Annual Report 2020

Mt Eliza Community Enterprise Limited

Community Bank · Mt Eliza

ABN 18 139 499 326

Community Bank · Mt Eliza

MT ELIZA
Community Pitch
2019

Thank you to our 2019 partners

Ryman Healthcare – Retirement living and aged care at its best!
Ritchies IGA – Fine Food & Wine Merchants – Mount Eliza
G.J. Gardner. HOMES
Port Phillip Group
Nepean Planning Consultants
Rotary Mount Eliza
Lotus
Dogs Country Club & Kennel Resort
we love DOGS Kennel Resort
HOMES & ACREAGE
VINNIES PIZZA BOYS MT. ELIZA – FREE HOME DELIVERY
RESOLUTE PAINTING & PROJECTS
CANADIAN BAY RESTAURANT BAR LOUNGE

Bendigo Bank

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Chairman's report

It's my pleasure to present this Annual Report to shareholders of Mt Eliza Community Enterprise Ltd for the 2019–20 financial year.

The company finished the year strongly, with a profit after income tax expense of $254,156 ($183,170 excluding Government's pandemic cash flow boost of $70,986). We reported a positive cash movement of $256,140. At 30 June we had cash reserves of in excess of current liabilities of $601,594. Our equity position is now greater than issued capital for the first time.

We will be declaring a franked dividend of 5-cents per share to be paid to our shareholders in December 2020. We are delighted to be in a position to pay this dividend for the third year running especially in the current climate when many companies are re-assessing their dividend policies.

It's been an extraordinary year, with devastating drought, bushfires and the COVID-19 pandemic creating challenges and new ways of operating.

My thanks go to our board of volunteer directors who have continued to provide strong leadership and governance. The board have remained resolute in our commitment to our customers and the community.

During the year we farewelled two directors and I extend my sincere thanks to them both. Carolyn Parker retired as a Director and Company Secretary at the end of June 2020. She joined our board in 2013 and worked tirelessly to ensure our effective operations with a strong emphasis on governance and risk. She chaired both our Governance, and Audit & Risk committees and shared her wisdom, experience and considerable business acumen with all of us. She played an instrumental role in turning our company around and ensuring it was on solid foundations for long term success.

Peter Hutchinson retired from our board at the end of May 2020 after serving for six years, including on our Business Growth and Engagement & Development committees. Peter helped us initiate the Mt Eliza Community Pitch and was a regular volunteer at all our local community events. His passion for the Community Bank and our community was second to none and will be missed by all.

I extend my sincere thanks to our branch team, led by Branch Manager, Fiona Parsons. They have done an outstanding job this year – particularly under the trying circumstances of the pandemic. The staff adapted with professionalism and agility to new health and safety protocols and supported our customers with our high level of service.

As part of our 2020–25 strategic planning the board undertook a review of our tenancy arrangements, with the aim of securing a favourable long term lease and ensuring we have the right branch for the future. We will be moving across the road to 102 Mt Eliza Way in late October 2020. Due to our strong financial position we can make this move without finance or affecting our ability to pay dividends in the foreseeable future.

In August 2019 we held the Mt Eliza Community Pitch, pooling our sponsorship funds with ten other generous local business. Together we distributed $40,000 on the night, supporting a range of clubs and community groups. Our 2020 event has been postponed until calendar year 2021 pending COVID restrictions.

With many clubs and community groups closing operations due to the pandemic, we've looked for innovative ways to continue our support. In June we conducted an insights survey of community groups to hear about the challenges they were facing. We've helped to bring community leaders together virtually, to share experiences. We've joined the Mt Eliza Chamber of Commerce in conversations with Mornington Peninsula Shire Council on the pandemic's economic impacts and the support needed for local traders and small businesses.

In March Mt Eliza Secondary College reported difficulty getting a handful of students set-up with home Internet access. We engaged local IT company SolutionOne to source equipment, provide data plans and conduct technical phone support to get the students set-up quickly, with minimal disruption.

In June we began purchasing shopping vouchers to inject thousands into our local economy. The aim was to stimulate activity for local retailers, encourage people to shop locally and keep money circulating in our Mt Eliza economy. We are running a second round of this initiative in October 2020. This program will continue in financial year 2021.

By the end of the year we had returned over $250,000 to our community. This will continue to grow as we play our role in supporting the long term growth and prosperity of Mt Eliza.

I thank our customers, stakeholders and community partners for being a part of this. Our business has grown and makes these local impacts because you choose Community Bank Mt Eliza. Remember to refer your family, friends and colleagues to our branch.

We are committed to supporting Mt Eliza groups, schools, clubs, businesses and our customers through the pandemic and on to the other side.

Thank you for your support.

Reagan H. Barry
Chairman
reagan@mece.com.au

Branch Manager's report

I'm delighted to report on our progress for the 2019–20 year. We saw continued positive growth in the business, some great impact in the community, and challenges for all of us with COVID-19.

We ended the year with footings at $167 million ($89.4 million in loans and $77.6 million in deposits). We've seen good growth in customer numbers and products per customer this year.

I'm proud of the work the team have done to drive these results. They've continued to step-up and build their skills, undertake training and work harder than ever to get some great outcomes for our customers. My two Customer Relationship Managers, Louise and Andrew have been a great support, as have Customer Relationship Officer, Melissa, and Customer Service Officers Karen and Bec.

The team have faced challenges since March with the spread of the COVID-19 pandemic. I'm proud of how they have performed their roles as essential service workers. It has not been easy. They've adapted to new health and safety protocols, managed communications and supported customers who've been in need of Bendigo Bank's assistance package measures. We've been here for our customers throughout the pandemic, and we're here to support the whole community through it.

In January 2020 we saw many parts of the country devastated by bushfires. Bendigo Bank's Community Enterprise Foundation joined forces with the state government and emergency services agencies to coordinate the Bushfire Disaster Appeal. Our Mt Eliza branch saw an incredible response from local people who made donations. The appeal raised in excess of $40 million dollars. Our Mornington Peninsula region was one of the highest donor areas. That money has been steadily distributed to affected communities. Read the impact stories at bendigobank.com.au

I also extend my thanks to Reagan and the board. Their passion and hard work is a huge contributor to our success and a support to me. They work tirelessly for our company and the Mt Eliza community as volunteers with minimal acknowledgment.

I thank our Regional Manager, Kristy Marshall and the team at Bendigo Bank for their continued support and guidance.

We hosted the Mt Eliza Community Pitch in August 2019. Thank you to the local businesses and organisations who joined us as pitch partners (see inside front cover). On the night we pooled our sponsorship funds to distribute $40,000 in total to:

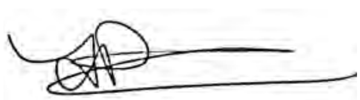
- Mt Eliza Neighbourhood House
- Mt Eliza Girl Guides
- Peninsula Home Hospice
- Mt Eliza Football–Netball Club
- Mt Eliza Soccer Club
- Dogs for Kids with Disabilities
- Baxter Cricket Club
- Overport Park Development Foundation
- Mornington Peninsula Legacy Club.

In early 2020 we began the process of considering the location of our branch, and working with Bendigo Bank's retail design team to create an exciting new space. The team and I look forward to welcoming you to the new branch at 102 Mt Eliza way from late October 2020. The design and fit-out will be fresh and innovative. I think our customers and the community will be excited by what they see.

In addition, during the year Bendigo Bank refreshed its logo and corporate branding to reflect itself as a modern, professional and customer-centric company. Its vision is to be Australia's bank of choice, and its purpose is to feed into the prosperity of customers and communities, not off it.

As of 30 June 2020, Community Banks around the country had returned $250 million (that's a quarter of a billion dollars) to Australian communities.

The local contribution Community Bank Mt Eliza is making is a great reason for you to bring your banking, insurance and superannuation business over to us. The Mt Eliza team and I would love to show you how easy it can be to change to a bank you can feel better about.



Fiona Parsons
Branch Manager
Fiona.Parsons@bendigoadelaide.com.au

Community impact report

We're aiming to be the bank of choice for Mt Eliza and a leader in our community.
We work hard to have an impact on our community's wellbeing and prosperity.

$250,000	$32,382	17	8
Reinvested in the Mt Eliza community to-date	Reinvested in the Mt Eliza community in 2019–20	Local projects and organisations funded in 2019–20	Regional projects and organisations funded in 2019–20

Community Pitch 2019 recipients Mt Eliza Neighbourhood House • Mt Eliza Girl Guides • Peninsula Home Hospice • Mt Eliza Football–Netball Club • Mt Eliza Soccer Club • Dogs for Kids with Disabilities • Baxter Cricket Club • Overport Park Development Foundation • Mornington Peninsula Legacy Club.

We helped Belle York (left) from Mt Eliza Secondary College attend the Magic Moments Youth Leadership Camp in Sydney in July 2019. It was a rewarding experience for her.

In February 2020 we were a sponsor of Equestrian Victoria's Barastoc Horse of the Year show. Our relationship with Equestrian Victoria is going from strength to strength, driven by Andrew.

October 2019 was breast cancer awareness month. We had the famous Blue Towels for sale in our branch to raise funds for the OTIS Foundation who provide retreats for breast cancer patients.

We are a proud partner of the Mt Eliza Chamber of Commerce, supporting a number of their community events throughout the year, including the Carols on the Green and the monthly Farmers' Market.

At the Mt Eliza Community Pitch in August 2019 we pooled our sponsorship funds with 12 other generous local businesses and distributed $40,000 to local groups and clubs.

We're a proud supporter of Rotary Mt Eliza's events, including Australia Day festivities, held on the Village Green in January 2020.

Supported with our regional Community Bank partners in 2019–20: AFL South East Women's Football League • Bendigo Bank Youth Leadership Camp • Mornington Peninsula Cricket Association • Mornington Peninsula Schools Enviro Week • RPP FM • Sport and Life Training (SALT) • Peninsula Transport Assist • GriefLine

$250 million milestone

At 30 June 2020 the total of community contributions made by Community Banks around Australia hit $250 million. Bendigo Bank continues to feed into the prosperity of communities, not off it.

2,574

Local customers

Together with other regional Community Bank branches, we supported the AFL South East Women's football league.

Bendigo Bank's Bushfire Disaster Appeal raised over $40 million for affected communities. Learn how that money is helping people at bendigobank.com.au

We provided a Sport and Life Training wellbeing workshop for Mt Eliza Football Netball Club's netball players. They also received some extra funding at our Community Pitch.

In May we contracted local IT company, SolutionOne, to help Mount Eliza Secondary College get some of their students urgently set up at home with Internet access for home learning.

We supported Mount Eliza Bowling Club's Community Bowls Challenge in February 2020. The event brings community and business teams together for lawn bowls and networking.

Peninsula Home Hospice was one of the local organisations that received a funding boost at our 2019 Mt Eliza Community Pitch.

Our volunteer board members are helping us make a big local impact. Carolyn and Peter retired this year, and we wish them all the best. (Alex and Reagan not pictured)

Mount Eliza Neighbourhood House took home some additional funding from the 2019 Mt Eliza Community Pitch.

As the COVID-19 pandemic began to affect our community, our team pivoted into the health and safety protocols and supported our customers through Bendigo Bank's assistance measures.

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

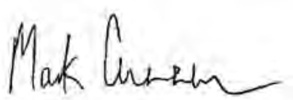
You should be proud of your investment in your local Community Bank company. As the Australian workforce had to adjust its way of working, your Community Bank branch staff were classified as essential workers and turned up for work every day throughout the pandemic to serve your local customers.

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

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

So, what does this all mean? For Bendigo and Adelaide Bank, it reinforces the fact that you are a shareholder of a unique and caring company – run by locals to benefit not only your community but those in need.
As Australia's 5th largest bank with more than 1.9 million customers we are proud to partner with your community.

If 2020 has shown us anything, it's that we're stronger for the partnerships we have with the communities we operate in. On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company directors and shareholders and your branch staff and customers for your continued support throughout the year.



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Corporate governance statement

Our board is comprised entirely of non executive independent volunteer directors. The skills, experience and composition of the board is detailed in the director's report. Details of the directors' shareholdings, their remuneration and any transactions which they have conducted with the company are included in the directors' report and notes to the financial statements.

The board has committed to a high standard of corporate governance, financial reporting and integrity in the company's operations.

The following committees advise the board and facilitate our activities:

- Audit, risk and governance
- People and culture
- Engagement and development, and
- Executive committee.

Independent professional advice

Directors have the right to seek independent professional advice (at the company's expense) to help them perform their duties.

The board engaged independent professional legal, accounting and audit services throughout the year.

Identifying and managing business risks

The board regularly monitors the operational and financial performance of the company against budget and other key performance measures. The board also receives advice on areas of operational and financial risks, and develops strategies in conjunction with management, to mitigate those risks.

The directors regularly undertake risk assessment analyses on the company's operations.

Committees have budget authorisation limits set by the board to facilitate activities. Expenses above this amount are subject to approval by the Chair.

The board and committees work closely with Bendigo Bank's support teams and regional manager to ensure our compliance with their policies, practices and guidelines. We actively engage in the training and capacity building opportunities provided by Bendigo Bank.

Communication with shareholders

The board of directors aims to ensure that our shareholders, on behalf of whom we act, are informed of all major developments affecting the company's activities and its state of affairs. This includes information to assess director and board performance.

Information is communicated to shareholders through our:

- website: bendigobank.com.au/mt-eliza
- Annual Report
- Annual General Meeting
- regular newsletters, and
- email communications.

Our vision

To be the bank of choice for Mt Eliza and a leader in our community.

Our mission

To work with Bendigo Bank and our staff to deliver exceptional banking services and to share the benefits with all our stakeholders.

Directors’ report

For the financial year ending 30 June 2020

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

Directors

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

Reagan Harrison Barry

Director/Chairman
Occupation: Commercial Operations Manager

Reagan holds a Masters of Business (Banking and Finance), a Bachelor of Commerce (Accounting) and is a member of the Australian Institute of Company Directors. Professionally, he works in the corporate sector as a Commercial Operations Manager, with commercial responsibility for a global sales division in the telecommunications industry. Reagan is Mt Eliza born and bred and has actively been involved in a variety of organisations. He was elected to board in June 2013, elected Deputy Chair in November 2013 and Chair in April 2014. He is passionate about the Mt Eliza community and keen to contribute to its growth and development.

Interest in shares: 1,000

James Craig Batty

Director/Deputy Chairman
Chair of Engagement and Development Committee
Occupation: General Manager, Event Logistic Group Pty Ltd

James was born and raised in Mt Eliza. He was educated at Peninsula Grammar and married with three sons. His company, Event Logistic Group (incorporating The Production Place and Coulson Party Hire), is a family owned and operated event company. The company specialises in event management, marquee and event hire and has been operating since 1965. James is passionate about the local community and the Mt Eliza Community Bank branch meeting its objectives.

Interest in shares: 1,000

Robert Charles Gauci

Director/Treasurer
Appointed Company Secretary on 1 July 2020
Chair of Audit Risk and Governance Committee
Occupation: Director, Port Phillip Group

Rob holds a Bachelor of Business (Accounting), is a Chartered Accountant and a Registered Tax Agent. He has over 30 years experience in business services. Rob is former treasurer and a life member of the Frankston Life Saving Club. Having grown up in Mt Eliza, Rob is passionate about helping the local community prosper and believes the Mt Eliza Community Bank Branch is a great vehicle for helping to achieve this.

Interest in shares: 1,000

Alexandra Godfrey

Director
Chair of Marketing and Community Engagement Committee
Occupation: Director, Fusebox Design/Fusebox Communications

Alex is a communications and design professional with over 25 years experience. She specialises in producing branding and corporate identity, publications, marketing and communications for clients in a variety of sectors. She is a digital and online communications specialist who is inspired by the power of technology to educate, motivate and transform. She has lived in Mt Eliza since 2006 and supports organisations involved in human rights advocacy, animal welfare and Indigenous education. She represents us on the committee of the Mt Eliza Men’s Shed and Bendigo Bank’s State Marketing Committee.

Interest in shares: 1,000

Joanne Horton

Director
Chair of People and Culture Committee
Occupation: Community Development, Bendigo Bank

Jo Horton has been on our board since April 2015. She is a human resources professional who helps us manage our people and culture. Jo holds a senior position on Bendigo Bank's Community Development team. Her background includes 20 years in the corporate sector, in both commercial and senior learning and development roles. She has also consulted in her own business, delivering leadership and team development solutions. Her passion lies in enabling people and organisations to be the best they can be, with a clear focus on what's possible. Her focus for our branch is on customer service excellence and supporting the growth of our community. A Mt Eliza local since the early 2000s, Jo enjoys village life, living locally with her husband and Labrador.

Interest in shares: nil

Peter John Hutchinson

Director (resigned 31 May 2020)
Occupation: Company Director, Master Capital Group

Peter is an experienced business management executive. His company raises capital, plans and develops new projects in the construction industry. He has strong skills as a market analyst, team leader and manager of stakeholder relations. Peter has diplomas in business management and human resource management. He is an active supporter of a range of sport and health services organisations. Peter's passion is helping other people to build their future.

Interest in shares: 7,000

Carolyn Jean Parker

Director/Company Secretary (resigned 30 June 2020)
Chair of the Governance Committee
Occupation: Company Director

Carolyn is an independent Company Director and was previously Managing Director of the privately-owned Kador Group for 25 years until her retirement from the role in 2013. She holds a Bachelor of Business and Honorary Doctorate from RMIT, is a member of the Australian Institute of Company Directors, a member of the CPA Australia and Fellow of the Financial Securities Institute of Australia. She is a Director of Connecting Skills Australia. Carolyn was appointed as Company Secretary of Mt Eliza Community Enterprise Limited in June 2014. She and her husband have been residents of Mt Eliza for over 25 years. Her community interests revolve around animal welfare, environmental sustainability and diversity

Interest in shares: 2,000

Gregory John Russo

Director
Occupation: Lawyer

Greg holds a Bachelor of Science (Pure Mathematics) and a Bachelor of Law. He is a member of the Law Institute of Victoria, and a Principal of the firm Featherbys Barristers and Solicitors in Rosebud, and is a Law Institute of Victoria Accredited Specialist in Wills and Estates. Greg was born in Sydney and relocated to Melbourne as a teenager. He has lived and worked on the Mornington Peninsula and Frankston since 1994. He currently lives in Mt Eliza with his wife and son. Greg is committed to community development and has been involved, in a variety of capacities, with a number of professional and community organisations since 1994. He is passionate about the Mt Eliza community and keen to contribute to its growth and development.

Interest in shares: nil

Matthew Keith Wilson

Director
Occupation: Senior Private Wealth Adviser and Company Director

Matthew is an experienced investment adviser and stockbroker at one of Australia's leading Investment and wealth management firms. He holds a number of finance-related degrees, including a Bachelor of Business (Law) from Monash University as well as a Graduate Diploma of Wealth Management from Deakin University. Having previously worked for Morgan Stanley and Citibank, he helps his private clients with the effective and efficient management of their financial investments and affairs. Matthew and his wife both grew up in the Mt Eliza area and they have two young sons. Matthew is active in the community and is delighted to contribute his skills, knowledge and experience to Mt Eliza Community Enterprise Limited.

Interest in shares: 7,000

Directors were in office for this entire year unless otherwise stated. No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Carolyn Jean Parker. Carolyn was appointed to the position on 28 April 2014. She has extensive experience as an independent director and committee member in the private, government and not for profit sectors. She holds a Bachelor of Business, is a member of the Australian Institute of Company Directors as well as CPA Australia and the Financial Securities Institute of Australia. Carolyn resigned from this position on 30 June 2020. Robert Gauci was appointed to the position of Secretary on 1 July 2020.

Principal activities

The principal activities of the company during the financial year were facilitating Community Bank services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited. There have been no significant changes in the nature of these activities during the year.

Operating results

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

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	254,156	**215,427**

Dividends

Dividends paid in the year

	Cents	Year ended 30 June 2020 $
	5	**40,355**

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.

Directors' report (continued)

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 receives remuneration for services as a company director or committee member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified executives whose remuneration requires disclosure.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year are noted below. Committee and board members also met on an informal basis regularly throughout the year.

	Board meetings		Audit, Risk & Governance		People & Culture		Engagement & Development	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Reagan Barry	10	9	2	2	–	–	–	–
James Batty	10	9	–	–	3	3	6	6
Rob Gauci	10	10	2	2	–	–	–	–
Alex Godfrey	10	10	–	–	–	–	6	6
Jo Horton	10	9	2	2	3	3	–	–
Peter Hutchinson	9	9	–	–	–	–	6	6
Carolyn Parker	10	9	2	2	–	–	–	–
Gregory Russo	10	9	2	2	–	–	–	–
Matthew Wilson	10	8	2	2	–	–	–	–

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the audit and governance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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

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

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

Remuneration report

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

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

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

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

Signed in accordance with a resolution of the board of directors at Mt Eliza, Victoria on 21 October 2020.

Reagan H. Barry
Chairman

Auditor's independence declaration

ASHFORDS
AUDIT AND ASSURANCE

Ashfords Audit & Assurance Pty Ltd
ABN 52 138 965 241
Suite 5, 14 Garden Blvd, Dingley VIC 3172
PO Box 1462, Clayton South VIC 3169
(03) 9551 2822
info@ashfords.com.au

Mount Eliza Community Enterprise Limited
ABN 18 139 499 326

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Mt Eliza Community Enterprise Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

(i) no contraventions of the auditor independence requirements as set out in 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.

Ashfords Audit and Assurance Pty Ltd

Ashfords Audit and Assurance Pty Ltd

Andrew White - CA
Director

21 October 2020

Dingley

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

For the financial year ending 30 June 2020

	Notes	2020 $	2019 $
Revenue from ordinary activities	8	1,090,072	957,216
Other Revenue	9	95,713	51,551
Finance Income	10	8,973	8,254
Employee benefits expense	11e	(533,206)	(384,878)
Charitable donations, sponsorship, advertising and promotion	11d	(47,346)	(61,559)
Occupancy and associated costs		(46,148)	(132,039)
Systems costs		(34,022)	(33,844)
Depreciation and amortisation expense	11a	(88,072)	(18,191)
Finance costs	11b	(3,340)	–
General administration expenses		(121,998)	(83,687)
Profit before income tax expense		**320,626**	**302,823**
Income tax expense	12a	(66,470)	(87,396)
Profit after income tax expense		**254,156**	**215,427**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:			
Earnings per share		¢	¢
Basic earnings per share	29a	31.49	26.69

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet

As at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13	780,072	523,932
Trade and other receivables	14a	143,862	95,377
Total current assets		**923,934**	**619,309**
Non-current assets			
Trade and other receivables	14b	7,515	7,515
Property, plant and equipment	15a	19,861	22,110
Right-of-use assets	16a	23,545	–
Intangible assets	17a	11,380	24,935
Deferred tax asset	18b	12,629	3,869
Total non-current assets		**74,930**	**58,429**
Total assets		**998,864**	**667,737**
LIABILITIES			
Current liabilities			
Trade and other payables	19	57,200	66,232
Current tax liabilities	18a	73,023	–
Lease liabilities	20c	26,579	–
Employee benefits	21a	21,676	9,592
Total current liabilities		**178,478**	**75,824**
Non-current liabilities			
Employee benefits	21b	21,214	11,646
Deferred tax liabilities	18c	2,208	–
Total non-current liabilities		**23,422**	**11,646**
Total liabilities		**201,900**	**87,469**
Net assets		**796,964**	**590,268**
EQUITY			
Issued capital	22a	774,249	774,249
Accumulated profit	23	22,715	(183,981)
Total equity		**796,964**	**590,268**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the financial year ending 30 June 2020

	Notes	Issued capital $	Accumulated profit (losses) $	Total equity $
Balance at 1 July 2018		774,249	(359,053)	415,196
Total comprehensive income for the year		–	215,427	215,427
Transactions with owners in their capacity as owners				
Shares issued during period		–	–	–
Costs of issuing shares		–	–	–
Dividends provided for or paid	28	–	(40,355)	(40,355)
Balance at 30 June 2019		**774,249**	**(183,981)**	**590,268**
Balance at 1 July 2019		774,249	(183,981)	590,268
Cumulative retrospective effect of AASB 16: *Leases*	3d	–	(7,105)	(7,105)
Restated balance at 1 July 2019		774,249	(191,086)	583,163
Total comprehensive income for the year		–	254,156	254,156
Transactions with owners in their capacity as owners				
Shares issued during period		–	–	–
Costs of issuing shares		–	–	–
Dividends provided for or paid	28	–	(40,355)	(40,355)
Balance at 30 June 2020		**774,249**	**22,715**	**796,964**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the financial year ending 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,138,472	979,619
Payments to suppliers and employees		(767,895)	(713,466)
Interest received		8,688	7,438
Interest paid		(104)	–
Lease payments (interest component)	11b	(3,236)	–
Income taxes paid		–	–
Net cash provided by operating activities		**375,925**	**273,591**
Cash flows from investing activities			
Payment for property, plant and equipment		(1,625)	(282)
Net cash used in investing activities		**(1,625)**	**(282)**
Cash flows from financing activities			
Lease payments (principal component)	20a	(74,714)	–
Dividends paid	28	(43,446)	(34,280)
Net cash used in financing activities		**(118,160)**	**(34,280)**
Net increase in cash held		**256,140**	**239,029**
Cash and cash equivalents at the beginning of the financial year		523,932	284,903
Cash and cash equivalents at the end of the financial year	13	**780,072**	**523,932**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the financial year ending 30 June 2020

Note 1. Reporting Entity

This is the financial report for Mt Eliza Community Enterprise 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: Shop 17, 89 Mount Eliza Way, Mount Eliza VIC 3930
- Principal Place of Business: Shop 17, 89 Mount Eliza Way, Mount Eliza VIC 3930

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

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 21 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 21.

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

The company 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.

	Notes	1 July 2019 $
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets – land and buildings	16b	94,187
Liability		
Lease liabilities	20a	(101,293)
Equity		
Accumulated losses		**(7,105)**

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	103,627
Less: present value discounting	(2,334)
Lease liability as at 1 July 2019	101,293

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.

Note 4. Summary of significant accounting policies (continued)
a) Revenue from contracts with customers (continued)

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 and Adelaide Bank Limited for a deposit,
- *minus* any costs of funds i.e. interest applied to fund a loan.

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

Commission

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

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

Fee income

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

Core banking products

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

Note 4. Summary of significant accounting policies (continued)
a) Revenue from contracts with customers (continued)

Ability to change financial return

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

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

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

b) Other revenue

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

Revenue	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
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 Bendigo Bank may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost

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

The amounts received or receivable is in relation to the amounts withheld as withholding tax reported in the activity statement.

This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes the amounts subsidised are recognised as revenue.

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

c) Economic dependency – Bendigo Bank

The company has entered into a franchise agreement with 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 in relation to:

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

d) Employee benefits

Short-term employee benefits

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

Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

Deferred tax is not recognised for:

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

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Plant and equipment	Straight-line	2.5 to 40 years

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

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.

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

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

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

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

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 assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

Financial assets – business model assessment

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

Financial assets – subsequent measurement and gains and losses

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

Financial liabilities – classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

Financial liabilities

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

Note 4. Summary of significant accounting policies (continued)
i) Financial instruments (continued)

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) Provisions

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

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

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

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

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

Note 4. Summary of significant accounting policies (continued)
m) Leases (continued)

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Policy applicable from 1 July 2019

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

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

Note 4. Summary of significant accounting policies (continued)
m) Leases (continued)

As a lessee

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

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

As a lessor

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

n) Standards issued but not yet effective

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

Note 5. Significant accounting judgements, estimates and assumptions

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

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

a) Judgements

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

Note	Judgement
Note 8 – revenue recognition	Whether revenue is recognised over time or at a point in time
Note 21 – leases	
a) control	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	whether the company is reasonably certain to exercise extension options, termination periods, and purchase options
c) discount rates	judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease contract cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: • the amount; • the lease term; • economic environment; and • other relevant factors

b) Assumptions and estimation uncertainties

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

Note	Assumptions
Note 8 – revenue recognition	estimate of expected returns
Note 18 – recognition of deferred tax assets	availability of future taxable profit which deductible temporary differences and carried-forward tax losses can be utilised
Note 15 – estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset
Note 22 – make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement

Note 6. Financial risk management

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

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

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

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

a) Credit risk

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

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

b) Liquidity risk

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

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

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

Note 6. Financial risk management (continued)

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
30 June 2020				
Lease liabilities	26,579	26,579	–	–
Trade payables	4,864	4,864	–	–
	31,443	**31,443**		
30 June 2019				
Lease liabilities	–	–	–	–
Trade payables	7,497	7,497	–	–
	7,497	**7,497**		

c) Market risk

Market risk

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

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

Price risk

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

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

The company held cash and cash equivalents of $780,072 at 30 June 2020 (2019: $523,932). The cash and cash equivalents are held with BEN, which are rated BBB on Standard and Poor's credit ratings.

Note 7. Capital management

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

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

The distribution limit is the greater of:

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

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

	Notes	2020 $	2019 $

Note 7. Capital management(continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid 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 entitles to a share of the margin earned by Bendigo Bank.

	2020 $	2019 $
Revenue from contracts with customers	**1,090,072**	**957,216**
Disaggregation of revenue from contracts with customers		
Margin income	956,301	813,082
Fee income	47,253	48,887
ATM income	2,788	2,892
Commission income	83,730	92,355
	1,090,072	**957,216**

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

Note 9. Other revenue

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

Other revenue	2020 $	2019 $
Market development fund income	10,000	33,824
Cash flow boost	70,986	–
Other income	14,727	17,727
	95,713	**51,551**

Note 10. Finance Income

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

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

Finance income at amortised cost	2020 $	2019 $
Term deposits	8,937	8,254

	Notes	2020 $	2019 $

Note 11. Expenses

a) Depreciation and amortisation expense

		2020 $	2019 $
Depreciation of non-current assets			
Plant and equipment		2,896	3,412
Leasehold improvements		978	1,223
		3,874	**4,635**
Depreciation of right-of-use assets			
Leased land and buildings		70,642	–
Amortisation of intangible assets			
Franchise fee		13,556	13,556
Total depreciation and amortisation expense		**88,072**	**18,191**

b) Finance

	Notes	2020 $	2019 $
Finance costs:			
Borrowing costs paid		104	–
Lease interest expense	20a	3,236	–
		3,340	**–**

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

c) Impairment loss on trade receivables and contract assets

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

d) Charitable donations, sponsorship, advertising and promotion

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

		2020 $	2019 $
Direct sponsorship, advertising and promotion payment		47,346	61,559

e) Employee benefit expenses

		2020 $	2019 $
Wages and salaries		449,606	330,962
Non-cash benefits		41,985	29,810
Contributions to defined contribution plans		12,084	(1,741)
Expenses related to long service leave		9,568	2,984
Other expenses		19,963	22,863
		533,206	**384,878**

	Notes	2020 $	2019 $

Note 11. Expenses (continued)

f) Recognition exemption

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

Expenses relating to low-value leases		14,797	–

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

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

Note 12. Income tax expense

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

a) Amounts recognised in profit or loss

Current tax expense			
Current tax		88,172	83,276
Movement in deferred tax		(19,748)	4,120
Adjustment to deferred tax on AASB 16 retrospective application		(1,954)	–
		66,470	**87,396**

b) Prima facie income tax reconciliation

Operating profit before tax		320,626	302,823
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)		88,172	83,276
Add tax effect of:			
Non-assessable income		(19,521)	–
Tax losses deducted		(3,869)	–
Non deductible expenses		3,728	3,728
Timing differences expenses		(86)	392
Leases initial recognition		(1,954)	–
		69,707	**87,396**

	Notes	2020 $	2019 $

Note 13. Cash and cash equivalents

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

Cash at bank and on hand		160,686	52,168
Term deposits		619,386	471,764
		780,072	**523,932**

Note 14. Trade and other receivables

a) Current assets			
Trade receivables		97,243	87,811
Prepayments		6,821	5,934
Other receivables and accruals		39,798	1,632
		143,862	**95,377**
b) Non-current assets			
Trade receivables		7,515	7,515
		151,377	**102,892**

Note 15. Property, plant and equipment

a) Carrying amounts

Leasehold Improvements			
At cost		34,283	34,283
Less: accumulated depreciation and impairment		(30,369)	(29,391)
		3,914	**4,892**
Plant and equipment			
At cost		83,465	81,840
Less: accumulated depreciation and impairment		(67,518)	(64,622)
		15,947	**17,218**
Total written down amount		**19,861**	**22,110**

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.

	Notes	2020 $	2019 $

Note 15. Property, plant and equipment (continued)

b) Reconciliation of carrying amounts

	2020 $	2019 $
Leasehold Improvements		
Carrying amount at beginning	4,892	6,115
Depreciation	(978)	(1,223)
Carrying amount at end	3,914	4,892
Plant and equipment		
Carrying amount at beginning	17,218	20,348
Additions	1,625	282
Depreciation	(2,896)	(3,412)
Carrying amount at end	15,947	17,218
Total written down amount	**19,861**	**22,110**

c) Changes in estimates

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

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

Note 16. Right-of-use assets

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

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

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

a) Carrying amounts

	2020 $	2019 $
Leased land and buildings		
At cost	317,881	–
Less: accumulated depreciation	(294,336)	–
	23,545	–

	Notes	2020 $	2019 $

Note 16. Right-of-use assets (continued)

b) Reconciliation of carrying amounts

Leased land and buildings			
Carrying at the beginning		–	–
Initial recognition on transition	3d	317,881	–
Accumulated depreciation on adoption	3d	(223,694)	–
Depreciation		(70,642)	–
Carrying amount at end		23,545	–
Total written down amount		**23,545**	**–**

Note 17. Intangible assets

a) Carrying amount

Franchise fee		
At cost	77,781	77,781
Less: accumulated amortisation	(75,521)	(61,966)
	2,260	**15,815**
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	–	–
Redomicile fees		
At cost	9,120	9,120
Total written down amount	**11,380**	**24,935**

b) Reconciliation of carrying amounts

Franchise fee		
Carrying amount at beginning	15,815	29,370
Amortisation	(13,555)	(13,555)
Carrying amount at end	2,260	15,815
Redomicile fees		
Carrying amount at beginning	9,120	9,120
Amortisation	–	–
Total written down amount	**11,380**	**24,935**

c) Changes in estimates

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

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

Note 18. Tax assets and liabilities

a) Current tax

	2020 $	2019 $
Income tax payable/(refundable)	73,023	–

b) Deferred tax asset

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in other comprehensive income $	Recognised in equity $	30 June 2020 $
Deferred tax assets					
Employee provisions	–	11,795	–	–	11,795
Lease liability	–	834	–	–	834
Tax losses	3,869	(3,869)	–	–	–
Total deferred tax assets	**3,869**	**8,760**			**12,629**

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

	30 June 2018 $	Recognised in profit or loss $	Recognised in other comprehensive income $	Recognised in equity $	30 June 2019 $
Deferred tax assets					
Tax losses	87,145	–	–	(83,276)	3,869
Total deferred tax assets	**87,145**	**–**	**–**	**(83,276)**	**3,869**

c) Deferred tax liability

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in other comprehensive income $	Recognised in equity $	30 June 2020 $
Deferred tax liabilities					
Prepayments	–	1,680	–	–	1,680
Accrued income		528			528
Total deferred tax liabilities	**–**	**2,208**	**–**	**–**	**2,208**

d) Uncertainty over income tax treatments

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

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

Note 19. Trade creditors and other payables

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

	2020 $	2019 $
Current liabilities		
Trade creditors	4,864	7,497
Other creditors and accruals	52,336	58,735
	57,200	**66,232**

Note 20. Lease liabilities

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

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

	Notes	2020 $	2019 $

Note 20. Lease liabilities (continued)

The company's lease portfolio includes:

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

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

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			
Balance at the beginning		–	–
Initial recognition on AASB 16 transition	3d	101,293	–
Lease payments – interest		3,236	–
Lease payments		(77,950)	
		26,579	

b) Current lease liabilities

Property lease liabilities		26,844	–
Unexpired interest		(265)	–
		26,579	**–**

c) Maturity analysis

Not later than 12 months		26,844	–
Total undiscounted lease payments		**26,844**	**–**
Unexpired interest		(265)	–
Present value of lease liabilities		**26,579**	**–**

d) Impact on the current reporting period

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

Comparison under current AASB 17 and former AASB 117

The net impact for the current reporting period is an increase in profit after tax of $2,952.

	Notes	2020 $	2019 $

Note 20. Lease liabilities (continued)

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss – increase (decrease) in expenses			
Occupancy and associated costs	77,950	(77,950)	–
Depreciation and amortisation expense	–	70,642	70,642
Finance costs	–	3,236	3,236
Decrease in expenses – before tax	**77,950**	**(4,072)**	**73,878**
Income tax expense/(credit) – current	(21,436)	21,436	–
Income tax expense / (credit) – deferred	–	(20,316)	(20,316)
Decrease in expenses – after tax	**56,514**	**(2,952)**	**53,562**

Note 21. Employee benefits

a) Current liabilities

Provision for annual leave	21,676	9,592
	21,676	**9,592**

b) Non-current liabilities

Provision for long service leave	21,214	11,646
	21,214	**11,646**

c) Key judgement and assumptions

Employee attrition rates

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

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

Note 22. Issued capital

a) Issued capital	2020 Number	2020 $	2019 Number	2019 $
Ordinary shares – fully paid	807,110	807,110	807,110	807,110
Less: equity raising costs	–	(32,861)	–	(32,861)
	807,110	**774,249**	**807,110**	**774,249**

b) Rights attached to issued capital

Ordinary Shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

	Notes	2020 $	2019 $

Note 22. Issued capital (continued)

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

	Notes	2020 $	2019 $
Balance at the beginning of the financial year		**(183,981)**	**(359,053)**
Adjustment for transition to AASB 16	3d	(7,105)	–
Net profit from ordinary activities after income tax		254,156	215,427
Dividends paid or provided for	28	(40,355)	(40,355)
Balance at the end of the financial year		**22,715**	**(183,981)**

Note 24. Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	254,156	215,427
Adjustments for:		
Depreciation	74,516	4,635
Amortisation	13,556	13,556
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(47,313)	(29,148)
(Increase)/decrease in other assets	(1,171)	(1,394)
Increase/(decrease) in trade and other payables	(5,942)	(19,703)
Increase/(decrease) in employee benefits	21,652	–
Increase/(decrease) in provisions	–	2,821
Increase/(decrease) in tax liabilities	66,471	87,396
Net cash flows provided by operating activities	**375,925**	**273,591**

	Notes	2020 $	2019 $

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.

	Notes	2020 $	2019 $
Financial assets			
Trade and other receivables	14	151,377	95,377
Cash and cash equivalents	13	160,686	52,168
Term deposits	13	619,386	471,764
		931,449	**619,309**
Financial liabilities			
Trade and other payables	19	4,864	7,497
Lease liabilities	20	26,579	–
		31,443	**7,497**

Note 26. Auditor's remuneration

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

	2020 $	2019 $
Audit and review services		
Audit and review of financial statements	4,930	4,720
	4,930	**4,720**

Note 27. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Reagan Harrison Barry
James Craig Batty
Robert Charles Gauci
Alexandra Godfrey
Joanne Horton
Peter Hutchinson (resigned 31 May 2020)
Carolyn Parker (resigned 30 June 2020)
Matthew Wilson
Gregory Russo

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.

	2020 $	2019 $

Note 28. Dividends provided for or paid during the year

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Unfranked dividend	0.05	40,355	0.05	40,355
Total dividends provided for and paid during the financial year	**0.05**	**40,355**	**0.05**	**40,355**

Note 29. Earnings per share

a) Based and diluted earnings per share

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

Profit attributable to ordinary shareholders	$	254,156	215,427
Weighted-average number of ordinary shares	Number	807,110	807,110
Basic and diluted earnings per share	Cents	31.49	26.69

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 20).

Operating lease commitments – lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments		
Not later than 12 months	–	77,951
Between 12 months and 5 years	–	26,843
Minimum lease payments payable	–	104,794

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.

Directors' declaration

In accordance with a resolution of the directors of Mt Eliza Community Enterprise 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.

Reagan H. Barry
Chairman

Signed on the 21 October 2020

Independent audit report

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Mount Eliza Community Enterprise Limited

Independent Audit Report to the members of Mount Eliza Community Enterprise Limited

Report on the Audit of the Financial Report

Opinion

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

In our opinion, the accompanying financial report of the Company 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*.

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

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

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

Responsibilities of Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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Mount Eliza Community Enterprise Limited

Independent Audit Report to the members of Mount Eliza Community Enterprise Limited

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ashfords Audit and Assurance Pty Ltd

Ashfords Audit and Assurance Pty Ltd

Andrew White - CA

Dingley

21 October 2020

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Bendigo Bank