nicoll	5	5	1	1
Corinne Shaddock	14	14	1	1
Dominic Andreacchio	14	14	N/A	N/A
Sarah Jane Matthee	14	13	2	2
Erin McKinnon	11	10	N/A	N/A
Jamie Byron	10	7	N/A	N/A

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

Company Secretary

Alice McMahon {B.Comm, B.Arts, CA (Post-Grad Dip)} was appointed to the position of the Company Secretary of Macedon Ranges Community Enterprises Ltd on 18 November 2019. Alice is a Chartered Accountant with experience in accounting & corporate governance in a range of industries.

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 $104,474 (2019 profit: $120,565), which is a 13.3% decrease as compared with the previous year.

The Mortgages & Loans portfolio grew by 14.4% resulting in a 10.5% increase in margin share revenue whilst operating expense growth was 12%.

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. Community Bank Gisborne & District is continuing to operate during the pandemic, in accordance with safety measures put in place under COVID19 operations planning. Other than temporary closure of the branch on Saturdays from mid-August 2020 onwards, operating hours have remained the same. A decrease in foot traffic into the branch, has been compensated by an increase in phone and online banking services. Lending and deposit business continues to remain strong, including significant re-financing opportunities.

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

A fully franked final dividend of 9 cents per share was declared and paid during the year for the year ended 30 June 2019. The Directors have declared a fully franked dividend of 9 cents per share for the year ended 30 June 2020. The record-date for shareholders on the register is 24 August 2020 and the expected payment date for the dividend is 23 November 2020.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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.

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

Under s237 of the Corporations Act, 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 12 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 Gisborne on 29 September 2020.

Gary Robert McSwain
Chairman

Auditor's independence declaration

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

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admin@rsdaudit.com.au
www.rsdaudit.com.au

Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Macedon Ranges Community Enterprises 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

P.P Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 1 October 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

	Notes	2020 $	2019 $
Revenue	2	1,477,455	1,300,093
Expenses			
Employee benefits expense	3	(673,966)	(501,621)
Depreciation and amortisation	3	(121,248)	(29,576)
Finance costs	3	(11,146)	-
Bad and doubtful debts expense	3	(372)	272
Occupancy expenses		(33,610)	(111,147)
Marketing and advertising		(36,112)	(62,522)
IT expenses		(37,679)	(36,263)
ATM costs		(20,322)	(25,278)
Professional services		(19,760)	(22,348)
Insurance expense		(18,158)	(10,886)
Printing & stationery		(8,666)	(11,390)
Other expenses		(64,113)	(65,554)
		(1,045,152)	**(876,313)**
Operating profit before charitable donations and sponsorship		**432,303**	**423,780**
Charitable donations and sponsorship		(303,912)	(257,483)
Profit before income tax		**128,391**	**166,297**
Income tax expense	4	(23,917)	(45,732)
Profit for the year after income tax		**104,474**	**120,565**
Other comprehensive income		-	-
Total comprehensive income for the year		**104,474**	**120,565**
Profit attributable to members of the company		104,474	120,565
Total comprehensive income attributable to members of the company		**104,474**	**120,565**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	19	14.45	16.67

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2020

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	5	195,572	184,135
Trade and other receivables	6	124,628	99,556
Financial assets	7	292,149	292,149
Current tax asset	4	-	3,733
Other assets	8	6,426	6,450
Total current assets		**618,775**	**586,023**
Non-current assets			
Property, plant and equipment	9	395,132	217,423
Intangible assets	10	44,680	57,864
Deferred tax assets	4	6,950	-
Total non-current assets		**446,762**	**275,287**
Total assets		**1,065,537**	**861,310**
Liabilities			
Current liabilities			
Trade and other payables	12	62,371	116,075
Current tax liability	4	11,200	-
Franchise fee payable	13	14,082	14,082
Leases	14	58,392	-
Provisions	15	44,312	30,958
Total current liabilities		**190,357**	**161,115**
Non-current liabilities			
Franchise fee payable	13	28,164	42,246
Leases	14	159,513	-
Provisions	15	6,732	8,416
Deferred tax liability	4	-	8,146
Total non-current liabilities		**194,409**	**58,808**
Total liabilities		**384,766**	**219,923**
Net assets		**680,771**	**641,387**
Equity			
Issued capital	16	704,766	704,766
Accumulated losses	17	(23,995)	(63,379)
Total equity		**680,771**	**641,387**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		704,766	(63,379)	641,387
Comprehensive income for the year				
Profit for the year		-	104,474	104,474
		-	**104,474**	**104,474**
Transactions with owners in their capacity as owners				
Dividends paid or provided	18	-	(65,090)	(65,090)
balance at 30 june 2020		**704,766**	**(23,995)**	**680,771**
Balance at 1 July 2018 (reported)		704,766	(126,087)	578,679
Comprehensive income for the year				
Profit for the year		-	120,565	120,565
		-	**120,565**	**120,565**
Transactions with owners in their capacity as owners				
Dividends paid or provided	18	-	(57,857)	(57,857)
Balance at 30 June 2019		**704,766**	**(63,379)**	**641,387**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,590,491	1,413,424
Payments to suppliers and employees		(1,401,790)	(1,160,557)
Interest paid		(11,146)	-
Interest received		4,751	6,756
Income tax refunds received		3,733	-
Income tax paid		(27,813)	(47,543)
Net cash flows provided by operating activities	**20b**	**158,226**	**212,080**
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,635)	(207,163)
Purchase of investments		-	(292,149)
Purchase of intangible assets		(14,082)	(9,591)
Net cash flows used in investing activities		**(27,717)**	**(508,903)**
Cash flows from financing activities			
Dividends paid		(64,839)	(57,467)
Repayment of lease liabilities		(54,233)	-
Net cash flows used in financing activities		**(119,072)**	**(57,467)**
Net increase/(decrease) in cash held		11,437	(354,290)
Cash and cash equivalents at beginning of financial year		184,135	538,425
Cash and cash equivalents at end of financial year	**20a**	**195,572**	**184,135**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2020

These financial statements and notes represent those of Macedon Ranges Community Enterprises Ltd (the company) as an individual entity.

Macedon Ranges Community Enterprises Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 29 September 2020.

Note 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 Gisborne, Victoria.

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.

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's recoverable amount exceeds its carrying amount.

(c) Goods and services tax (GST)

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

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

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

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

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.

Note 1. Summary of significant accounting policies (continued)

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

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.

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 4.50%

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

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

	$
Total operating lease commitments disclosed at 30 June 2019	295,750
Other minor adjustments relating to commitment disclosures	5,370
Operating lease liabilities before discounting	**301,120**
Lease liability discounted using incremental borrowing rate at date of initial application (1 July 19)	272,138
Lease liability as at 1 July 2019	272,138
Represented by:	
Current lease liabilities	54,233
Non-current lease liabilities	217,905
	272,138

Note 1. Summary of significant accounting policies (continued)

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

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	210,053	272,138
Total right-of-use assets	**210,053**	**272,138**

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	272,138
Lease liabilities	Increase	272,138

(g) Change in accounting policies

Accounting policy applicable from 1 July 2019

The company as a lessee

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

Accounting policy applicable from 1 July 2019 (continued)

(g) Change in accounting policies (continued)

Measurement and recognition of leases as a lessee (continued)

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.

Accounting policy applicable before 1 July 2019

The company as a lessee

- Finance leases

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

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

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

- Operating leases

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

Impact of standards issued but not yet applied by the entity

AASB 17 Insurance Contracts

AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contracts. 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 it applies to annual reporting periods beginning on or after 1 January 2022.

As AASB 17 does not relate to or affect the company's operations, the company does not intend to adopt the standard.

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.

As AASB 1059 does not relate to or affect the company's operations, the company does not intend to adopt the standard.

Note 2. Revenue

	2020 $	2019 $
Revenue		
- service commissions	1,428,504	1,293,337
	1,428,504	**1,293,337**
Other revenue		
- interest received	4,751	6,756
- government subsidies - cash flow boosts	44,200	-
	48,951	**6,756**
Total revenue	**1,477,455**	**1,300,093**

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

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

Interest, dividend and other income

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

Dividend and other revenue is recognised when the right to the income has been established.

Government subsidies in the form of cash flow boosts are recognised when the right to the subsidy has been established.

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

Rendering of services

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

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. The core banking products, as at the end of the financial year included: Housing loans - fixed & variable, overdraft facilities, personal loans, credit card facilities, at call deposits and term deposits.

Margin

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

Commission

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

Fee Income

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

Note 2. Revenue (continued)

Rendering of services (continued)

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.

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.

Note 3. Expenses

	2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	544,015	404,096
- superannuation costs	76,455	45,533
- other costs	53,496	51,992
	673,966	**501,621**
Depreciation and amortisation		
Depreciation		
- plant and equipment	43,516	13,805
- motor vehicles	2,463	2,463
	45,979	**16,268**

Note 3. Expenses (continued)

	2020 $	2019 $
Amortisation		
- franchise fees	13,184	13,308
- right of use	62,085	-
	75,269	**13,308**
Total depreciation and amortisation	**121,248**	**29,576**
Finance costs		
- Interest paid	11,146	-
Bad and doubtful debts expenses	372	(272)
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,250	5,000
	5,250	**5,000**

Operating expenses

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

Borrowing costs

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

Depreciation

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

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

Class of asset	Rate	Method
Plant and equipment	10% to 40%	Straight line
Motor vehicles	12.5%	Straight line
Franchise fees	20%	Straight line
Right of use	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.

Note 4. Income tax

	2020 $	2019 $
a. The components of tax expense comprise:		
Current tax expense	39,013	26,492
Deferred tax expense	(15,096)	19,240
	23,917	**45,732**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2019: 27.5%)	35,308	45,732
Add tax effect of:		
- Non-assessable income	(12,155)	-
- Non-deductible expenses	764	-
Income tax attributable to the entity	**23,917**	**45,732**
The applicable weighted average effective tax rate is:	18.63%	27.50%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	(3,733)	17,318
Income tax paid & PAYG instalments	(27,813)	(47,543)
Income tax refunds received	3,733	-
Current tax expense	39,013	26,492
	11,200	**(3,733)**
d. Deferred tax assets and liabilities		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Lease	2,159	-
Accruals	12,250	3,692
Employee provisions	13,861	10,721
Franchise fee	775	1,022
	29,045	**15,435**
Deferred tax liabilities comprise:		
Accrued income	4,275	794
Prepayments	1,767	1,774
Property, plant & equipment	16,053	21,013
	22,095	**23,581**
Net deferred tax asset/(liability)	**6,950**	**(8,146)**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(13,610)	(4,341)
(Decrease) / increase in deferred tax liabilities	(1,486)	23,581
	(15,096)	**19,240**

Note 4. Income tax (continued)

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.

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.

Note 5. Cash and cash equivalents

	2020 $	2019 $
Cash at bank and on hand	195,572	184,135
	195,572	**184,135**

Cash and cash equivalents include cash on hand and deposits available on demand with banks.

Note 6. Trade and other receivables

	2020 $	2019 $
Current		
Trade receivables	109,083	96,668
Other receivables	15,545	2,888
	124,628	**99,556**

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 and Adelaide Bank Limited monthly revenue 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.

Note 6. Trade and other receivables (continued)

Credit risk (continued)

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.

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

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2020						
Trade receivables	109,083	109,083	-	-	-	-
Other receivables	15,545	15,545	-	-	-	-
Total	**124,628**	**124,628**	**-**	**-**	**-**	**-**
2019						
Trade receivables	96,668	96,668	-	-	-	-
Other receivables	2,888	2,888	-	-	-	-
Total	**99,556**	**99,556**	**-**	**-**	**-**	**-**

Note 7. Financial assets

	2020 $	2019 $
Amortised cost		
Term deposits	292,149	292,149
	292,149	**292,149**

The effective interest rate on the bank deposit was 1.00% (2019: 2.05%). This deposit has a term of 6 months, maturing on 5 July 2020.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- Amortised cost

Classifications are determined by both:

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

(b) Measurement of financial assets

Financial assets at amortised cost

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

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

Note 7. Financial assets (continued)

(b) Measurement of financial assets (continued)

Financial assets at amortised cost (continued)

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

(c) Impairment of financial assets

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

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

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

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

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

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

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

(d) Derecognition

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

Note 8. Other assets

	2020 $	2019 $
Prepayments	6,426	6,450
	6,426	**6,450**

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.

Note 9. Property, plant and equipment

	2020 $			2019 $		
	At cost / valuation	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Right of use - Property	272,138	(62,085)	210,053	-	-	-
Plant and equipment	366,750	(192,516)	174,234	353,115	(149,000)	204,115
Motor vehicles	19,704	(8,859)	10,845	19,704	(6,396)	13,308
Total property, plant and equipment	**658,592**	**(263,460)**	**395,132**	**372,819**	**(155,396)**	**217,423**

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.

Leased assets

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

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

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

(a) Capital expenditure commitments

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

(b) Movements in carrying amounts of PP&E

2020	Plant & Equipment $	Right of use $	Motor Vehicles $	Total $
Opening carrying value	204,115	-	13,308	217,423
Adjustment for adoption of AASB 16	-	272,138	-	272,138
Restated opening net book amount	**204,115**	**272,138**	**13,308**	**489,561**
Additions	13,635	-	-	13,635
Depreciation	(43,516)	(62,085)	(2,463)	(108,064)
Closing carrying value	**174,234**	**210,053**	**10,845**	**395,132**

Note 9. Property, plant and equipment (continued)

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

2019	Plant & Equipment $	Right of use $	Motor Vehicles $	Total $
Opening carrying value	10,757	-	15,771	26,528
Additions	207,163	-	-	207,163
Depreciation	(13,805)	-	(2,463)	(16,268)
Closing carrying value	**204,115**	**-**	**13,308**	**217,423**

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

	2020 $
Properties	210,053
Total right-of-use assets	**210,053**

(c) Right of use assets

The company's lease portfolio includes buildings.

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	272,138	272,138
Accumulated depreciation	(62,085)	(62,085)
	210,053	**210,053**

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

Movements in carrying amounts:

	Leased Building $	Total Right of use asset $
Recognised on initial application of AASB 16		
- previously classified as operating leases	272,138	272,138
Depreciation expense	(62,085)	(62,085)
Net carrying amount	**210,053**	**210,053**

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

	2020 $
Depreciation charge related to right-of-use assets	62,085
Interest expense on lease liabilities	11,146
Total cash outflows for leases	**73,231**

Note 10. Intangible assets

	2020 $			2019 $		
	At cost / valuation	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	65,919	(21,239)	44,680	65,919	(8,055)	57,864
Total intangible assets	**65,919**	**(21,239)**	**44,680**	**65,919**	**(8,055)**	**57,864**

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

Movements in carrying amounts

2020	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	57,864	-	(13,184)	44,680
Total intangible assets	**57,864**	**-**	**(13,184)**	**44,680**
2019	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	5,253	65,919	(13,308)	57,864
Total intangible assets	**5,253**	**65,919**	**(13,308)**	**57,864**

Note 11. Financial liabilities

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

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

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

Note 12. Trade and other payables

	2020 $	2019 $
Current		
Unsecured liabilities:		
Trade creditors	9,946	84,211
Salary & wages payable	23,845	3,826
GST payable	2,587	11,616
PAYG withheld from wages	5,290	6,822
Other creditors and accruals	20,703	9,600
	62,371	**116,075**

Note 12. Trade and other payables (continued)

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.

Note 13. Franchise fee payable

	2020 $	2019 $
Current		
Franchise fee payable within 12 months	14,082	14,082
	14,082	**14,082**
Non-current		
Franchise fee payable after 12 months	28,164	42,246
	28,164	**42,246**
Total franchise fee payable	**42,246**	**56,328**

The remaining franchise fee payable is due in 3 instalments of $14,082 to be deducted from the revenue share for November each year, with the final instalment to be deducted on 19 November 2022. The current franchise agreement runs until 18 November 2023.

Note 14. Leases

	2020 $	2019 $
Current		
Property Leases	58,392	-
	58,392	**-**
Non-current		
Property Leases	159,513	-
	159,513	**-**
Total leases	**217,905**	**-**

The company has a lease for the property from which it operates. 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 n 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 9)

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.

Note 14. 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	67,012	68,688	100,041	-	235,741
Finance charges	(8,620)	(5,903)	(3,313)	-	(17,836)
Net present values	**58,392**	**62,785**	**96,728**	**-**	**217,905**
30 June 2019					
Lease payments	65,379	67,012	168,729	-	301,120
Finance charges	(11,146)	(8,620)	(9,216)	-	(28,982)
Net present values	**54,233**	**58,392**	**159,513**	**-**	**272,138**

Total cash outflows for leases for the year ended 30 June 2020 was $65,378 (2019: $65,027).

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

	Carrying amount (Note 9)" $	Depreciation Expense $	Written down value $
Property Leases	272,138	(62,085)	210,053
	272,138	**(62,085)**	**210,053**

Note 15. Provisions

	2020 $	2019 $
Current		
Unpaid dividends	641	390
Employee benefits	43,671	30,568
	44,312	**30,958**
Non-current		
Employee benefits	**6,732**	**8,416**
Total provisions	**51,044**	**39,374**

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.

Note 15. Provisions (continued)

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.

Note 16. Share capital

	2020 $	2019 $
723,214 Ordinary shares fully paid	723,214	723,214
Less: Equity raising costs	(18,448)	(18,448)
	704,766	**704,766**

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	723,214	723,214
At the end of the reporting period	**723,214**	**723,214**

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%.

Note 16. Share capital (continued)

(b) Capital management (continued)

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.

Note 17. Accumulated losses

	2020 $	2019 $
Balance at the beginning of the reporting period	(63,379)	(126,087)
Profit for the year after income tax	104,474	120,565
Dividends paid	(65,090)	(57,857)
Balance at the end of the reporting period	**(23,995)**	**(63,379)**

Note 18. Dividends paid or provided for on ordinary shares

	2020 $	2019 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 9 cents per share (2019: 8 cents) franked at the tax rate of 27.5% (2019: 27.5%).	65,090	57,857

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

Note 19. Earnings per share

	2020 $	2019 $
Basic earnings per share (cents)	14.45	16.67
Earnings used in calculating basic earnings per share	104,474	120,565
Weighted average number of ordinary shares used in calculating basic earnings per share	723,214	723,214

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.

Note 20. Statement of cash flows

	2020 $	2019 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	195,572	184,135
As per the Statement of Cash Flow	**195,572**	**184,135**

Note 20. Statement of cash flows (continued)

	2020 $	2019 $
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	104,474	120,565
Non-cash flows in profit		
- Depreciation and amortisation	121,248	29,576
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(25,072)	(1,844)
- (Increase) / decrease in prepayments and other assets	24	(1,179)
- (Increase) / decrease in deferred tax asset	(15,096)	19,240
- Increase / (decrease) in trade and other payables	(53,704)	66,779
- Increase / (decrease) in current tax liability	14,933	(21,051)
- Increase / (decrease) in provisions	11,419	(6)
Net cash flows from operating activities	**158,226**	**212,080**

(c) Changes in Liabilities arising from Financing Activities

	1-Jul-19 $	Cash Flows $	Non-cash changes				30-Jun-20 $
			Initial application of AASB 16 $	Acquisition $	Fair Value Changes $	Reclassification $	
Lease liabilities	-	(54,233)	272,138	-	-	-	217,905
Total	**-**	**(54,233)**	**272,138**	**-**	**-**	**-**	**217,905**

Note 21. Key management personnel and related party disclosures

(a) Key management personnel

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

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

Name of related party	Description of goods / services provided	Value $
Graham Stewart	General consulting services	660
Gary McSwain	Corporate secretarial consulting services	12,834
Corinne Shaddock	Public relations and marketing	31,996

Note 21. Key management personnel and related party disclosures (continued)

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

The company has adopted 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. No Director elected to avail themselves of any benefits under the package during the current financial year.

(d) Key management personnel shareholdings

The number of ordinary shares in Macedon Ranges Community Enterprises Ltd held by each key management personnel of the company during the financial year is as follows:

	2020	2019
Karen Anne Clifford	26,000	7,000
Corinne Shaddock	5,001	-
	31,001	**7,000**

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.

Note 22. Community Enterprise Foundation™

The Community Enterprise Foundation™ (CEF) is the philanthropic arm of the Bendigo and Adelaide Bank Group to which Community Bank branches can make financial contributions. These contributions (net of GST and Management fees) made by the company are included in the charitable donations and sponsorship expenditure in the Statement of Profit or Loss and Other Comprehensive Income.

During the current financial year, the company contributed funds to the Community Enterprise Foundation™ (CEF), as detailed below. These funds are held independently by the CEF, a donor advised foundation, on behalf of the company and are available for distribution by grants to eligible applicants.

	2020 $	2019 $
Opening Balance	275,574	196,283
Contributions	244,209	92,632
Grants Paid	(25,800)	(5,091)
Interest	2,934	3,919
GST	(29,474)	(7,958)
Management fees	(14,735)	(4,211)
Balance available for distribution in future periods	**452,708**	**275,574**

Note 23. Events after the reporting period

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. 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 Gisborne, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2019: 100%).

Note 26. Commitments

	2020 $	2019 $
Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months		65,512
- between 12 months and five years		230,238
Minimum lease payments		**295,750**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

Note 27. Company details

The registered office and principal place of business is 11 Nexus Way, Gisborne VIC 3437

Note 28. Financial instrument risk

Financial risk management policies

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

Specific financial risk exposure and management

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

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

	Note	2020 $	2019 $
Financial assets			
Financial assets at amortised cost:			
- Cash and cash equivalents	5	195,572	184,135
- Trade and other receivables	6	124,628	99,556
- Financial assets	7	292,149	292,149
Total financial assets		**612,349**	**575,840**
Financial liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	12	62,371	116,075
- Franchise fee payable	13	42,246	56,328
Total financial liabilities		**104,617**	**172,403**

Note 28. Financial instrument risk (continued)

(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.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

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.

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	0.00%	195,572	195,572	-	-
- Trade and other receivables		124,628	124,628	-	-
- Financial assets	1.00%	292,149	292,149	-	-
Total anticipated inflows		**612,349**	**612,349**	**-**	**-**
Financial liabilities					
- Trade and other payables		62,371	62,371	-	-
- Franchise fee payable		42,246	14,082	28,164	-
Total expected outflows		**104,617**	**76,453**	**28,164**	**-**
Net inflow / (outflow) on financial instruments		**507,732**	**535,896**	**(28,164)**	**-**

Note 28. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
- Cash and cash equivalents	1.17%	184,135	184,135	-	-
- Trade and other receivables		99,556	99,556	-	-
- Financial assets	2.05%	292,149	292,149	-	-
Total anticipated inflows		**575,840**	**575,840**	**-**	**-**
Financial liabilities					
- Trade and other payables		116,075	116,075	-	-
- Franchise fee payable		56,328	14,082	42,246	-
Total expected outflows		**172,403**	**130,157**	**42,246**	**-**
Net inflow / (outflow) on financial instruments		**403,437**	**445,683**	**(42,246)**	**-**

(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 cash and cash equivalents and term deposits.

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 +/- 1% 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

In accordance with a resolution of the Directors of Macedon Ranges Community Enterprises Ltd, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 40 are in accordance with the *Corporations Act 2001* and:

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

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

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

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

Gary Robert McSwain
Chairman

Signed at Gisborne on 29 September 2020.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MACEDON RANGES COMMUNITY ENTERPRISES LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Macedon Ranges Community Enterprises 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 Macedon Ranges Community Enterprises Limited is in accordance with the *Corporations Act 2001*, including:

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

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

Basis for Opinion

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

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

Independence

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

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

Director's Responsibility for the Financial Report

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

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

Richmond Sinnott & Delahunty, trading as RSD Audit
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Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

P.P Delahunty
Partner
Bendigo
Dated: 1 October 2020

Community Bank · Gisborne & District
11 Nexus Way,,
Gisborne VIC 3437
Phone: 5420 7210 Fax: 5420 7346
Web: bendigobank.com.au/gisborne

Franchisee: Macedon Ranges Community Enterprises Ltd
ABN: 57 130 493 499
PO Box 757,
Gisborne VIC 3437
Phone: 5420 7210 Fax: 5430 7346
Email: eo@mrceltd.com.au

Share Registry:
AFS & Associates Pty Ltd
PO Box 454, Bendigo VIC 3552
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/GisborneDistrictCommunityBankBranch

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Bendigo Bank