Annual Report 2020

Manningham Community Enterprises Limited

Community Bank
Doncaster East & Templestowe Village

ABN 69 101 174 270

Contents

Chairman's report

For year ending 30 June 2020

Banking is our business... Community is our focus.

Who would have thought at this time last year that we would now be talking about the year that we have had, as a society but also as a bank? COVID-19 has certainly changed our lives and in many cases that change will stay with us as our 'new normal'.

Just when we thought that drought was as bad as it gets along came fires that devastated many areas and massive parts of Victoria. Then to top it all off, we were suddenly in the grip of a worldwide pandemic that we are still feeling the effects of, again particularly in Victoria.

Despite the uncertainty caused by all this disruption, our Community Bank Doncaster East and Templestowe Village have again been shining lights in our local community with many local organisations that provide support to our community being the beneficiaries of our sponsorships and grants as we redirected our efforts to pandemic survival and recovery.

With the assistance of financial support for impacted customers provided by Bendigo Bank and various Government support packages, COVID-19 has not had a material impact on the financial performance of our Community Bank company.

We commend our amazing staff for swiftly implementing hygiene and social distancing protocols into the branch operations to ensure the protection of our valued customers, our community and themselves. They have continued to show personal resilience and have on many occasions been the shining light in the day for so many people impacted by the social isolation brought on by Stage 3 and Stage 4 restrictions imposed in the fight against this virus.

As soon as the pandemic became a reality and it was clear that winter sports were unlikely to be played, we took the decision to reach out to our partner sporting groups to seek their feedback regarding their need for sponsorship support in light of the impending shutdown of their sport for the foreseeable future.

The response from these organisations was one of overwhelming support for the re-direction of our funds into our local community support organisations that were facing an immediate and increasing demand for their services whilst they themselves were facing reducing revenue streams from sources such as Opportunity Shops, fundraising events and general philanthropic support.

We were therefore able to refocus our community investment to organisations such as Doncare, Onemda, Living & Learning @ Ajani, Pines Learning and other organisations that found themselves having to meet new and growing demand for services or having to change the way they provided their services to meet the changing environment their clients were now facing, without the ability to be face-to-face with their service provision.

The upshot of what has been a year of social turmoil is that our Community Bank company has continued to perform at or above expectations yet again.

Business volume grew by a total of $28.3 million to $440.4 million which is a 6.9% increase over the 30 June 2019 level. Additionally, the sale by Bendigo Bank of their Financial Planning Business in July 2019 created an immediate $6.1 million reduction to our business which would otherwise have meant that our real increase in business volume for the financial year would have been $34.4 million or 8.3%.

On a branch by branch basis, Doncaster East grew by $1.4 million ($7.5 million prior to the sale of the Financial Planning Business) or 0.5% whilst Templestowe Village grew by $26.9 million or 18.4%.

This volume of business growth in the context of the year that we have all experienced has occurred because we continue to enjoy a staff team that is exceptionally well led by Doncaster East Senior Manager, Paul Thompson who has been with the company since 2003 and Templestowe Village Branch Manager Lilian Gomes who joined our Manningham Community Enterprises Limited (MCEL) family in September 2019. Our team has again shown amazing commitment, professionalism, integrity, determination, compassion and a desire to provide the highest levels of service in ensuring that the needs of our customers are always at the forefront. Our thanks and congratulations go to each and every one of them!

The final quarter of the year proved a difficult one for maintaining our very public profile within the community but our very strong Board continued to work on all of our community relationships in whatever way became possible and to this day we continue to connect with as many of our stakeholders as possible to provide them with support.

The first nine months of the year saw us with a very high profile in the community attending and presenting at functions and events run by Council, community organisations and sporting clubs, always with the intention of being there for these organisations whilst also ensuring that they understood the benefits of them reciprocating their support back to our Community Banks.

The highlight of the year was undoubtedly the '4 Million Reasons' Gala Dinner held on the 31 July 2019 to celebrate our approaching the $4 million milestone in community support. A large number of our community partners and stakeholders joined us in acknowledging our contribution to the Manningham community. An amazing night celebrating an amazing achievement.

Whilst we have changed our Sponsorship and Community Enterprise Foundation™ Grant focus in 2019/20, as at 30 June 2020 we have still taken our Sponsorship contributions to $2.008 million and our Community Enterprise Foundation™ Grants to $1.863 million since our Community Bank Doncaster East first opened in March of 2003.

Financial results

The Operating result for 2019/20 decreased slightly from $349,038 to $300,123 with revenue increasing by only $8,264 or 0.3% despite the increase in our business volume of $28.3 million.

Additionally, the 2019/20 revenue was positively impacted by the Federal Government's cash flow boost of $62,500 meaning that in real terms, our operating revenue reduced by $54,236 despite the significant increase in business volume. Margin, Fee and Commission Income reduced by $48,470 or 1.84% despite the increase in business volume and this reflected the historically low interest rate environment in which we operate and the resultant squeeze on margins.

The challenge therefore is to maintain our business volume growth trajectory to ensure that the tighter margin environment does not continue to erode our profitability.

Expense management has continued to be a focus again this year with Total Expenses increasing by $57,179 or 2.4% although a direct comparison with the 2018/19 year is not possible due to the implementation of the new Accounting Standard AASB 16: Leases being applied retrospectively from 1 July 2019.

Your Board

My sincere appreciation goes to your 2019/20 Board of Directors – Geoff Roberts (Vice Chair), Ray Barrington, Rod Davitt (Treasurer), Nick Furlong, Max Chapman, Simon Lewis, Brad Dodemond, Deirdre Diamante and Victoria Paouros (Company Secretary). The commitment, expertise, passion, dedication and professionalism of each and every Board member never ceases to amaze me and is the reason why our company is so successful and an outstanding example of what the Community Bank model can achieve.

Sadly, during the year we saw the retirement from the Board of Jim Christie and Darren Bourke, with Jim Christie retiring from the hectic pace of the commercial world and Darren Bourke needing to spend more time developing his professional career.

Jim was a member of MCEL's first Board of Directors and for many years has been a Community Development Mentor with Bendigo and Adelaide Bank Limited and a superb member of our Board. Jim's in-depth knowledge of banking and of Bendigo Bank and Community Bank structures and processes has been invaluable to MCEL over all those years and we owe Jim a huge debt of gratitude for all he has contributed to MCEL over that time.

Darren Bourke served on our Board for six years and for many of those years Chaired our Marketing Committee, where his knowledge and community relationships enabled him to achieve a significant increase in support from all the organisations that we chose to support.

Both Jim and Darren leave us with MCEL in a better place thanks to their input over such a long period of time.

Of course, there is a silver lining to every cloud and we were fortunate enough to be able to elevate Nick Furlong and Max Chapman from Board Associate status to Director positions and in doing so we had two ready made Directors able to fill the shoes of Jim and Darren.

We look forward to many years of valued involvement from both Nick and Max.

Board Committees

The Marketing Committee of Carly Kluge, Ray Barrington, Paul Thompson, Lilian Gomes, Lisa Jones and led by Geoff Roberts has continued to ensure that we maximize every opportunity to grow our business in the face of very difficult times.

The Committee has embraced the challenge of Marketing in a time of great uncertainty but has nonetheless provided significant support to our branch teams whilst also embracing the re-focussing of our Sponsorship and Community Enterprise Foundation™ funding towards the short term survival of our partner organisations and their long term growth and development post the pandemic.

Special mention needs to be made of the skills and expertise that Carly Kluge brings to our organisation. Carly's unique set of skills provides our company with expertise that we would otherwise be unable to access and on behalf of all Board members and staff, I thank her sincerely for her input to the growth and development of MCEL.

The Human Resources Committee of Geoff Roberts, Ray Barrington, Brad Dodemond, Paul Thompson and led by Simon Lewis continues to support our Managers and staff to ensure that they are able to concentrate their efforts into business development knowing that the HR Committee is there to support them.

The Governance Committee of Victoria Paouros, Brad Dodemond, Nick Furlong, Rod Davitt and led by Deirdre Diamante again continued to provide a Governance Framework that has ensured the absolute integrity of everything that MCEL does and also a superb framework for the strategic leadership of the company during 2019/20.

The Finance Committee under the leadership of Rod Davitt has continued to add rigour to MCEL's financial stewardship and with the superb work of our bookkeeper, Pam Tremlett, we are assured of accurate, timely and relevant financial reporting and analysis.

The Committee of Rod Davitt, Geoff Roberts, Max Chapman, Pam Tremlett and Paul Thompson are to be thanked for their commitment to best practice financial governance.

The Youth Engagement Committee of Victoria Paouros, Brad Dodemond and Nick Furlong has continued to enhance and develop the voice of youth in Manningham and in particular this year for their work in bringing Emma Lillis to our company to run a Youth Program of her design within selected schools in Manningham.

We look forward to the rollout of this program once Restrictions are lifted and 'normal' school attendance resumes....Great work Emma!

Our future focus

Our aim of being the bank of choice in the Manningham community continues on track and our relationships with our Community Partners remain as strong or stronger than ever.

We have continued to forge close relationships with many levels within Bendigo and Adelaide Bank Limited at both the Head Office and Regional level and this means that we are at the forefront of any new initiatives that require pilot sites.

Our Board is committed to growth and we have in place the necessary structures and frameworks that ensure we provide excellence in Board, Corporate and Financial Governance so that everything we do is aimed at ensuring that we increase our bottom line and as a consequence, the return that we give to our shareholders and our local community.

Our focus for the immediate future is to provide as much support as possible for the vulnerable within our Community and for those who are struggling with the impact of this pandemic.

We will also be looking to support local social support organisations that are also feeling the impact of increased demand for services and in some cases reduced funding, as philanthropic and fundraising opportunities become more scarce.

All of this will occur in a difficult financial environment where business growth may be compromised by the economic environment, however, your Board and staff will continue to work tirelessly for your Community Bank and all we ask in return is that you also take every opportunity to advocate on our behalf.

Finally, I want to acknowledge all of my fellow Board members and our staff as it is their hard work, enthusiasm, passion, commitment and professionalism that makes being a part of this amazing banking model so rewarding and such a privilege.

Ian Goldsmith
Chairman

Senior Manager's report

For year ending 30 June 2020

Your Community Bank Doncaster East is now in its seventeenth year of operation and is enduring one of its biggest challenges in what are unprecedented times, i.e. the COVID-19 pandemic. Last year, we had separate hurdles to manage which included the sustained record low interest rates and the Financial Services Royal Commission. As a result of a combination of these obstacles, Doncaster East's footings increased marginally by $1.34 million which was also impacted by the loss of $6.1 million from the sale of Bendigo Bank's Financial Planning business.

That total business under management of $267.4 million as at 30 June 2020 was supported by over 3,100 customers – strong evidence of our support from the community. Total deposits of $171.1 million and lending of $96.3 million maintains our excellent mix of business.

The above results would not be possible without the contribution of many people:

- Firstly, to my staff who I would like to name individually as they are a key driver of our business. To Lisa Jones, Catherine Dole, Tina O'Shea, Marilyn Peters and Manjula Wijesiri (who joined in January 2020), a huge thank you for your personal and professional service in what have been testing times.
- To our Directors who work tirelessly through the challenges of supporting two Community Banks. I have enjoyed a strong working relationship with all members of the Board and know that I can readily call upon Board members for advice at any time.
- To our partners, the staff from Bendigo and Adelaide Bank Limited, together with Rohan Sadler and his support team. Their ongoing support and commitment have been invaluable during these extraordinary times.

This is also an appropriate time to reiterate our key message: please continue to spread the word to ensure that the people who live and work in our area, also conduct their banking in our area. Increased awareness creates increased banking opportunities.

In summary, despite a testing period, it has been a wonderful journey in difficult times however, I would like to think that the best is yet to come.

My personal thanks for your continued support.

Paul Thompson
Senior Manager

Templestowe Village Manager's report

For year ending 30 June 2020

Community Bank Templestowe Village has reached its eleventh year and what a year it has been!

This 2019/20 financial year has been both interesting and challenging for everyone especially with the onset of the COVID-19 pandemic in early 2020. This, in addition to the significant impacts of the Financial Services Royal Commission, made it a tough year for all.

Pleasingly however, Community Bank Templestowe Village was able to navigate this uncertainty and record a strong year of business volume growth. This was a result of continued high levels of customer satisfaction, regular business development activity and a loyal and growing network. It was truly a great way to end my first year leading the Templestowe Village team.

At the end of the financial year, the overall business volume was a milestone figure of $173 million representing $26.9 million in growth for the year. Total business is split between $107 million in lending and $66 million in deposits.

The above results have been possible due to the continuous support of:

- My team of amazing staff: Lauren Bagala, Ming Fu, Michelle Ellard, Kim Nihill and Cathy Buchanan. Thank you so much for your ongoing support to our customers and to each other and for your passion to constantly exceed expectations. We have faced and overcome many challenges this year and I can honestly say we have become stronger as a team.
- Our Directors: who work steadfastly through the challenges of supporting two Community Banks. I have thoroughly enjoyed working with all members of the Board this past year and it makes my role easier knowing that I can readily call upon Board members for advice and assistance at any time.
- Our partners: the staff from Bendigo and Adelaide Bank Limited together with Rohan Sadler and his support team. Their ongoing support and commitment have been invaluable during these unprecedented times.
- Our customers and shareholders: who have helped Community Bank Templestowe Village become one of the most successful and admired in the state.

I look forward to contributing to the future continued success of MCEL over the coming years.

In summary, despite the challenging times, we've come out stronger than ever and look forward to what's instore for us in 2020/21!

Lilian Gomes
Branch Manager

Community investment

We joined Doncare to celebrate their milestone 50 year anniversary, and farewelled long-standing CEO Doreen Stoves who retired in 2019. Since our partnership began, we have provided Doncare with over $450,000 in grants.

We continue to provide defibrillators to local community groups and in 2019 the Doncaster Kindergarten Association received one of these life-saving units.

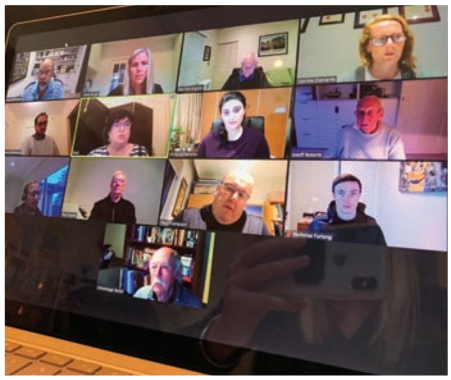
Our teams in Doncaster East and Templestowe Village continued to provide exceptional service to our customers, remaining open throughout Melbourne's lockdown. We congratulate them on another successful year.

The Donvale Bowls Club were recipients of a defib unit for their Mullum Mullum Reserve clubrooms, which they share with the Doncaster Hockey Club.

Our 2019 Christmas Toy Drive was donated to EDVOS, for distribution to children facing domestic violence. Our branch teams did a fabulous job collecting the new toys including Cathy and Michelle who were delighted with the quality and quantity of donations received.

Following our 2019 grant to fund the purchase of a Mini-Van, the Kevin Heinze Grow on the Go team hit the road late last year. This great initiative allows keen gardeners with autism the opportunity to provide gardening services in the community.

Our partnership with MannaCare was further strengthened this year when we committed to a three year partnership of their POWER program, providing rehabilitation services for local people recovering from cancer treatment. The pilot program was funded by MCEL in 2017–18 and was well received by the community.



With COVID restrictions in place from March 2020, MCEL Board and Committee meetings quickly transitioned to the online format via Zoom.

The 2019–20 year started in style with our 4 million reasons Gala Dinner, celebrating $4 million in community contributions. It was a terrific night with guest speakers Kevin Sheedy and Bendigo Bank Managing Director, Marnie Baker.

The partnership with local disability service provider Onemda continues to grow. With a client base particularly vulnerable to the coronavirus, we were thrilled to provide Onemda with a grant of $35,000 to take their programs online to ensure the learning and engagement continued throughout lockdown.

An event to raise funds for the Ray Lord School in Cambodia was supported by our Board and branch teams. It was a wonderful opportunity to honour the community efforts and achievements made by the late Ray Lord, one of our founding Board members.

We teamed up with the Rotary Club of Doncaster to raise funds for the Farmers Drought Appeal. Enthusiastic Rotarians wrapped gifts at The Pines Shopping Centre for gold coin donations, matched dollar for dollar by us.

We have long supported the Templestowe Village RSL, who showed their appreciation by acknowledging this support on their external sign on Parker Street.

Sport and Life Training (SALT) plays a critical role in supporting local clubs with mental health and wellbeing training. Our Foundation partnership in collaboration with other Community Bank companies across metropolitan Melbourne was recognised at the 2019 Brownlow Breakfast. Ian and Paul took the opportunity to get up close with the AFL Premiership Cup.

Our teams were very quick to adapt to the new reality of face masks, hand sanitation stands and social distancing. We are incredibly proud of the way our teams responded and continued to provide exceptional customer service in a safe environment throughout the pandemic lockdowns.

Tina and Paul proudly display some of the promotional items we distributed pre-Christmas to the many sporting clubs we supported.

Our branches were the major sponsors of Manningham Council's Women in Business lunch, which featured TV personality and author Jessica Rowe.

The Women's Friendship Group continue to support senior socially isolated women in our community and we are thrilled to support their Aquarena program which provides participants with both social connection and physical exercise – a win win!

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2020

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

Directors

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

Ian Graham Goldsmith
Chairman
Occupation: Chief Executive Officer
Qualifications, experience and expertise: Ian has over 45 years experience in the hospital, aged care, ambulance and health insurance sectors in senior executive positions. He is a Certified Practising Accountant (CPA) and is currently Chief Executive Officer of Edith Bendall Lodge Aged Care in Pascoe Vale. Ian is also the Treasurer of the Rotary Club of Manningham and has been a Rotarian for 21 years and a Board member for 19 years. Ian is also a Board member of Art Building Children's Dreams (Australia) Inc.
Special responsibilities: Member of CEF Committee, Marketing Committee, Governance Committee, Finance Committee, Human Resources Committee and Youth Engagement Committee
Interest in shares: 32,500 ordinary shares

Geoffrey Bruce Roberts OAM
Deputy Chairman
Occupation: Consultant/Investor
Qualifications, experience and expertise: Geoff has had over forty years of experience in the manufacturing, distribution, clothing and footwear industries having worked as a Senior Marketing Executive with the McPherson Group of companies, Director with the Yakka Group and more recently with Oliver Footwear. Whilst in these roles he also sat on many Industry boards. He has significant community involvement with his work with Rotary International. His qualifications include a Graduate Diploma of Business studies and has attended many professional development programs over the years.
Special responsibilities: Chair of Marketing Committee, Member of Finance Committee
Interest in shares: 5,000 ordinary shares

Victoria George Paouros
Company Secretary
Occupation: Analyst - Australian Public Service
Qualifications, experience and expertise: Victoria is currently employed as an Analyst in the Australian Competition and Consumer Commission's Digital Platforms Branch. Victoria has been part of the MCEL team since she participated in the Company's Junior Observer Program in 2009. Since then, she has occupied a number of roles including; Minute Secretary, Company Secretary, Youth Engagement Committee Chair and Director. She holds a number of qualifications, including a Bachelor of Laws (Hons), an Advanced Diploma of Management (HR), a Diploma of Business, a Certificate IV in Training and Education and a Certificate in Governance Practice.
Special responsibilities: Member of Youth Engagement Committee. Member of Governance Committee
Interest in shares: nil share interest held

Raymond Bruce Barrington
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: Raymond has had 10 years' banking and finance experience in ES&A and ANZ Bank. He has a wealth of experience in small business having run the family business for 20 years. He has been a Board Member of Mannacare for the past eight years.
Special responsibilities: Member of Human Resources Committee, Member of Marketing Committee and Member of Premises Committee
Interest in shares: 7,501 ordinary shares

Directors (continued)

Colin Roderick Davitt
Treasurer
Occupation: Director
Qualifications, experience and expertise: Rod brings extensive experience across a range of industries and specific finance experience gained in Australia and Asia with a range of blue chip banking and insurance companies. Rod's skill base includes corporate governance, accounting, business and strategic planning and risk management gained through board roles, formal qualifications and more than 30 years working with leading Australian and international organisations. He holds degrees in Business (Accounting) and Economics, is a Fellow of CPA Australia (FCPA) and a graduate of the Australian Institute of Company Directors (GAICD).
Special responsibilities: Chair of Finance Committee, Member of Governance Committee
Interest in shares: nil share interest held

Simon David Lewis
Non-executive director
Occupation: CEO of Onemda
Qualifications, experience and expertise: As the Chief Executive Officer of Onemda, Simon has developed extensive experience and knowledge in the disability sector for over 20 years through a wide variety of leadership roles in the areas of intellectual disability, mental health, physical impairment and acquired brain injury. He commenced at Onemda in 2000 and his career has had a focus on community development, with many roles focussing on forging partnerships, relationships and opportunities with communities, governments and local enterprise to raise awareness and to enhance the valued status of people with a disability. In 2015, Simon was awarded with the Winston Churchill Fellowship Award which enabled him to undertake a study tour to Canada, USA and Peru. Simon has a Post Graduate Diploma in Leadership Studies (Disability) and has held roles on a range of local and regional committees and advisory groups.
Special responsibilities: Chair of Human Resources Committee
Interest in shares: nil share interest held

Bradley Dodemond
Non-executive director
Occupation: Senior Human Resources Business Partner
Qualifications, experience and expertise: Brad has over 9 years experience as a Human Resources professional both in Australia and North America. He currently works as a Senior Human Resources Business Partner for the Victorian Government at the Level Crossing Removal Project (LXRP). He possesses a number of qualifications including a Master of Business Management (MBA), Master of Human Resources Management and a Bachelor of Business (Human Resources). Brad commenced his MCEL journey in January 2018 as part of the Company's inaugural Future Directors Program offered in partnership with La Trobe University.
Special responsibilities: Chair of Youth Engagement Committee, Member of Human Resources Committee and Member of Governance Committee.
Interest in shares: nil share interest held

Deirdre Elizabeth Diamante
Non-executive director
Occupation: Self-employed
Qualifications, experience and expertise: Deirdre Diamante is the founder and principal of MIA Consulting Services, a government advisory firm, providing procurement, probity and Government advisory services to public and private sector clients. Deirdre also runs educational programs for Business Victoria. Deirdre serves as Immediate Past Chair for the Victorian Council of the Australian Information Industry Association (AIIA) and is the Director and Co-Founder of the #TechDiversity Foundation and serves on its Board. She is also a Board Advisory to a Digital Services Firm, an Advisory Board member to the Swinburne Course Advisory Board for their Master of Entrepreneurship and Innovation. Deirdre is Immediate Past Chair of the Parish Education Board at St Gregory the Great Doncaster and has been a long standing judge of the Manningham Business Excellence Awards.
Special responsibilities: Chair of Governance Committee
Interest in shares: nil share interest held

Directors (continued)

Maxwell Chapman
Non-executive director (appointed 26 September 2019)
Occupation: Consultant
Qualifications, experience and expertise: Max has a Bachelor of Commerce, Graduate Diploma of Accounting, CPA. Retail, Franchising and Retail Property Consultant for 20 years specialising in Large Format Retail. Max has lived in Manningham for over 35 years, initially in Lower Templestowe, and now Donvale. He has been a Committee Member of Doncaster All Abilities Basketball Club for over 14 years and is currently the Treasurer. The Club provides a Basketball Competition for Children and Young Adults with an Intellectual Disability. The Club has over 300 participants ranging from those developing basis skills to those who have been able to represent Victoria and Australian at National International Competitions. Like most in the lockdowns the Children cannot wait to re-commence competition.
Special responsibilities: Member of the Finance Committee
Interest in shares: nil share interest held

Nicholas Furlong
Non-executive director (appointed 1 December 2019)
Occupation: Governance and Risk Analyst - Superannuation
Qualifications, experience and expertise: Nick currently works as a Governance and Risk Analyst in the superannuation industry and has developed robust knowledge of the legislation and prudential frameworks governing Australian financial services, as well as skills relating to business and strategic planning, funds management and investment governance. Nick commenced his journey with MCEL in 2014 as a Board Associate, assisting in the management of MCEL's Junior Observer Program and later Future Directors Program, whilst also sitting as a member of the Governance and Youth Engagement Committees. In addition to his professional experience, Nick also possesses a double bachelors degree in Business Management and Communications, and was a nominated attendee at the Rotary Youth Leadership Award, an intensive leadership development program for young people aged 18 - 30.
Special responsibilities: Member of Governance Committee and Member of Youth Engagement Committee.
Interest in shares: nil share interest held

James Douglas Christie RFD
Non-executive director (resigned 26 September 2019)
Occupation: Business Consultant
Qualifications, experience and expertise: James brings a wealth of experience from his former career as a senior executive in the retail-banking sector, both in Australia and overseas. James also served as a Lieutenant Colonel in the Australian Army Reserve. He also worked in the NFP sector. He currently works as a consultant to Bendigo and Adelaide Bank Limited mentoring Community Bank companies. He has served as an elected member of the Community Bank Strategic Advisory Board (now known as National Council) and is also currently a Director of Principled Mortgage Investments Limited. Heis a Member of the Australian Institute of Company Directors and a former Fellow of both the Australian Institute of Banking and Finance and the Australian Institute of Management.
Special responsibilities: Nil
Interest in shares: 25,001 ordinary shares

Darren William Bourke
Non-executive director (resigned 26 September 2019)
Occupation: General Manager - Concept Logistics Interstate Transport
Qualifications, experience and expertise: Darren has had nearly 30 years experience in the transport industry having held senior Management positions with Concord Park Transport, Toll Express, Silk Logistics Group WA Freight division as National Account and Operations Manager Print Media division and currently is employed with Concept Logistics Interstate Transport as General Manager. Darren has always been an active member within the City of Manningham and has held the role of club President from 2006 to 2015 at East Doncaster Cricket Club and was awarded the Manningham Citizen of the year for 2013 for his service to the Manningham Community. Over the recent years Darren has created a number of vital Community relationships within Manningham with Doncare, Onemda & EDVOS.
Special responsibilities: Nil
Interest in shares: nil share interest held

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

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

Company Secretary

The Company Secretary is Victoria George Paouros. Victoria was appointed to the position on 14 November 2013.

Qualifications, experience and expertise: Victoria holds a number of qualifications, including a Bachelor of Laws (Hons), an Advanced Diploma of Management (HR), a Diploma of Business, a Certificate IV in Training and Education and a Certificate in Governance Practice.

Principal activity

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

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

Operating results

The profit of the Company for the financial year after provision for income tax was:

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	227,755	251,744

Operating and financial review

Overview of the Company

The Company is a franchisee of Bendigo Bank providing financial products and services to individuals, businesses and organisations throughout the local area via the Doncaster East and Templestowe Village Community Bank branches. While the branch offers the full suite of Bendigo & Adelaide Bank products and services, margin earnings from loans and deposits are the predominant contributor to Company results.

The general nature of the business market for the Company remains challenging and issues commented upon for the prior three financial years continue to persist. The Company continues to endure historically low cash rates set by the Reserve Bank of Australia that have resulted in a corresponding decline in interest paid on deposit accounts, continuing the trend of lower than anticipated margins for this product group. Moreover, the market competition for home and other loans has made it difficult to achieve budgeted targets. The Company continues to actively pursue new customers and product offerings to offset the intense competition from major financial service providers in the marketplace.

Key metrics

Five year summary of performance	Unit	2020	2019	2018	2017	2016
Operating revenue	$	2,691,665	2,683,401	2,527,813	2,371,207	2,074,668
Earnings before interest, tax, depreciation, and amortisation	$	575,777	418,897	395,490	365,738	319,411
Earnings before interest and tax	$	368,304	349,047	325,956	305,020	258,317
Net profit after tax	$	227,755	251,744	234,579	218,242	181,751
Total assets	$	2,326,060	1,722,893	1,677,573	1,417,679	1,342,389
Total liabilities	$	1,216,839	376,560	431,752	255,205	268,529
Total equity	$	1,109,221	1,346,333	1,245,821	1,162,474	1,073,860
Net cash flow from operating activities	$	428,124	290,955	360,491	249,064	227,705
Business footings1	$m	440.4	412.1	406.0	373.0	334.1

Operating and financial review (continued)

Key metrics (continued)

Shareholder returns	Unit	2020	2019	2018	2017	2016
Profit attributable to owners of the Company	$	227,755	251,744	234,579	218,242	181,751
Basic earnings per share	c	10.54	11.65	10.86	10.10	8.41
Dividends paid	$	172,837	151,232	151,232	129,628	129,628
Dividends per share	c	8.00	7.00	7.00	6.00	6.00
Net tangible assets per share	c	44.00	57.00	51.00	52.00	47.00
Price earnings ratio	c	10.54	11.65	10.86	10.10	8.41
Share price	c	0.60	0.65	0.70	0.60	0.60

1 This is a non IFRS measure of the business domiciled to the Company from the franchisor. The footings is the underlying business which generates revenue under the Franchise Agreement. Business footings include loans, deposits, wealth products, and other business.
Returns to shareholders increased to $0.08 per share fully franked and it is expected that dividends in the future years will continue to be fully franked.

Financial position

Despite the challenging conditions, the Company was able to limit the decline in the operating result registering a fall from $349,038 to $300,123 (14%).

Revenue grew during the period, increasing from $2,683m to $2,691m but net interest margin returns under the revenue share arrangement have decreased following four official cash rate cuts by the Reserve Bank of Australia. This has contributed to a decline in profitability from $251,744 to $227,755 (10.5%).

Tight revenues and margins were somewhat offset by a continued emphasis on cost controls. Total Expenses, including charitable donations, sponsorships, advertising and promotions increased by $57,179 or 2.5%.

Containment of costs during a period of lower margins remains a strong focus and the financial position of the Company remains relatively strong.

Combined Business Volume across the two branches increased by $28.3m to $440.4m or 6.9%. The lending to deposit ratio remained the same as the previous year at 45:55.

The cash and cash equivalents position of the Company improved for the reporting year by $1,100,690 for a year end balance of $1,122,750.

The Company continues to build a resilient balance sheet, however, due to mandatory adoption of AASB 16 for the measurement and recognition of its leases there has been significant movement in the carrying values of assets and liabilities with the net assets declining by $237,112.

The Company paid a fully franked dividend of 8 cents per share during the period.

Drivers of Performance and Business Strategies

COVID-19 resulted in mandatory quarantine in the second half of the financial year. The impact is difficult to quantify however the company has seen a small decline in operating revenue from $2,630,403 to $2,581,933 (1.9%). The Cash Flow boost provided in response to COVID-19 enabled an overall increase in revenue to be achieved.

While the impact of COVID-19 and ongoing restrictions to the Community and the economy is not expected to significantly impact performance. Future reporting periods may see lower revenues and an increase in bad debt charges.

The Company continues to support the community through a strong focus on its community grants and sponsorships and expects this to continue in future.

Partners such as Onemda, Doncare, EDVOS (Eastern Domestic Violence Service) and numerous local sporting and community organisations have benefited from contributions from the relationship.

Operating and financial review (continued)

Future outlook

The Company believes there are opportunities to develop additional revenue through:

1. Acquiring additional customers through greater community based events and a focus on local businesses.
2. Improving the range and number of products and services, such as insurance, for each customer.

The Company anticipates that current market conditions will remain challenging during the forthcoming financial year. In this environment the Company will focus upon increasing the number of customers and the uptake of products and services, thereby further improving revenue flow and profitability.

Remuneration report

Remuneration Policy

The Remuneration Policy of Manningham Community Enterprises Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between directors, executives and shareholders

Key Management Personnel Remuneration Policy

Key management personnel receive a base salary, superannuation and performance incentives.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Employment agreements were entered into with key management personnel.

Remuneration Structure

All directors are independent non-executive directors and are paid directors' fees as disclosed below.

Non-executive director remuneration policy:

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability.

The maximum aggregate amount of fees that can be paid to non-executive directors requires approval by shareholders as required by the Corporations Act 2001 and NSX listing rules.

Fees for non-executive directors are not linked to the performance of the Company.

Performance based remuneration

The Company does not pay performance based remuneration to any director.

Remuneration including superannuation for the financial year ended 30 June 2020

Remuneration report (continued)

Non-executive Director remuneration

	$
Ian Graham Goldsmith	10,500
Geoffrey Bruce Roberts OAM	7,064
Victoria George Paouros	7,167
Raymond Bruce Barrington	7,064
Colin Roderick Davitt	7,064
Simon David Lewis	7,064
Bradley Dodemond	7,064
Deirdre Elizabeth Diamante	7,167
Maxwell Chapman	7,167
Nicholas Furlong	7,167
James Douglas Christie RFD	512
Darren William Bourke	-
	75,000

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Ian Graham Goldsmith	12,500	20,000	32,500
Geoffrey Bruce Roberts OAM	5,000	-	5,000
Victoria George Paouros	-	-	-
Raymond Bruce Barrington	7,501	-	7,501
Colin Roderick Davitt	-	-	-
Simon David Lewis	-	-	-
Bradley Dodemond	-	-	-
Deirdre Elizabeth Diamante	-	-	-
Maxwell Chapman	-	-	-
Nicholas Furlong	-	-	-
James Douglas Christie RFD	25,001	-	25,001
Darren William Bourke	-	-	-

Dividends

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

	Cents per share	Total amount $
Final fully franked dividend	8.00	172,837
Total amount	**8.00**	**172,837**

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

During the financial year the Company undertook a review of historical superannuation obligations on director fees paid. Upon assessment it was found that unpaid superannuation on director fees from 2010 to 2019 amassed to $55,694.59 including $18,030.21 interest. The amount was paid during the 2019 / 20 financial period.

Subsequent to year end, Bendigo Bank undertook a review of payroll and superannuation processes and identified an error resulting in underpayment of superannuation for a portion of the period reviewed. Consequently, Bendigo Bank plans to reimburse Manningham Community Enterprises Limited $35,627.89, for this error during the 2021 financial period.

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

Likely developments

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

Environmental regulation

The Company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Finance		Human Resources		Marketing & Sponsorship		Governance		Youth Engagement	
	E	A	E	A	E	A	E	A	E	A	E	A
Ian Graham Goldsmith	11	10	6	6	4	3	9	8	5	5	-	-
Geoffrey Bruce Roberts OAM	11	9	6	6	4	4	9	7	-	-	-	-
Victoria George Paouros	11	10	-	-	-	-	-	-	5	4	7	7
Raymond Bruce Barrington	11	10	-	-	4	4	9	9	-	-	-	-
Colin Roderick Davitt	11	9	6	6	-	-	-	-	5	3	-	-
Simon David Lewis	11	10	-	-	4	4	-	-	-	-	-	-
Bradley Dodemond	11	11	-	-	4	4	-	-	5	4	7	7
Deirdre Elizabeth Diamante	11	10	-	-	-	-	-	-	5	5	-	-
Maxwell Chapman	9	9	6	6	-	-	-	-	-	-	-	-
Nicholas Furlong	6	6	-	-	-	-	-	-	2	2	7	4
James Douglas Christie RFD	3	2	3	3	-	-	-	-	-	-	-	-
Darren William Bourke	3	1	-	-	-	-	-	-	-	-	-	-

E - eligible to attend A - number attended

Proceedings on behalf of the company

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

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

Non audit services

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 27 to the accounts.

The Board of Directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Finance Committee, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

Signed in accordance with a resolution of the directors at Doncaster East, Victoria.

Ian Graham Goldsmith
Chairman

Dated this 24th day of September 2020

Auditor's independence declaration

Partners in success
Chartered Accountants

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 24 September 2020

Graeme Stewart
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	2,581,933	2,630,403
Other revenue	9	93,711	35,714
Finance income	10	16,021	17,284
Employee benefit expenses	11c)	(1,206,351)	(1,048,728)
Charitable donations, sponsorship, advertising and promotion		(563,727)	(611,591)
Occupancy and associated costs		(65,303)	(286,589)
Systems costs		(62,897)	(65,694)
Depreciation and amortisation expense	11a)	(207,473)	(69,850)
Finance costs	11b)	(68,181)	(9)
General administration expenses		(217,610)	(251,902)
Profit before income tax expense		**300,123**	**349,038**
Income tax expense	12a)	(72,368)	(97,294)
Profit after income tax expense		**227,755**	**251,744**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**227,755**	**251,744**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	30a)	10.54	11.65

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	1,122,750	1,100,690
Trade and other receivables	14a)	199,775	221,813
Current tax assets	18a)	31,862	-
Total current assets		**1,354,387**	**1,322,503**
Non-current assets			
Property, plant and equipment	15a)	263,341	286,923
Right-of-use assets	16a)	540,547	-
Intangible assets	17a)	70,569	97,013
Deferred tax asset	18b)	97,216	16,454
Total non-current assets		**971,673**	**400,390**
Total assets		**2,326,060**	**1,722,893**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	153,483	167,543
Current tax liabilities	18a)	-	18,150
Lease liabilities	20b)	210,602	-
Employee benefits	22a)	125,829	129,032
Total current liabilities		**489,914**	**314,725**
Non-current liabilities			
Trade and other payables	19b)	29,815	59,630
Lease liabilities	20c)	629,678	-
Employee benefits	22b)	9,307	2,205
Provisions	21a)	58,125	-
Total non-current liabilities		**726,925**	**61,835**
Total liabilities		**1,216,839**	**376,560**
Net assets		**1,109,221**	**1,346,333**
EQUITY			
Issued capital	23a)	1,138,759	1,138,759
Retained earnings/(accumulated losses)	24	(29,538)	207,574
Total equity		**1,109,221**	**1,346,333**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Retained earnings/ Accumulated losses $	Total equity $
Balance at 1 July 2018		1,138,759	107,062	1,245,821
Total comprehensive income for the year		-	251,744	251,744
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(151,232)	(151,232)
Balance at 30 June 2019		**1,138,759**	**207,574**	**1,346,333**
Balance at 1 July 2019		1,138,759	207,574	1,346,333
Effect of AASB 16: Leases	3d)	-	(292,030)	(292,030)
Restated balance at 1 July 2019		1,138,759	(84,456)	1,054,303
Total comprehensive income for the year		-	227,755	227,755
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(172,837)	(172,837)
Balance at 30 June 2020		**1,138,759**	**(29,538)**	**1,109,221**

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		2,943,454	2,926,304
Payments to suppliers and employees		(2,351,124)	(2,539,863)
Interest received		22,247	11,946
Interest paid		(19,623)	(9)
Lease payments (interest component)	11b)	(45,729)	-
Lease payments not included in the measurement of lease liabilities	11d)	(28,729)	-
Income taxes paid		(92,372)	(107,423)
Net cash provided by operating activities	**25**	**428,124**	**290,955**
Cash flows from investing activities			
Payments for property, plant and equipment		(34,486)	(5,195)
Proceeds from sale of property, plant and equipment		16,542	-
Payments for intangible assets		(27,104)	(27,105)
Net cash used in investing activities		**(45,048)**	**(32,300)**
Cash flows from financing activities			
Lease payments (principal component)	20a)	(188,179)	-
Dividends paid	29a)	(172,837)	(151,232)
Net cash used in financing activities		**(361,016)**	**(151,232)**
Net cash increase in cash held		**22,060**	**107,423**
Cash and cash equivalents at the beginning of the financial year		1,100,690	993,267
Cash and cash equivalents at the end of the financial year	**13a)**	**1,122,750**	**1,100,690**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2020

Note 1. Reporting entity

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

Registered Office	Principal Place of Business
900 - 902 Doncaster Road Doncaster East VIC 3109	900 - 902 Doncaster Road Doncaster East VIC 3109 128 James Street Templestowe VIC 3106

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

Note 2. Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 24 September 2020.

Note 3. Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

b) As a lessee

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

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

b) As a lessee (continued)

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

The company is not a party in an arrangement where it is a lessor.

d) Impact on financial statements

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

	Note	1 July 2019 $
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	16b)	636,441
Deferred tax asset	18b)	110,769
Liability		
Lease liabilities	20a)	(983,944)
Provision for make-good	21b)	(55,296)
Equity		
Retained earnings/(accumulated losses)		**(292,030)**

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.00%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	994,070
Add: additional options now expected to be exercised	425,419
Add: variable market review / index based increase	(284,036)
Less: AASB 117 lease commitments reconciliation	(23,750)
Less: present value discounting	(127,759)
Lease liability as at 1 July 2019	**983,944**

Note 4. Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

Note 4. Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Ability to change financial return (continued)

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

b) Other revenue

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

Revenue stream	Revenue recognition policy
Sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

Note 4. Summary of significant accounting policies (continued)

c) Economic dependency - Bendigo Bank (continued)

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

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

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

d) Employee benefits

Short-term employee benefits

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

Short-term employee benefits (continued)

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Note 4. Summary of significant accounting policies (continued)

e) Taxes (continued)

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using diminishing value method over their estimated useful lives, and is recognised in profit or loss.

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

Asset class	Method	Useful life
Leasehold improvements	Diminishing value	5 to 40 years
Plant and equipment	Diminishing value	2 to 40 years
Motor vehicles	Diminishing value	3 to 5 years

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

h) Intangible assets

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

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Subsequent expenditure

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

Amortisation

Intangible assets are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

Note 4. Summary of significant accounting policies (continued)

h) Intangible assets (continued)

Amortisation (continued)

Asset class	Method	Useful life
Franchise establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

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

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on its trade receivables.

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

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

Recognition of expected credit losses in financial statements

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

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 14 days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) Provisions

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

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

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

Note 4. Summary of significant accounting policies (continued)

l) Provisions (continued)

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

The company is not a party in an arrangement where it is a lessor.

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable before 1 July 2019

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

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

As a lessee

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

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

As a lessor

The company has not been a party in an arrangement where it is a lessor.

n) Standards issued but not yet effective

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

Note 5. Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

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

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

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6. Financial risk management

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

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

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

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

a) Credit risk

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

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

b) Liquidity risk

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

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

30 June 2020 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	840,280	247,871	679,303	-
Trade payables	35,732	35,732	-	-
	876,012	**283,603**	**679,303**	**-**

30 June 2019 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade payables	37,000	37,000	-	-
	37,000	**37,000**	**-**	**-**

Note 6. Financial risk management (continued)

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $1,122,750 at 30 June 2020 (2019: $1,100,690). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Note 7. Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 8. Revenue from contracts with customers

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

	2020 $	2019 $
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	2,581,933	2,630,403
	2,581,933	**2,630,403**
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	2,221,293	2,269,233
- Fee income	129,917	137,306
- Commission income	230,723	223,864
	2,581,933	**2,630,403**

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

Note 9. Other revenue

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

	2020 $	2019 $
Other revenue		
Revenue:		
- Market development fund income	20,000	35,000
- Cash flow boost	62,500	-
- Other income	11,211	714
	93,711	**35,714**

Note 10. Finance income

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

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

	2020 $	2019 $
Finance income		
At amortised cost:		
- Term deposits	16,021	17,284
	16,021	**17,284**

Note 11. Expenses

	Note	2020 $	2019 $
a) Depreciation and amortisation expense			
Depreciation of non-current assets:			
- Leasehold improvements		18,486	19,141
- Plant and equipment		6,703	7,379
- Motor vehicles		15,431	16,886
		40,620	**43,406**
Depreciation of right-of-use assets			
- Leased land and buildings		140,409	-
		140,409	**-**
Amortisation of intangible assets:			
- Franchise fee		4,407	4,407
- Franchise renewal process fee		22,037	22,037
		26,444	**26,444**
Total depreciation and amortisation expense		**207,473**	**69,850**

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

	Note	2020 $	2019 $
b) Finance costs			
Finance costs:			
- Lease interest expense	20a)	45,729	-
- Unwinding of make-good provision		2,829	-
- Other		19,623	9
		68,181	**9**

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

Note 11. Expenses (continued)

	2020 $	2019 $
c) Employee benefit expenses		
Wages and salaries	955,025	869,185
Non-cash benefits	14,960	15,330
Contributions to defined contribution plans*	125,606	86,816
Expenses related to long service leave	(17,011)	11,513
Other expenses	127,771	65,884
	1,206,351	**1,048,728**

* During the financial year the company undertook a review of historical superannuation obligations on director fees paid. Upon assessment it was found that unpaid superannuation on director fees from 2010 to 2019 amassed to $55,694.59 including $18,030.21 interest. The amount was paid during the 2019 / 20 financial period.

d) Recognition exemption

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

	2020 $	2019 $
Expenses relating to low-value leases	28,729	-
	28,729	**-**

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

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

Note 12. Income tax expense

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

	2020 $	2019 $
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Current tax	42,360	94,252
- Movement in deferred tax	(86,370)	3,042
- Adjustment to deferred tax on AASB 16 retrospective application	110,769	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	5,609	-
	72,368	**97,294**

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $5,609 related to the remeasurement of deferred tax assets and liabilities of the company.

	2020 $	2019 $
b) Prima facie income tax reconciliation		
Operating profit before taxation	300,123	349,038
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	82,534	95,985

Note 12. Income tax expense (continued)

	2020 $	2019 $
b) Prima facie income tax reconciliation (continued)		
Tax effect of:		
- Non-deductible expenses	1,413	1,309
- Non-assessable income	(17,188)	-
- Temporary differences	(24,399)	(3,042)
- Movement in deferred tax	(86,370)	3,042
- Leases initial recognition	110,769	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	5,609	-
	72,368	**97,294**

Note 13. Cash and cash equivalents

a) Cash and cash equivalents

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

	2020 $	2019 $
- Cash at bank and on hand	104,875	232,815
- Term deposits	1,017,875	867,875
	1,122,750	**1,100,690**

Note 14. Trade and other receivables

	2020 $	2019 $
a) Current assets		
Trade receivables	193,724	196,843
Prepayments	5,409	18,103
Other receivables and accruals	642	6,867
	199,775	**221,813**

Note 15. Property, plant and equipment

	2020 $	2019 $
a) Carrying amounts		
Leasehold improvements		
At cost	404,200	404,200
Less: accumulated depreciation	(215,315)	(196,829)
	188,885	**207,371**
Plant and equipment		
At cost	174,539	174,539
Less: accumulated depreciation	(148,105)	(141,402)
	26,434	**33,137**
Motor vehicles		
At cost	79,942	84,431
Less: accumulated depreciation	(31,920)	(38,016)
	48,022	**46,415**
Total written down amount	**263,341**	**286,923**

Note 15. Property, plant and equipment (continued)

a) Carrying amounts (continued)

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

	2020 $	2019 $
b) Reconciliation of carrying amounts		
Leasehold improvements		
Carrying amount at beginning	207,371	226,512
Depreciation	(18,486)	(19,141)
Carrying amount at end	**188,885**	**207,371**
Plant and equipment		
Carrying amount at beginning	33,137	35,321
Additions	-	5,195
Depreciation	(6,703)	(7,379)
Carrying amount at end	**26,434**	**33,137**
Motor vehicles		
Carrying amount at beginning	46,415	63,301
Additions	34,486	-
Disposals	(17,448)	-
Depreciation	(15,431)	(16,886)
Carrying amount at end	**48,022**	**46,415**
Total written down amount	**263,341**	**286,923**

c) Changes in estimates

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

The company's review resulted in changes in the useful life of leasehold improvements.

Note 16. Right-of-use assets

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

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

	Note	2020 $	2019 $
a) Carrying amounts			
Leased land and buildings			
At cost		2,239,996	-
Less: accumulated depreciation and impairment		(1,699,449)	-
Total written down amount		**540,547**	**-**
b) Reconciliation of carrying amounts			
Leased land and buildings			
Initial recognition on transition	3d)	2,195,481	-
Accumulated depreciation on adoption	3d)	(1,559,040)	-
Remeasurement adjustments		44,515	-
Depreciation		(140,409)	-
Carrying amount at end		**540,547**	**-**
Total written down amount		**540,547**	**-**

Note 17. Intangible assets

	2020 $	2019 $
a) Carrying amounts		
Franchise fee		
At cost	123,174	123,174
Less: accumulated amortisation	(111,411)	(107,004)
	11,763	**16,170**
Franchise renewal process fee		
At cost	271,444	271,444
Less: accumulated amortisation	(212,638)	(190,601)
	58,806	**80,843**
Total written down amount	**70,569**	**97,013**

	2020 $	2019 $
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	16,170	20,577
Amortisation	(4,407)	(4,407)
Carrying amount at end	**11,763**	**16,170**
Franchise renewal process fee		
Carrying amount at beginning	80,843	102,880
Amortisation	(22,037)	(22,037)
Carrying amount at end	**58,806**	**80,843**
Total written down amount	**70,569**	**97,013**

c) Changes in estimates

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

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

Note 18. Tax assets and liabilities

	2020 $	2019 $
a) Current tax		
Income tax payable/(refundable)	**(31,862)**	**18,150**

b) Deferred tax

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in equity $	30 June 2020 $
Deferred tax assets				
· expense accruals	1,642	(602)	-	1,040
· employee provisions	36,090	(415)	-	35,675
· make-good provision	-	(93)	15,206	15,113
· lease liability	-	(52,112)	270,585	218,473
Total deferred tax assets	**37,732**	**(53,222)**	**285,791**	**270,301**

Note 18. Tax assets and liabilities (continued)

b) Deferred tax (continued)

	30 June 2019 $	Recognised in profit or loss $	Recognised in equity $	30 June 2020 $
Deferred tax liabilities				
· income accruals	1,889	(1,722)	-	167
· property, plant and equipment	19,389	12,987	-	32,376
· right-of-use assets	-	(34,479)	175,021	140,542
Total deferred tax liabilities	**21,278**	**(23,214)**	**175,021**	**173,085**
Net deferred tax assets (liabilities)	**16,454**	**(30,008)**	**110,770**	**97,216**

Movement in the company's deferred tax balances for the year ended 30 June 2019:

	30 June 2018 $	Recognised in profit or loss $	30 June 2019 $
Deferred tax assets			
· expense accruals	1,447	195	1,642
· employee provisions	38,427	(2,337)	36,090
Total deferred tax assets	**39,874**	**(2,142)**	**37,732**
Deferred tax liabilities			
· income accruals	421	1,468	1,889
· property, plant and equipment	19,957	(568)	19,389
Total deferred tax liabilities	20,378	900	21,278
Net deferred tax assets (liabilities)	19,496	(3,042)	16,454

c) Uncertainty over income tax treatments

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

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

Note 19. Trade creditors and other payables

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

	2020 $	2019 $
a) Current liabilities		
Trade creditors	35,732	37,000
Other creditors and accruals	117,751	130,543
	153,483	**167,543**
b) Non-current liabilities		
Other creditors and accruals	29,815	59,630
	29,815	**59,630**

Note 20. Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.00%.

Note 20. Lease liabilities (continued)

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

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

Lease portfolio

The company's lease portfolio includes:

- Templestowe Village Branch
  The lease agreement is a non-cancellable lease with an initial term of five years which commenced in October 2009. An extension option term of five years was exercised in March 2020.
- Doncaster East Branch
  The lease agreement is a non-cancellable lease with an initial term of six years which commenced in October 2006. An extension option term of five years was exercised in March 2018.

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

a) Lease liability measurement

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

	Note	2020 $	2019 $
Lease liabilities on transition			
Initial recognition on AASB 16 transition	3d)	983,944	-
Remeasurement adjustments		44,515	-
Lease payments - interest		45,729	-
Lease payments - principal		(233,908)	-
		840,280	**-**
b) Current lease liabilities			
Property lease liabilities		247,871	-
Unexpired interest		(37,269)	-
		210,602	**-**
c) Non-current lease liabilities			
Property lease liabilities		679,303	-
Unexpired interest		(49,625)	-
		629,678	**-**
d) Maturity analysis			
- Not later than 12 months		247,871	-
- Between 12 months and 5 years		679,303	-
- Greater than 5 years		-	-
Total undiscounted lease payments		**927,174**	**-**
Unexpired interest		(86,894)	-
Present value of lease liabilities		**840,280**	**-**

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a increase in profit after tax of $32,582.

Note 20. Lease liabilities (continued)

e) Impact on the current reporting period (continued)

Comparison under current AASB 16 and former AASB 117 (continued)

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
· Occupancy and associated costs	233,908	(233,908)	-
· Depreciation and amortisation expense	-	140,409	140,409
Finance costs	-	48,558	48,558
Decrease in expenses - before tax	**233,908**	**(44,941)**	**188,967**
· Income tax expense / (credit) - current	(64,325)	64,325	-
· Income tax expense / (credit) - deferred	-	(51,966)	(51,966)
Decrease in expenses - after tax	**169,583**	**(32,582)**	**137,001**

Note 21. Provisions

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

	2020 $	2019 $
a) Non-current liabilities		
Make-good on leased premises	58,125	-
	58,125	**-**

b) Make-good provision

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

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

	2020 $	2019 $
Provision		
Face-value of make-good costs recognised	70,000	-
Present value discounting	(14,704)	-
Present value unwinding	2,829	-
	58,125	**-**

c) Changes in estimates

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

The lease for the Templestowe branch is due to expire on 17 March 2025, while the lease for the Doncaster East branch is due to expire on 17 March 2023 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22. Employee benefits

	2020 $	2019 $
a) Current liabilities		
Provision for annual leave	57,617	44,287
Provision for long service leave	68,212	84,745
	125,829	**129,032**
b) Non-current liabilities		
Provision for long service leave	9,307	2,205
	9,307	**2,205**

c) Key judgement and assumptions

Employee attrition rates

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

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

Note 23. Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	1,185,461	1,185,461	1,185,461	1,185,461
Bonus shares - fully paid (3:2)	975,000	-	975,000	-
Less: equity raising costs - Doncaster East	-	(22,075)	-	(22,075)
Less: equity raising costs - Templestowe Village	-	(24,627)	-	(24,627)
	2,160,461	**1,138,759**	**2,160,461**	**1,138,759**

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Note 23. Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 346. As at the date of this report, the company had 345 shareholders (2019: 349 shareholders).

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

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

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

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

Note 24. Retained earnings (accumulated losses)

	Note	2020 $	2019 $
Balance at beginning of reporting period		207,574	107,062
Adjustment for transition to AASB 16	3d)	(292,030)	-
Net profit after tax from ordinary activities		227,755	251,744
Dividends provided for or paid	29a)	(172,837)	(151,232)
Balance at end of reporting period		**(29,538)**	**207,574**

Note 25. Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	227,755	251,744
Adjustments for:		
- Depreciation	40,620	43,406
- Amortisation	26,444	26,444
- AASB16 depreciation	140,409	-
- (Profit)/loss on disposal of non-current assets	907	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	22,039	(5,594)
- (Increase)/decrease in other assets	(1,855)	3,042
- Increase/(decrease) in trade and other payables	(16,773)	(6,419)
- Increase/(decrease) in employee benefits	3,899	(8,497)
- Increase/(decrease) in provisions	2,829	-
- Increase/(decrease) in tax liabilities	(18,150)	(13,171)
Net cash flows provided by operating activities	**428,124**	**290,955**

Note 26. Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14	194,366	203,710
Cash and cash equivalents	13	104,875	232,815
Term deposits	13	1,017,875	867,875
		1,317,116	**1,304,400**
Financial liabilities			
Trade and other payables	19	35,732	37,000
Lease liabilities	20	840,280	-
		876,012	**37,000**

Note 27. Auditor's remuneration

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

	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	6,400	5,700
	6,400	**5,700**
Non audit services		
- Taxation advice and tax compliance services	4,160	1,595
- General advisory services	4,730	2,710
- Share registry services	3,783	4,015
	12,673	**8,320**
Total auditor's remuneration	**19,073**	**14,020**

Note 28. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Ian Graham Goldsmith
Raymond Bruce Barrington
Bradley Dodemond
Nicholas Furlong
Geoffrey Bruce Roberts OAM
Colin Roderick Davitt
Deirdre Elizabeth Diamante
James Douglas Christie RFD
Victoria George Paouros
Simon David Lewis
Maxwell Chapman
Darren William Bourke

b) Key management personnel compensation

	2020 $	2019 $
Key management personnel compensation comprised the following.		
Employee benefits	75,000	50,000
	75,000	**50,000**

Compensation of the company's key management personnel includes salaries and contributions to a post-employment defined contribution plan.

Note 28. Related parties (continued)

c) Related party transactions

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

	2020 $	2019 $
Transactions with related parties		
- Former director Nicola Christine White performed bookkeeping services. The total benefit received was:	-	1,980
- Victoria George Paouros provided company secretarial services to the company. The total benefit received was:	9,839	6,891
Total transactions with related parties	**9,839**	**8,871**

Community Bank Directors' Privileges Package

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

Note 29. Dividends provided for or paid

a) Dividends paid during the period

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	8.00	172,837	7.00	151,232
Total dividends paid during the financial year	**8.00**	**172,837**	**7.00**	**151,232**

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

	2020 $	2019 $
b) Franking account balance		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	218,207	168,147
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	99,589	98,829
- Franking credits from the payment of income tax following lodgement of annual income tax return	(7,217)	8,595
- Franking debits from the payment of franked distributions	(65,559)	(57,364)
Franking account balance at the end of the financial year	**245,020**	**218,207**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(31,862)	18,150
franking credits available for future reporting periods	**213,158**	**236,357**

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

Note 30. Earnings per share

a) Basic and diluted earnings per share

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

Note 30. Earnings per share (continued)

a) Basic and diluted earnings per share (continued)

	2020 $	2019 $
Profit attributable to ordinary shareholders	**227,755**	**251,744**

	Number	Number
Weighted-average number of ordinary shares	**2,160,461**	**2,160,461**

	Cents	Cents
Basic and diluted earnings per share	**10.54**	**11.65**

Note 31. Commitments

a) Lease commitments

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

	2020 $	2019 $
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	205,594
- between 12 months and 5 years	-	313,467
Minimum lease payments payable	**-**	**519,061**

b) Other commitments

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

Note 32. Contingencies

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

Note 33. Subsequent events

During the financial year the company undertook a review of historical superannuation obligations on director fees paid. Upon assessment it was found that unpaid superannuation on director fees from 2010 to 2019 amassed to $55,694.59 including $18,030.21 interest. The amount was paid during the 2019 / 20 financial period.

Subsequent to year end, Bendigo Bank undertook a review of payroll and superannuation processes and identified an error resulting in underpayment of superannuation for a portion of the period reviewed. Consequently, Bendigo Bank plans to reimburse Manningham Community Enterprises Limited $35,627.89, for this error during the 2021 financial period.

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

Directors' declaration

In accordance with a resolution of the directors of Manningham Community Enterprises Limited, we state that:

In the opinion of the directors:

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

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

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

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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

Ian Graham Goldsmith,
Chairman

Dated this 24th day of September 2020

Independent audit report

Partners in success

Chartered Accountants

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

Independent auditor's report to the members of Manningham Community Enterprises Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Manningham 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 financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited
Manningham Community Enterprises Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Statement of financial position
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

Basis for opinion
We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

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

Other information
The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.
Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Report on the remuneration report
We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Manningham Community Enterprises Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the matter
Application and recognition of AASB 16: Leases	
The company adopted *AASB 16: Leases* as at 1 July 2019, and first reported this at 31 December 2019 during the half-year review. The company has assessed the impact that AASB 16 will have on its financial statements at 30 June 2020. The expected impact of AASB 16 is disclosed in **Note** 3 and 4 m) to the financial statements. A number of judgements have been applied and estimates made in determining the impact of the standard. Our key audit matter was focused on the following areas of risk: ▪ Leasing arrangements within the scope of AASB 16 are not identified or appropriately included in the calculation of the transitional impact. ▪ Specific assumptions applied to determine the discount rates and lease terms for each lease are inappropriate. ▪ The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate. ▪ The disclosures in the financial statements are insufficient, preventing investors from obtaining a clear understanding as to the transitional impact of the change in accounting standard.	In responding to the identified key audit matter, we completed the following audit procedures: ▪ assessed the design and implementation of key controls pertaining to the determination of the ▪ AASB 16 transition impact disclosure. ▪ assessed the appropriateness of the discount rates and lease terms applied in determining lease liabilities, including any underlying assumptions. ▪ verified the accuracy of the underlying lease data by agreeing the information directly back to original lease contracts or other supporting information, and checked the integrity and mechanical accuracy of the AASB 16 calculations for each lease through recalculation of the expected AASB 16 adjustment. ▪ considered completeness by testing the reconciliation to the company's operating lease commitments and by investigating key service contracts to assess whether any contained a lease under AASB 16. ▪ assessed whether the disclosures within the financial statements are appropriate in light of the requirements of *AASB 8 Accounting Policies, Changes in Accounting Estimates and Errors.* **Key observation** We are satisfied that the disclosure of the impact of adoption of *AASB 16: Leases* is in accordance with the company's accounting policy and the related disclosure of these items per Note 3 and 4 m) to the financial statements is appropriate.

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03 5443 0344
afsbendigo.com.au

Key Audit Matter	How our audit addressed the matter
Revenue Share Model	
The company is a franchise of Bendigo Bank. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established. The company receives the Revenue Share from Bendigo Bank via a monthly profit share statement. Our Key Audit Matter was focused on the following areas of risk: ▪ Revenue is recognised appropriately and in line with *AASB 15 Revenue from Contracts with Customers*. ▪ Reliance on third party auditor (Ernst & Young) to review the **revenue share** model**.**	In responding to the identified Key Audit Matter, we completed the following audit procedures: ▪ We have obtained the monthly profit share statements from the entire year and analytically assessed the existence, accuracy and completeness of revenue. ▪ Ernst & Young complete a Community Bank Revenue Share Arrangements report on factual findings two-yearly, which we review and determine that the scope and testing procedures were sufficient to enable reliance on the monthly profit share reports specifically relating to revenue. **Key observation** We are satisfied that the revenue share model has been sufficiently reviewed by an external auditor and the reliance can be placed on the monthly profit share reports. The company's accounting policy relating to the revenue share model is detailed at Note 4 a) to the financial statements.

There are no other key audit matters to disclose for the 30 June 2020 audit.

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/home.aspx. This description forms part of our auditor's report.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 24 September 2020

Graeme Stewart
Lead Auditor

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NSX report

Share information

In accordance with National Stock Exchange listing rules, the Company provides the following information as at 30 September 2020, which is within six weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held:

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	52	34,206
1,001 to 5,000	185	539,002
5,001 to 10,000	49	383,501
10,001 to 100,000	59	1,203,752
100,001 and over	0	0
Total shareholders	**345**	**2,160,461**

Each of the above shareholders are entitled to one vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than five percent of the voting rights) as each shareholder is entitled to one vote. Normally holding more than five percent of the total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are nine shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders:

Shareholder	Number of fully paid shares held	Percentage of issued capital
Thomas Leigh Pty Ltd <The Waring Family Superannuation Fund>	90, 002	4.17%
Reolade Pty Ltd <Salmon Superfund A/C>	84, 500	3.91%
Scipio Nominees Pty Ltd	80, 250	3.71%
Winpar Holdings Limited	53,250	2.46%
John Alexander Kent	37,500	1.74%
Andreas Wilhelmus Diederick Driessen Op Ten Bulten	35,250	1.63%
Russell Breadmore & Lynne Breadmore <R & L Breadmore Superfund A/C>	35, 000	1.62%
Domenico Spizzica	35, 000	1.62%
Ralandian Pty Ltd <Ralandian Superfund A/C>	32, 500	1.50%
Betty Mitchell	30, 000	1.39%
	513,252	**23.75%**

Registered office and principal administrative office

The registered office of the Company is located at:

900 Doncaster Road
Doncaster East Victoria 3109
Telephone: (03) 9840 2028

The principal administrative office of the Company is located at:

900 Doncaster Road
Doncaster East Victoria 3109
Telephone: (03) 9840 2028

Security register

The security register (share register) is kept at:

AFS & Associates
61-65 Bull Street
Bendigo Victoria 3550
Telephone: (03) 5443 5304

Company Secretary

Victoria Paouros

Victoria is currently employed as an Analyst in the Australian Competition and Consumer Commission's Digital Platforms Branch. Victoria has been part of the MCEL team since she participated in the Company's Junior Observer Program in 2009. Since then, she has occupied a number of roles including: Minute Secretary, Company Secretary, Youth Engagement Committee Chair and Director. She holds a number of qualifications, including a Bachelor of Laws (Hons), an Advanced Diploma of Management (HR), a Diploma of Business, a Certificate IV in Training and Education and a Certificate in Governance Practice.

Corporate Governance

The Company has implemented various corporate governance practices which include:

(a) The maintenance of a Finance Committee. Members include Maxwell Chapman, Colin Roderick Davitt, Ian Goldsmith and Geoffrey Roberts (Directors) as well as Pamela Tremlett (Bookkeeper).

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training, and representation at both State and National Conferences; and

(d) Monthly Director meetings to discuss operational performance and performance against strategy.

Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its Annual Report.

5 Year summary of performance

	2016 $	2017 $	2018 $	2019 $	2020 $
Net profit before tax	258,270	304,960	325,960	349,040	300,120
Total assets	1.342 million	1.418 million	1.678 million	1.723 million	2.326 million
Total liabilities	268,500	255,200	431,800	376,600	1.218 million
Total equity	1.073 million	1.162 million	1.246 million	1.346 million	1.109 million

Community Bank · Doncaster East
900 Doncaster Road,
Doncaster East VIC 3109
Phone: 9840 2028 Fax: 9840 2162
Email: doncastereastmailbox@bendigoadelaide.com.au
Web: bendigobank.com.au/doncaster _east

Community Bank · Templestowe Village
128 James Street,
Templestowe VIC 3106
Phone: 9846 1455 Fax: 9846 4643
Email: templestowevillagemailbox@bendigoadelaide.com.au
Web: bendigobank.com.au/templestowe-village

Franchisee: Manningham Community Enterprises Limited
ABN: 69 101 174 270
900 Doncaster Road
Doncaster East VIC 3109
Phone: 9820 2028 Fax: 9840 2162

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

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Bendigo Bank