Annual Report 2020

Monbulk & District Community Enterprises Limited

Community Bank
Monbulk & District

ABN 76 146 945 959

We respectfully acknowledge the past and present traditional owners of this land -The Wurundjeri people, their Ngurungaeta- Murrundindi, and their Elders

Bendigo Bank

Monbulk & District Community Bank Branch

The role of our bank is to feed into prosperity, not off it.

Bendigo and Adelaide Bank prides itself on its work with Australian communities.

We recognise that without successful communities, there cannot be successful businesses.

Our approach begins with listening. How do local leaders see their community growing? What are their problems?
Can Bendigo and Adelaide Bank help address these threats and opportunities?

Often, we can do so by finding ways to secure banking access. But increasingly we are finding other ways to help, too.

Our Community Bank Model

For more than 8 years our Community Bank branch has continued to resonate with customers and our communities.

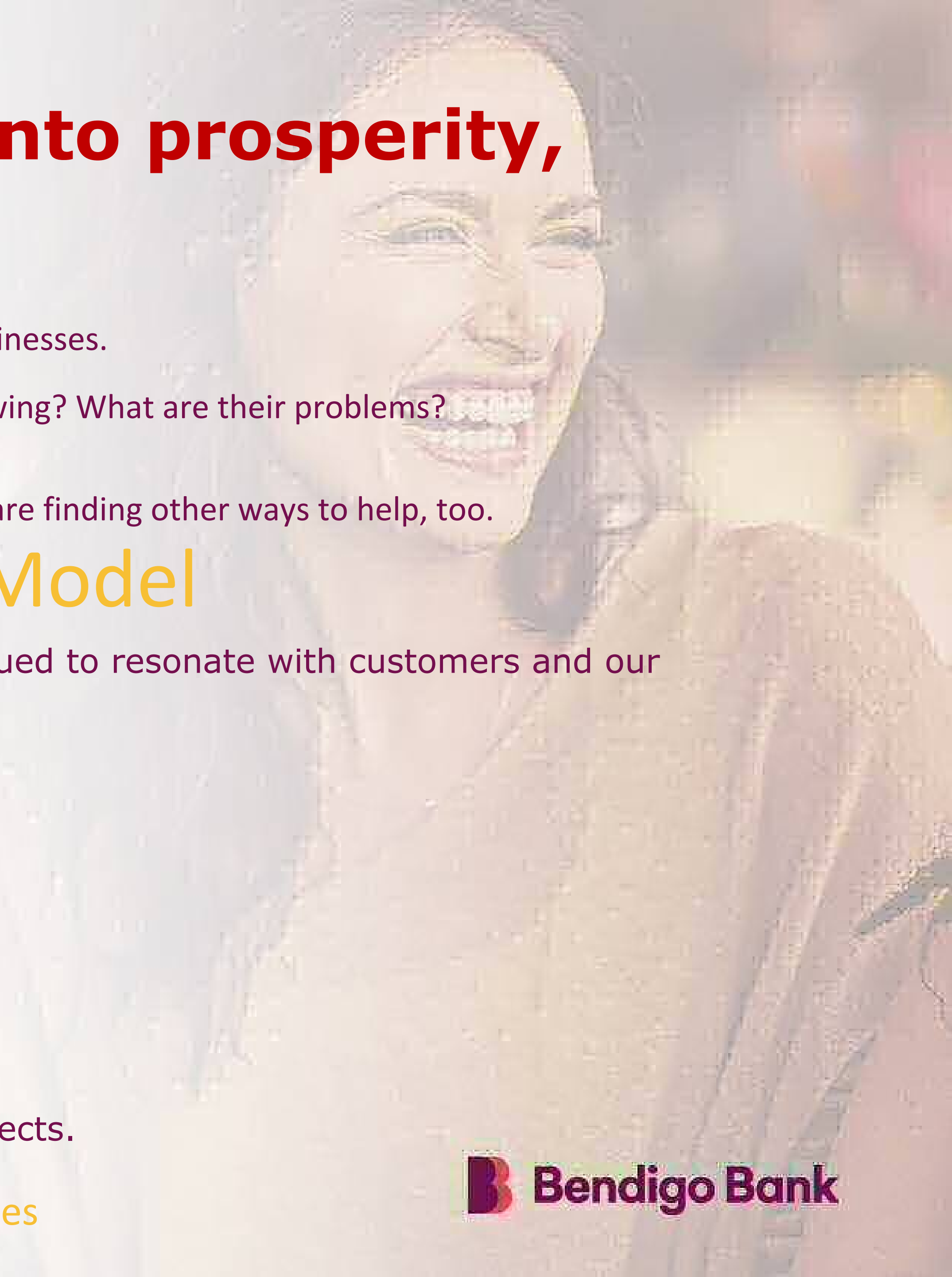
We deliver so much more than just quality banking services:

- Jobs for local people.
- Investment opportunities for local shareholders.
- Profits for the community; and
- Funding and assistance for important community projects.

This Local branch, owned by locals, putting back into local projects.

Our Donations help build stronger, engaged, and authentic communities

Bendigo Bank



Principles of the Community Bank Model

The foundation Principles of the Community Bank® model are:

> Partnership based on trust, respect and goodwill
> Shared effort, risk and reward (50/50)
> Local ownership
> Local decision making
> Local investment
> Focusses on broad-based community benefit
> Commercially focussed and community spirited

While the model is community spirited, it must be commercially viable for both the Community Bank company and Bendigo & Adelaide Bank (as the parent).

Bendigo Bank

Vision, Mission and Values

Our vision - is to inspire, connect and lead our communities for sustainable growth and a vibrant future for all.

Our strategy - is to focus on offering exceptional service, be the number one bank of choice in the region and to share the benefits with our community.

Our values

1. **Ethical -** We act with honesty and we deliver on our commitments.

2. **Responsive -** We are flexible and positive, adapting to changes in our customers and communities needs.

3. **Innovative -** We look to continually improve on the success of our business. We encourage creative thinking, new ideas and better solutions for and from our team, customers and community to create a sustainable business

4. **Community -** We are passionate about giving back to the community we live in. We strive to create opportunities for connection and participation within our community, building strength and resilience.

5. **Shared Value -** We feed into the prosperity of our community rather than off it, leaving a legacy by investing in and for future generations.

Monbulk and District Community Enterprises Limited

Leo Koelewyn

Chairman's Report for year ending 30th June 2020
It is a privilege to present the company's Annual Report for the year ending 30th June 2020
We are proud to have passed $159.6 million in total business.
Our second shop no. 68 is functioning well in providing a professional environment for both staff, when required and as a meeting place for the Bank's Board and local organisations.
Covid 19 restrictions have meant limited use of this space since March but we look forward to when operations return to some normality.
Local community investment is currently very nearly $500K. This is a huge milestone that we could only have dreamed of not that many years ago.
This was achieved by the hard work of the staff and the Board over our 8 years since opening in February 2012.
National community investment is now $229million. A fantastic achievement and one that the Bendigo Community Bank Network can be justly proud.
Aimee te Boekhorst and the staff have performed very well particularly when considering the difficult operating environment due to Covid 19 restrictions.
The Board is highly appreciative of the staff's professionalism, diligence and patience during this testing time. We have been the only bank in town willing and able to provide a 5 days per week full service which has been appreciated by our customers.
The full Board meets 11 times a year. All sub committees meet regularly or on an as needs basis.
Our focus is always on treasury, governance, business development, community investment and support of our Manager Aimee te Boekhorst.
I hereby give my heartfelt thanks to all Directors who give their time voluntarily and with great passion, enthusiasm, and professionalism. It is a privilege to work with such an excellent team.
The Bendigo Bank's reputation and standing in Australia has been further endorsed in these difficult times by its business ethos, service delivery and ever-increasing community investment.
The immediate future will be greatly influenced by Australia, particularly Victoria, coming out of Covid 19 restrictions.
Government policy and employment opportunity both domestically and internationally will determine the banking environment for us.
Our Board and staff will continue to connect strongly into our community to develop further investment opportunities to benefit our schools, clubs and associations.
The Board wishes to thank all our customers and shareholders for their continuing support.
Yours Sincerely,

Leo Koelewyn
Chairman MDCEL

2020 Finance Report

I am pleased to present you with the finance report for the year ended 30 June 2020.

The latter months of the year was a period of much disruption and great uncertainty within our local community and our country as a whole, due to the COVID 19 pandemic. Like all of us, our community bank needed to rapidly adapt, to be able continue to operate and support our community, whilst protecting the safety of our staff and customers.

It has been very pleasing that we have been able to continue to provide excellent service and support throughout the period of lockdowns and pleasing to report that the support we enjoy from the Monbulk community continues to grow each year.

As we grow our business and improve our profitability, we are, in turn, able to contribute more to the community while providing our local shareholders and parent with appropriate returns.

Stephen Mc Donald

The 2020 year has been another very successful in this regard, with our revenue growing strongly and our operational costs continuing to be well managed. As a result, our Profit before income tax expense increased to $241,328.

Our revenue growth is driven by our increasing pool of business, which is now approximately $160 million. This is a testament to the quality of service provided to our customers by our staff and the level of support we enjoy within the local community.

The profitability of the business in turn has driven strong operating cash flows, allowing us to remain debt free, whilst expanding our contribution to the community.

Our sound financial position and growing cash flow has also allowed us to increase our returns to shareholders and I am pleased to announce we have declared an unfranked divided of 8 cents per share in respect of the 2020 year. This dividend will be paid on 9 November 2020.

In summary, despite the uncertainty created by the pandemic, we have grown our business, strengthened our financial position, increased our dividends and increased our ongoing contribution to the local community.

We look forward to another successful year ahead.

Stephen McDonald
Director

Branch Manager s Report
Manager report AGM 2020


Aimee te Boekhorst

Thank you to everyone for making the time to attend our 2020 AGM.

This is the ninth financial year since the Monbulk and District Community Bank opened its doors, on February 7th 2012. Since then we have grown into a trusted brand and have a solid reputation of customer service and supporting our local community.

As of the close of business on the 30th June 2020 we have increased our customer base to 2,742 customers. With the other banks in town closing indefinitely or permanently, people are keen to bank local and in turn have started to move their banking to Monbulk and District Community Bank.

Our total business holdings at the end of the 2019/2020 financial year was just over $159.6 million in holdings. This represents a net growth of over $20.4 million during the last financial year. To all of our existing and new customers thank you for contributing to these figures.

The last financial year has been solid and we are lucky to have been supported by our local Monbulk and District Community to allow us to be at our current situation. We are in challenging times for our continued growth given changes through Covid, lending criteria, the economic climate and competition from other financial service providers. However, with community support we continue to grow.

Our branch has continued to stay open through the difficult times of the Covid pandemic and we will continue to be here for our customers and our community. We believe it is more not less important to be here face to face for the people of Monbulk & District. We have seen first-hand the difficulties faced by the people of our community.
We have been blessed and privileged to work with community groups such as The Rotary Club of Monbulk & District, CWA Night Hawkes and the Monbulk Open Door Church to provide support and encouragement to our town through these difficult times. Our local flower growers were also happy to get involved and donate flowers to give out and spread joy, kindness and a smile.

To all of our Community Bank Shareholders, you are all a part of something special and should be proud. The Monbulk and District Community Bank really is a part of our local community and everyday we seek to strengthen, support our community by listening to the needs and wants of our town.

Our vision is to support not only our customers, but our local clubs, groups, schools and organisations and we have successfully achieved this over the past financial year. Since opening in 2012 we have given back just under $500,000 to our community and this is a wonderful achievement for all involved. Again, envisage what that could look like if everyone in the Monbulk and District area banked with us. It would be phenomenal.

Since our last AGM we have welcomed a new staff member Jason to our team, Jason has settled so well into our team and is learning so much in his role, Jason is enjoying the customer interactions and being able assist our customers with their banking needs. Thank you to all of our staff Marg, Bec, Jenny, Sarah, Fiona, Val & Jason. I personally thank you for everything you do and I know all of our directors and customers would agree with me when I say what a fantastic team you are. The love of your roles and for our customers shines through in everything that you do.

Thank you to the whole board of directors for your continued support of the branch and thank you for your vision to support our community. Having such a great board drives that amazing support to the community

To our RGM Daryl Ellis and our new RGM Shelley McLean and support staff of Bendigo and Adelaide Bank thank you for your continued assistance and ongoing support.

Finally, on behalf of myself and my team, we would like to thank everyone who continues to support the Monbulk and District Community.

Aimee te Boekhorst

Secretary's Report

Last year I addressed my Annual Report around the quality of the Directors and our Staff. I closed with the mantra

"Help our Community grow by making our Bank grow"

The year has been punctuated by the challenges of Covid epidemic yet as Leo, our Chairman, and Stephen, our Treasurer have said it has been remarkable year of growth of the business and the sharing of the spoils to the Community. The substantial milestone of over a **half a million dollars** in donations to the community up to September 2020 from its beginning in 2012 is a spectacular benefit by the community bank. Can you image the community without this bank? I certainly cannot.

The achievement has been a result of the process of excellence in approaches of the board and the staff. The quality revolution has been profound in its impact and legacy. This condition is achieved by a priority focus on our customers, so that our services exceed expectations.

These principles have permeated the organization from the top down and the bottom up. As an organization, by putting the emphasis on a continual improvement path, we see the dynamic nature of the Bank flourish and prosper.

There is no short thinking, no just focussing on the near horizon, there is a mission to bring into focus the long-term goals. While there is an inward focus, our Bank has a much more mature and sustainable view from an inside-out approach. A spotlight on three aspects on Customer Service -Using precise approaches and Teamwork is the foundational core of the Bank

Under Leo's active and transformational leadership with the engaged involvement of the Board Members there has been change, change creating

- A constancy of purpose towards improvement
- Awakening the Bank to new challenges
- Encouragement of the Board Members and the Staff to raise to those confronts.
- Building solid relationships with staff and customers
- Instituting a vigorous programme of self-improvement
- Achieving a dramatic transformation of the organization with an emphasis on the ethical mission and goals.
- Encouragement of a shared work ethos, and all tasks are interdependent, all share the responsibility for results and outcomes, and the encouragement to collectively manage our relationships across the organization
- This nobility of purpose is assisted and embraced by the talented Board Members: -

Andrew Raper, Kellie Clay, Stephen Mc Donald, Jenni Nash, Danielle Utting, Peter D'Abico,
Sarah Tebbutt and Aimee and our staff

They form a natural team, formidable in its actions, with a wide diversity of talents and skills and so culturally supportive of the processes of Excellence. Adam Smith's, the noted economist from the 18th century (Known as the Father of Capitalism) in his earlier work, "The Theory of Moral Sentiments,", made the observation that the value of any government *(Board -my insert)*is judged in proportion to the extent that it makes its people happy. I think that is a good founding principle for any group focused on promoting well-being. None of us has all of the answers. But in the world we live in today, with growing divides and inequalities, it is more important than ever that we ask and find the answers to those questions and promote a vision of society that has well-being, not just wealth, at its very heart.

The quote of Vice-President elect of USA sums up the mantra of our Bank

Dream with ambition, lead with conviction, and see yourself in a way that others might not see you, simply because they've never seen it before. And we will applaud you every step of the way.

The Monbulk Community Bank is in Good Hands

RLY 2020

Monbulk & District Community E/L

Directors


Andrew Raper


Danielle Utting


Jenni Nash


Kellie Clay


Leo Koelewyn


Peter D’Abico


Ray Yates


Sarah Tebbutt


Stephen McDonald

Monbulk & District Community E/L

Branch Team


Aimee Te Boekhorst
Branch Manager


Charlie


Rebecca


Sarah


Fiona


Jason


Jenny


Margaret


Rachel


Valerie

The groups of Our Community Your Bank supported by Donation in the Year 2019-2020

1st Kallista Scouts
Dandenong Ranges Tourism Network
DRMC Dandenong Ranges Music Council
Emerald Scout Group
MADCOW
Merry Monbulk Christmas
Monbulk & District Community Movie Night
Monbulk Aquatic Club Inc
Monbulk Bowls club
Monbulk Car Show
Monbulk College - Sing It Out Australia
Monbulk College - Walls of Support
Monbulk Cricket Club
Monbulk Football Netball Club
Monbulk Guides
Monbulk Historical Society - Grant
Monbulk Junior Football Club
Monbulk Marlins Swimming club
Monbulk Pre School
Monbulk Primary School
Monbulk Produce Market
Monbulk Rangers Soccer Club
Monbulk Rotary Club
Monbulk RSL
Monbulk Wildlife Shelter
Mountain District Christian School
Open Door Community Church
St Georges Anglican Church - The Table Project - Director pledge
St Paul's Primary School
The Patch Primary School
TRIBE youth group
Yarra Valley Cricket Umpires Assoc

Building a caring community through our profits

Monbulk & District Community Enterprises Limited

We are constantly motivated and enthused by our community. There are many people and organisations who inspire others. Many of the projects reach the vulnerable and disadvantaged but this is balanced with support for enterprising groups.
These organisations and individuals are inspirational in their service and the reason we at Monbulk & District Community Bank Branch support them.

I certify that we have conformed to the requirements of ASIC in table following: - Highlighted in Red indicates action in the financial year

Updates the company's Responsible Persons (Directors members) including the Secretary where required	Yes
Submit the Annual Information Statement and financial report	Yes
Submitted Low Volume Market Return by May 14th 2020	Yes
Conformed to declarations by Directors at Board Meetings reporting and recording (FRSA and NCCP obligations)	Yes

Paid all fees and dues to ASIC as a company

Signed

Raymond Yates Company Secretary

Monbulk & District Community Enterprises Limited

ABN: 76 146 945 959

Financial Report

For the year ended

30 June 2020

Monbulk & District Community Enterprises Limited
Directors' Report

The directors present the 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:

Leonardus Josephus Cornelis
Koelewyn Chairman
Occupation: Nurseryman
Qualifications, experience and expertise: Career nurseryman, Vice Chairman and Finance Director of the Monbulk Bowling Club, Vice President of the Monbulk Football Club, past President Nursery and Garden Industry Victoria, past Board member Melbourne International Flower and Garden Show, past Board member Garden State Advisory Council. Past Chairman of Woori Yallock Creek Streamflow Management Committee.
Special responsibilities: Chairman & HR Committee
Interest in shares: 82,000 ordinary shares

Raymond Leslie
Yates Secretary
Occupation: Retired
Qualifications, experience and expertise: Shire Councillor for 21 years. Justice of the Peace. Freeman of the Shire of Lilydale, former President of Rotary and Paul Harris Fellow, life member of Japara Community House, life member of Lilydale Historical Society, trust member of Lilydale and Districts Museum, Citizen of the Year Yarra Ranges Shire, foundation member of the Upper Yarra Valley and Dandenong Ranges Planning Authority, inaugural member of the Australian Local Government Association, school Principal for over 28 years. Recipient of the Centenary Medal and National Service Medal. Professional development presenter and facilitator. Chairman of Dandenong Ranges Music Council. Chairperson of Japara Community House. Treasurer of Sylvan Glades Homes.
Special responsibilities: Company Secretary, Governance
Committee Interest in shares: 10,000 ordinary shares

Jennifer Rae Nash
Non-executive director
Occupation: Property Consultant & Real estate sales
Qualifications, experience and expertise: A long time resident of Monbulk, Jenni currently works for a local real estate office. She has previously owned her own business in Monbulk and has managed other businesses including women's and children's fashion stores and wholesale florists. She is a past President of St Paul's Primary School Parents and Friends Assoc., where her three children attended school. Jenni also co-ordinated the fundraising for Monbulk Jnr football club for three years and is a past member of the Monbulk Business Network. Her passion for the Monbulk community is reflected in her role here at the Community Bank, and in her drive to promote the benefits of banking with Bendigo and how the bank supports the community.
Special responsibilities: Minutes Secretary, Marketing Committee
Interest in shares: 500 ordinary shares

Sarah Melanie Tebbutt
Non-executive director
Occupation: Self Employed
Qualifications, experience and expertise: Sales and small business management, business development, quality assurance, innovation and training. Current School Council President at The Patch Primary, current President of The Patch Parents Association, founder and past Secretary Friends of Glenfern Valley Bushlands, 2017 Yarra Ranges Australia Day Award recipient for contribution to the community. Sarah is also a past president of the Patch Primary School and The Patch Parents Association.
Special responsibilities: Chair Business Development Committee
Interest in shares: 4,000 ordinary shares

Directors *(continued)*

Andrew James Raper
Non-executive director
Occupation: Nurseryman
Qualifications, experience and expertise: Qualified Nurseryman. Current President of Camellias Victoria and National council representive to Camellias Australia. Past Board member of Nursery and Garden Industry Victoria, Melbourne International Flower and Garden Show.
Special responsibilities: Nil
Interest in shares: 5,000 ordinary shares

Kellie Ann Clay
Non-executive director
Occupation: Accountant
Qualifications, experience and expertise: Kellie began working in public accounting in 1996 while completing her Bachelor of Business (Accounting). She began managing an office branch of Taxbiz Australia in 2004 and was offered partnership in 2009. In 2015 she founded Elysium Accounting with two business partners. In Kellie's 20 years of experience in public accounting she has gained a vast knowledge of many aspects of business, including taxation, accounting principles, business structures, audit, internal business practices & systems, and SMSF advice. She has gained experience in many different business industries.
Special responsibilities: Finance Committee
Interest in shares: nil share interest held

Stephen Michael McDonald
Non-executive director
Occupation: Accountant
Qualifications, experience and expertise: Stephen is a senior financial executive with broad experience in all aspects of financial management, corporate governance, and management of risk, ICT and supply chain functions in both private and publicly listed companies. In a career spanning 25 years in the accounting profession, Stephen has held a number of senior finance roles across a broad range of industries. Stephen is a member of CPA Australia and holds a Bachelor of Economics from Monash University. An active contributor to the local community, Stephen was a school councillor at The Patch primary school for 8 years, on the committee of The Patch Landcare Group, is currently the secretary of the Monbulk Junior Football Club and is a member of the Advisory Board of Mount Lilydale Mercy College.
Special responsibilities: Finance Committee
Interest in shares: nil share interest held

Peter Herbert D'Abico
Non-executive director
Occupation: Project Manager
Qualifications, experience and expertise: Peter is a former cattle farmer who has 15 Years experience in Finance with Credit and Business Banking.
Special responsibilities: Nil
Interest in shares: nil share interest held

Directors *(continued)*

Danielle Maree Utting
Non-executive director
Occupation: Director and Business Owner - Care3
Qualifications, experience and expertise: Currently the Director for Care3, a business that provides advice and support to Aged people needing more care at home or nursing home care. Danielle holds a Bachelor of Arts/Bachelor of Social Work and has experience working in Local & State Government and Not-For Profits. Danielle is involved in the Monbulk Primary School Council and Monbulk Preschool Committees and has experience in Community Grants program with Knox Council. She also is involved with the Monbulk Netball club by way of the Club Committee.
Special responsibilities: Sponsorships & marketing
Interest in shares: 5,000 ordinary shares

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 Raymond Yates. Raymond was appointed to the position of secretary on 24 November 2014.

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 $
188,307	135,048

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Leonardus Josephus Cornelis Koelewyn	82,000	-	82,000
Raymond Leslie Yates	10,000	-	10,000
Jennifer Rae Nash	500	-	500
Sarah Melanie Tebbutt	4,000	-	4,000
Andrew James Raper	5,000	-	5,000
Kellie Ann Clay	-	-	-
Stephen Michael McDonald	-	-	-
Peter Herbert D'Abico	-	-	-
Danielle Maree Utting	5,000	-	5,000

Dividends

During the financial year, the following dividends were provided for and paid.

	Cents per share	Total amount $
Final unfranked dividend	6.00	51,061
Total amount	6.00	51,061

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 27 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Leonardus Josephus Cornelis Koelewyn	11	10
Raymond Leslie Yates	11	9
Jennifer Rae Nash	11	11
Sarah Melanie Tebbutt	11	5
Andrew James Raper	11	11
Kellie Ann Clay	11	9
Stephen Michael McDonald	11	9
Peter Herbert D'Abico	11	9
Danielle Maree Utting	11	10

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 26 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor 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 board 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 7.

Kellie Ann Clay, Director

Dated this 5th day of October 2020

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 Monbulk & District Community Enterprises Limited

As lead auditor for the audit of Monbulk & District 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: 5 Otober 2020

Joshua Griffin
Lead Auditor

Monbulk & District Community Enterprises Limited 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	1,081,889	956,368
Other revenue	9	81,171	36,550
Employee benefit expenses	10c)	(590,400)	(495,068)
Charitable donations, sponsorship, advertising and promotion		(93,103)	(80,742)
Occupancy and associated costs		(21,917)	(56,565)
Systems costs		(35,982)	(35,185)
Depreciation and amortisation expense	10a)	(65,852)	(27,468)
Finance costs	10b)	(8,089)	(162)
General administration expenses		(106,389)	(111,454)
Profit before income tax expense		241,328	186,274
Income tax expense	11a)	(53,021)	(51,226)
Profit after income tax expense		188,307	135,048
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		188,307	135,048
Earnings per share		¢	¢
- Basic and diluted earnings per share:	29a)	22.13	15.87

Monbulk & District Community Enterprises Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	12a)	345,641	125,200
Trade and other receivables	13a)	102,371	97,444
Total current assets		448,012	222,644
Non- current assets			
Property, plant and equipment	14a)	134,865	142,883
Right-of-use assets	15a)	124,498	-
Intangible assets	16a)	36,983	50,414
Deferred tax asset	16a)	63,400	110,213
Total non-current assets		359,746	303,510
Total assets		807,758	526,154
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	82,623	75,158
Lease liabilities	19b)	23,975	-
Employee benefits	21a)	57,116	43,356
Total current liabilities		163,714	118,514
Non- current liabilities			
Trade and other payables	18b)	15,258	30,515
Lease liabilities	19c)	106,082	-
Employee benefits	21b)	10,985	7,498
Provisions	20a)	21,208	-
Total non-current liabilities		153,533	38,013
Total liabilities		317,247	156,527
Net assets		490,511	369,627
EQUITY			
Issued capital	22a)	823,643	823,643
Accumulated losses	23	(333,132)	(454,016)
Total equity		490,511	369,627

Monbulk & District Community Enterprises Limited Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		823,643	(555,024)	268,619
Total comprehensive income for the year		-	135,048	135,048
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28a)	-	(34,040)	(34,040)
Balance at 30 June 2019		823,643	(454,016)	369,627
Balance at 1 July 2019		823,643	(454,016)	369,627
Effect of AASB 16: Leases	3d)	-	(16,362)	(16,362)
Restated balance at 1 July 2019		823,643	(470,378)	353,265
Total comprehensive income for the year		-	188,307	188,307
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28a)	-	(51,061)	(51,061)
Balance at 30 June 2020		823,643	(333,132)	490,511

Monbulk & District Community Enterprises Limited Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,245,024	1,079,607
Payments to suppliers and employees		(894,976)	(882,208)
Interest paid		-	(162)
Lease payments (interest component)	10b)	(7,099)	-
Lease payments not included in the measurement of lease liabilities	10d)	(16,381)	-
Net cash provided by operating activities	24	33226,568	197,237
Cash flows from investing activities			
Payments for property, plant and equipment		(8,092)	(14,062)
Payments for intangible assets		(13,872)	(13,872)
Net cash used in investing activities		(21,964)	(27,934)
Cash flows from financing activities			
Lease payments (principal component)	19a)	(33,102)	-
Dividends paid	28a)	(51,061)	(34,040)
Net cash used in financing activities		(84,163)	(34,040)
Net cash increase in cash held		220,441	135,263
Cash and cash equivalents at the beginning of the financial year		125,200	(10,063)
Cash and cash equivalents at the end of the financial year	12a)	33445,641	125,200

Note 1 Reporting entity

This is the financial report for Monbulk & District 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
70 Main Road MONBULK VIC 3793	70 Main Road MONBULK VIC 3793

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 27.

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 5 October 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 19.

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

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

b) As a lessee

As a lessee, the company leases 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).

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

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

d) Impact on financial statements

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

Impact on equity presented as decrease	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	15b)	160,804
Deferred tax asset	16a)	6,207
Liability		
Lease liabilities	19a)	(163,155)
Provision for make-good	20b)	(20,218)
Equity		
Accumulated losses		(16,362)

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.79%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	84,609
Add: additional options now expected to be exercised	106,329
Less: AASB 117 lease commitments reconciliation	1,035
Less: lease exempt as low-value	(1,094)
Less: other adjustments to present value on transition	(27,724)
Lease liability as at 1 July 2019	163,155

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	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.

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Fee income

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

Core banking products

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

Ability to change financial return

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

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

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank s margin at 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	Revenue recognition policy
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 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.

Note 4 Summary of significant accounting policies *(continued)*

b) Other revenue *(continued)*

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.

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.

Note 4 Summary of significant accounting policies *(continued)*

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in 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 borrowings costs, less accumulated depreciation and any accumulated impairment losses.

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

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line 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	Straight-line	4 to 40 years
Plant and equipment	Straight-line	1 to 40 years

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

Note 4 Summary of significant accounting policies *(continued)*

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. The company has also acquired a customer list from Bendigo Bank.

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:

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled customer accounts	Assessed for impairment	Indefinite

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 and 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.

Note 4 Summary of significant accounting policies *(continued)*

i) Financial instruments *(continued)*

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.

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

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.

Note 4 Summary of significant accounting policies *(continued)*

i) Financial instruments *(continued)*

Derecognition (continued)

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.

Recognition of expected credit losses in financial statements

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

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

Note 4 Summary of significant accounting policies *(continued)*

j) Impairment *(continued)*

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.

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 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.

<u>As a lessee</u>

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.

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee *(continued)*

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 a lease that, at commencement date, has a lease term of 12 months or less.

As a lessor

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

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

Policy applicable before 1 July 2019

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

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser 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.

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

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 19 - 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.

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 14 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 20 - 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.

Note 6 Financial risk management *(continued)*

a) Credit risk

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

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

b) Liquidity risk

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

The 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

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	130,057	29,573	86,765	34,344
Trade payables	27,759	12,501	-	-
	157,816	42,074	86,765	34,344

30 June 2019

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade payables	50,730	20,215	-	-
	50,730	20,215	-	-

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.

Note 6 Financial risk management *(continued)*

c) Market risk *(continued)*

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. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of $345,641 at 30 June 2020 (2019: $125,200). 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.

Revenue from contracts with customers	2020	2019
	$	$
Revenue:		
- Revenue from contracts with customers	1,081,889	956,368
	1,081,889	956,368

Note 8 Revenue from contracts with customers *(continued)*

Disaggregation of revenue from contracts with customers	2020 $	2019 $
At a point in time:		
- Margin income	871,990	765,324
- Fee income	62,332	60,014
- Commission income	147,567	131,030
	1,081,889	956,368

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

Note 9 Other revenue

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

Other revenue	2020 $	2019 $
Revenue:		
- Sub-leasing income	-	551
- Market development fund income	17,500	25,000
- Cash flow boost	62,500	-
- Other income	1,171	10,999
	81,171	36,550

Note 10 Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	8,402	3,979
- Plant and equipment	7,709	10,058
	16,111	14,037
Depreciation of right-of-use assets		
- Leased land and buildings	36,310	-
	36,310	-
Amortisation of intangible assets:		
- Franchise fee	2,238	2,238
- Franchise renewal process fee	11,193	11,193
	13,431	13,431
Total depreciation and amortisation expense	65,852	27,468

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 10 Expenses *(continued)*

b) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Lease interest expense	19a)	7,099	-
- Unwinding of make-good provision		990	-
- Other		-	162
		8,089	162

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

c) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	480,288	407,226
Contributions to defined contribution plans	45,960	39,538
Expenses related to long service leave	6,840	8,014
Other expenses	57,312	40,290
	590,400	495,068

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	16,381	-
	16,381	-

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

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

Note 11 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.

a) Amounts recognised in profit or loss

	2020 $	2019 $
Current tax expense		
- Recoupment of prior year tax losses	56,832	46,199
- Movement in deferred tax	(13,676)	5,027
- Adjustment to deferred tax on AASB 16 retrospective application	6,207	-
- Reduction in company tax rate	3,658	-
	53,021	51,226

Note 11 Income tax expense (continued)

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 $3,658 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation	2020 $	2019 $
Operating profit before taxation	241,328	186,274
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	66,365	51,226
Tax effect of:		
- Non-deductible expenses	187	(5,027)
- Temporary differences	7,468	-
- Non assessable income	(17,188)	-
- Movement in deferred tax	(13,676)	5,027
- Leases initial recognition	6,207	-
- Reduction in company tax rate	3,658	-
	53,021	51,226

Note 12 Cash and cash equivalents

a) Cash and cash equivalents

	2020 $	2019 $
Cash at bank and on hand	345,641	125,200
	345,641	125,200

Note 13 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	95,742	87,699
Prepayments	6,429	9,545
Other receivables and accruals	200	200
	102,371	97,444

Note 14 Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Leasehold improvements		
At cost	212,070	210,323
Less: accumulated depreciation	(100,738)	(92,336)
	111,332	117,987

Note 14 Property, plant and equipment *(continued)*

a) Carrying amounts *(continued)*	2020 $	2019 $
Plant and equipment		
At cost	66,484	60,138
Less: accumulated depreciation	(42,951)	(35,242)
	23,533	24,896
Total written down amount	134,865	142,883

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.

b) Reconciliation of carrying amounts	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	117,987	127,691
Additions	1,747	354
Depreciation	(8,402)	(10,058)
Carrying amount at end	111,332	117,987
Plant and equipment		
Carrying amount at beginning	24,896	15,167
Additions	6,346	13,708
Depreciation	(7,709)	(3,979)
Carrying amount at end	23,533	24,896
Total written down amount	134,865	142,883

c) Changes in estimates

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

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

Note 15 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.

a) Carrying amounts	2020 $	2019 $
Leased land and buildings		
At cost	251,649	-
Less: accumulated depreciation	(127,151)	-
Total written down amount	124,498	-

Note 15 Right- of- use assets *(continued)*

b) Reconciliation of carrying amounts	Note	2020 $	2019 $
Leased land and buildings			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	251,645	-
Accumulated depreciation on adoption	3d)	(90,841)	-
Remeasurement adjustments		4	-
Depreciation		(36,310)	-
Total written down amount		124,498	-

Note 16 Intangible assets

a) Carrying amounts	2020 $	2019 $
Franchise fee		
At cost	21,192	21,192
Less: accumulated depreciation	(17,588)	(15,350)
	3,604	5,842
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise renewal process fee		
At cost	55,961	55,961
Less: accumulated amortisation	(37,942)	(26,749)
	18,019	29,212
Cash-generating unit - domiciled accounts		
At cost	15,360	15,360
	15,360	15,360
Other intangible assets		
At cost	24,000	24,000
Less: accumulated amortisation	(24,000)	(24,000)
	-	-
Total written down amount	36,983	50,414

Note 16 Intangible assets *(continued)*

b) Reconciliation of carrying amounts	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	5,842	8,080
Amortisation	(2,238)	(2,238)
Carrying amount at end	3,604	5,842
Franchise renewal process fee		
Carrying amount at beginning	29,212	40,405
Amortisation	(11,193)	(11,193)
Carrying amount at end	18,019	29,212
Cash-generating unit - domiciled accounts		
Carrying amount at beginning	15,360	15,360
Carrying amount at end	15,360	15,360
Total written down amount	36,983	50,414

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 17 Tax assets and liabilities

a) 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	440	(440)	-	-
- employee provisions	16,692	3,947	-	20,639
- make-good provision	-	(46)	5,560	5,514
- lease liability	-	(11,053)	44,868	33,815
- carried-forward tax losses	113,125	(59,903)	-	53,222
Total deferred tax assets	130,257	(67,495)	50,428	113,190
Deferred tax liabilities				
- property, plant and equipment	20,044	(2,623)	-	17,421
- right-of-use assets	-	(11,852)	44,221	32,369
Total deferred tax liabilities	20,044	(14,475)	44,221	49,790
Net deferred tax assets (liabilities)	110,213	(53,019)	6,206	63,400

Note 17 Tax assets and liabilities *(continued)*

a) Deferred tax *(continued)*

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

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$
- expense accruals	770	(330)	-	440
- employee provisions	15,379	1,313	-	16,692
- carried-forward tax losses	159,324	(46,199)	-	113,125
Total deferred tax assets	175,473	(45,216)	-	130,257
Deferred tax liabilities				
- property, plant and equipment	14,034	6,010	-	20,044
Total deferred tax liabilities	14,034	6,010	-	20,044
Net deferred tax assets (liabilities)	161,439	(51,226)	-	110,213

b) 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 18 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.

a) Current liabilities

	2020	2019
	$	$
Trade creditors	12,501	20,215
Other creditors and accruals	70,122	54,943
	82,623	75,158

b) Non- current liabilities

Trade creditors	15,258	30,515
	15,258	30,515

Note 19 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 4.79%.

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:

- 70 Main Road — The lease agreement is a non-cancellable lease with a five year term which commenced on 2 February 2017. Rent is payable monthly in advance and is subject to annual CPI increase. The lease has one further option for an extension of five years.
- 68 Main Road — The lease agreement is a non-cancellable lease with a two year term which commenced on 15 December 2016. Rent is payable monthly in advance. The lease has one further option for an extension of two years.

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.

Lease liabilities on transition	Note	2020 $	2019 $
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	163,155	-
Remeasurement adjustments		4	-
Lease payments - interest		7,099	-
Lease payments		(40,201)	-
		130,057	-
b) Current lease liabilities			
Property lease liabilities		29,573	-
Unexpired interest		(5,598)	-
		23,975	-
c) Non- current lease liabilities			
Property lease liabilities		121,109	-
Unexpired interest		(15,027)	-
		106,082	-

Note 19 Lease liabilities *(continued)*

d) Maturity analysis	2020 $	2019 $
- Not later than 12 months	29,573	-
- Between 12 months and 5 years	86,765	-
- Greater than 5 years	34,344	-
Total undiscounted lease payments	150,682	-
Unexpired interest	(20,625)	-
Present value of lease liabilities	130,057	-

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 decrease in profit after tax of $2,326.

Profit or loss - increase (decrease) in expenses	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
- Occupancy and associated costs	40,201	(40,201)	-
- Depreciation and amortisation expense	-	36,310	36,310
- Finance costs	-	7,099	7,099
Increase in expenses - before tax	40,201	3,208	43,409
- Income tax expense / (credit) - current	(11,055)	11,055	-
- Income tax expense / (credit) - deferred	-	(11,937)	(11,937)
Increase in expenses - after tax	29,146	2,326	31,472

Note 20 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.

a) Non- current liabilities	2020 $	2019 $
Make-good on leased premises	21,208	-
	21,208	-

Note 20 Provisions *(continued)*

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 as well as cost to remedy any damages caused during the removal process.

Provision	Note	2020 $	2019 $
Balance at the beginning		-	-
Face-value of make-good costs recognised	3d)	24,800	-
Present value discounting	3d)	(4,582)	-
Present value unwinding		990	-
		21,208	-

Note 21 Employee benefits

a) Current liabilities	2020 $	2019 $
Provision for annual leave	32,067	21,660
Provision for long service leave	25,049	21,696
	57,116	43,356

b) Non- current liabilities

Provision for long service leave	10,985	7,498
	10,985	7,498

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.

Note 22 Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	851,010	851,010	851,010	851,010
Less: equity raising costs	-	(27,367)	-	(27,367)
	851,010	823,643	851,010	823,643

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).

Note 22 Issued capital *(continued)*

Ordinary shares (continued)

b) Rights attached to issued capital *(continued)*

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 195. As at the date of this report, the company had 210 shareholders (2019: 214 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 23 Accumulated losses

	Note	2020 $	2019 $
Balance at beginning of reporting period		(454,016)	(555,024)
Adjustment for transition to AASB 16	3d)	(16,362)	-
Net profit after tax from ordinary activities		188,307	135,048
Dividends provided for or paid	28a)	(51,061)	(34,040)
Balance at end of reporting period		(333,132)	(454,016)

Note 24 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	188,307	135,048
Adjustments for:		
- Depreciation	52,421	14,037
- Amortisation	13,431	13,431
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(4,918)	(12,614)
- (Increase)/decrease in deferred tax assets	53,020	51,226
- Increase/(decrease) in trade and other payables	6,070	(12,088)
- Increase/(decrease) in employee benefits	17,247	8,197
- Increase/(decrease) in provisions	990	-
Net cash flows provided by operating activities	326,568	197,237

Note 25 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	13	95,942	87,899
Cash and cash equivalents	12	345,641	125,200
		441,583	213,099
Financial liabilities			
Trade and other payables	18	27,759	50,730
Lease liabilities	19	130,057	-
		157,816	50,730

Note 26 Auditor's remuneration

	2020 $	2019 $
Amount received or due and receivable by the auditor of the company for the financial year.		
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	4,600

Note 26 Auditor's remuneration *(continued)*

	2020 $	2019 $
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	3,160	2,030
- Share registry services	3,787	5,141
	7,547	7,771
Total auditor's remuneration	12,347	12,371

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Leonardus Josephus Cornelis Koelewyn
Raymond Leslie Yates
Jennifer Rae Nash
Sarah Melanie Tebbutt
Andrew James Raper
Kellie Ann Clay
Stephen Michael McDonald
Peter Herbert D'Abico
Danielle Maree Utting

b) Key management personnel compensation

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

There are no executives within the company whose remuneration is required to be disclosed.

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.

Transactions with related parties	2020 $	2019 $
- Sarah Tebbutt receives remuneration for bookkeeping, business development, business administration and support services provided to the Board. The total benefit received was:	24,250	29,450
Total transactions with related parties	24,250	29,450

Note 28 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Unfranked dividend	6.00	51,061	4.00	34,040
Total dividends provided for and paid during the financial year	6.00	51,061	4.00	34,040

Note 29 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.

	2020	2019
	$	$
Profit attributable to ordinary shareholders	188,307	135,048
	Number	Number
Weighted-average number of ordinary shares	851,010	851,010
	Cents	Cents
Basic and diluted earnings per share	22.13	15.87

Note 30 Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 19).

Operating lease commitments - lessee	2020	2019
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	39,866
- between 12 months and 5 years	-	44,743
Minimum lease payments payable	-	84,609

b) Other commitments

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

Note 31 Contingencies

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

Note 32 Subsequent events

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

Monbulk & District Community Enterprises Limited
Directors' Declaration

In accordance with a resolution of the directors of Monbulk & District 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.

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

Kellie Ann Clay, Director

Dated this 5th day of October 2020

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Independent auditor s report to the members of Monbulk & District Community Enterprises Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Monbulk & District 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; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

Monbulk & District 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.

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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.

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.

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: 5 October 2020

Joshua Griffin
Lead Auditor

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Bendigo Bank

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