Mt Evelyn & Districts Financial Services Limited

ABN 93 096 782 240

2019 Annual Report

Mt Evelyn **Community Bank** Branch

Montrose **Community Bank** Branch

Contents

Front cover photos

From top:

Justin Lloyd, Mt Evelyn CFA, receives a Sponsorship cheque from David Watt, Senior Manager and Margi Sank, Director.

Margi Sank presents Laura Lilley, Director, with her badge for her new role as Company Treasurer.

Kate Johnson, Founder of Spectrum Journeys, is presented with a Sponsorship cheque.

John Stroud, Chairman, facilitates a Strategy Planning Session with the Board.

Prue Northey, Director, presents student Aidan Martin with the 2018 Alan Grundy Youth Achievement Award.

Chairman's report

For year ending 30 June 2019

Welcome to my first report as Chairman of Mt Evelyn & Districts Financial Services Limited (MEDFSL). This is our 17th year of operation.

Our values

Mt Evelyn & Districts Financial Services Limited operates by the following values:

- Commitment to exceed customer expectations
- Products relevant to our respective customers lifestyles and needs
- Being proud to be a regional and **Community Bank** branch in building long term relationships with our customers
- Maintaining public trust by always acting in an ethical manner
- Providing convenient access to our services
- Delivering value and ensuring equity and fairness in pricing
- Leading and empowering our staff to make a difference
- Contributing to the communities in which we operate.

Our vision

Mt Evelyn & Districts Financial Services Limited, through its **Community Bank** operations has continued to provide profits that underpin enterprise and encourage generational, shareholder and community support for banking services, which in turn will lead to enhanced community and work environments strengthened by ethical governance.

Our mission

We have focused on providing a level and breadth of banking services that build confidence and trust, thereby engaging the community to ensure long-term sustainability and growth for the business, partnerships, community and shareholders. We have continued to achieve through excellence, equality, integrity, loyalty, respect and trust.

Our current position

The Board is always committed to high performance and ensuring we keep our community engagement strong with mutually beneficial outcomes.

The banking and finance sectors are more competitive than they have ever been with margins on products continuing to be at record lows.

The **Community Bank** company has exemplified fair and honest trading practices under the guidance of Bendigo and Adelaide Bank Limited, but there has been a tightening of lending conditions and supporting processes making it a challenging environment to operate in.

Despite these challenges, we have been able to achieve an annual net profit after tax of $335,007 compared to $264,098 last year (see enclosed Financial Statements). This has been achieved through the continued strong management of our Senior Group Manager, David Watt and his committed and dedicated team of staff. David has provided strong leadership and created a supportive team environment for the staff to deliver our products and services. David, we all thank you for your continued support.

Chairman's report (continued)

Of course, David has been well supported by Leanne Vaytauer, who provided the day-to-day management at the Mt Evelyn **Community Bank** Branch and Ann Peters who provided her lending expertise for both branches as our Mobile Lending Manager. Thank you to Leanne and Ann for the excellent support they have provided to David and the staff.

Our staff continue to provide the highest standard of service to our customers in a tough banking environment and we thank them for their continued support and teamwork. We will continue with staff development programs to ensure we have a strong succession plan in place.

I would like to thank all branch staff and Management for their continued professional approach to their work and caring attitude to our customers.

As voted on at last year's AGM, we delisted from the National Stock Exchange (NSX) and set up a Low Volume Market (LVM). This has benefitted the company with lower fees and for shareholders there is the benefit of lower costs involved in share trades (no requirement for a stockbroker). Further cost savings will be realised by the company with our recent move to an online share registry, with the first payments to be made in December 2019. This system will make it easier for shareholders to manage their shares and brings us in line with current industry practices; it also has cost savings with the management of shares.

I would like to thank Terry Marshall for his stewardship as Chairman of our Board for the last five years as he steps down to enjoy life on the Bellarine Peninsula. Terry spent a lot of time promoting the bank and creating an excellent working environment supporting the improvement in the financial position of our company.

Directors

We have a strong Board to deliver the corporate governance, monitor risks, meet all fiduciary requirements and protect shareholders' assets.

Your Board continues to work as a team to ensure the smooth operation of MEDFSL. Each member of the Board has their own area of expertise that gives the Board an important balance and stability.

This year has seen the appointment of Laura Lilley as Company Secretary/Treasurer, taking over from Margi Sank. Margi will continue to serve on the Board. I would like to pass on special thanks to Margi for her many years of service on the Board from the formation of our company in May 2001 and for being a major contributor in delivering the financial and regulatory requirements for our company.

I would also like to acknowledge the work of my other Directors, Gai Williams Deputy Chair, Jill Rule Board Secretary, Gareth Little-Hales, Iain Fraser, Duuna Landman and Prue Northey for their continued support.

Bendigo and Adelaide Bank Limited

I would like to acknowledge our Bendigo and Adelaide Bank Limited support team.

Thanks to Marisa Dickins who was our Regional Manager and became the State Manager for Victoria during the year and Gab Butler who was our Regional Community Manager and has now taken up a new role within Bendigo and Adelaide Bank Limited. Both provided strong support to both our branch staff and to the Board.

Thanks also to the Yarra Ranges Regional Office team for their support.

Sponsorships

We have continued to support many community groups through grants, sponsorship and donations; notwithstanding low interest rates which has impacted on available funds.

However regardless of the low interest rates, this financial year your **Community Bank** branches contributed $261,370 in donations and sponsorship, bringing the total sponsored over the life of the business to in excess of $2.8 million. This amount has been spread over a vast variety of groups within the communities in which we operate.

These groups include; football, netball, basketball, cricket, pony riding, bowls, soccer and golf clubs, the CFA, disability and volunteer groups, scouts and girl guides, kindergartens, primary and secondary schools, men's sheds, local chamber of commerce and other worthwhile community organisations.

Chairman's report (continued)

Summary

As your new Chairman, I thank you, our shareholders for your ongoing support. This allows our Board and staff to continue representing the company within the community in which we operate.

We have had a solid year in a difficult climate and this is the result of the great work by all members of our staff and Board.

We will continue to promote the Mt Evelyn & Districts **Community Bank** branches to support the great work done by the branch teams. We will continue to review and strive to lower costs and expenses. Without your continued support the amount we give back to the community will continually dwindle.

Remember it's in all of our interests to be a customer in our **Community Bank** branches to ensure we can continue to support our local communities.

In closing it is important to note that;

- Your company is in a strong financial position
- We are focused on continuing our community engagement
- We are confident of obtaining our objectives throughout 2019/20.

I am looking forward to meeting with you at our 2019 Annual General Meeting.

When: Thursday 21 November at 7.00pm

Where: Mt Evelyn Christian School, Hawkins Road, Mt Evelyn
(second school entrance on the left in Hawkins Road).

John Stroud
Chairman

Senior Manager's report

For year ending 30 June 2019

Mt Evelyn & Districts **Community Bank** branches have now been open for over seventeen years. Over that time, your **Community Bank** company, Mt Evelyn & Districts Financial Services Limited, has consistently met proposed business expansion levels. Currently the total group business sits at around $290 million. The community of Mount Evelyn should be proud of the effort that went into creating its own **Community Bank** branch, and the way it has supported the branch since the front doors were opened back in May 2002.

I would like to thank John Stroud and the Board of Directors, our shareholders and the Regional Office team of Bendigo and Adelaide Bank Limited for their support as our branch moves forward into the future.

John, along with Gai Williams, Margi Sank, Jill Rule, Craig Keithley, Iain Fraser, Gareth-Little Hales, Laura Lilley, Duuna Landman and Prue Northey form a Board of Directors without peer.

I would also like to acknowledge the fine effort of Terry Marshall, who resigned as a Director and Board Chair at the end of May 2019. Terry made an outstanding contribution to your **Community Bank** company, and we all thank him accordingly.

I would also like to acknowledge the efforts of our dedicated branch teams. Leanne, our Mt Evelyn Branch Manager and Ann, Mobile Lending Manager Montrose, lead an excellent team. Melissa our Mt Evelyn Branch Supervisor, along with Bev, Jan, Kaye, Sharon, Rebecca, Emily, Paula, Bernadette, Dawn and Helen keep both branches ticking along daily and have set an example of service clearly above and beyond the call of duty.

In the last year, Keeley resigned to take up a position at Healesville **Community Bank** Branch, and Matthew joined us, bringing some solid banking skills to our branch.

I should also mention that the operations of Montrose **Community Bank** Branch have been consolidated to Mt Evelyn **Community Bank** Branch, after just on nine years of face-to-face operations. We thank all involved with Montrose **Community Bank** Branch for their efforts in bringing face-to-face banking to Montrose, but viability of the branch was declining, and it was decided to move our presence to the Automatic Telling Machine (ATM), along with the mobile lending services provided by Ann.

One of the strengths of the **Community Bank** model is the support of our Board of Directors and the shareholders. Please continue to play your part in the growth of your branch by spreading the word about the very personal banking service provided by your **Community Bank** branch.

David Watt
Senior Manager

Directors' report

For the financial year ended 30 June 2019

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

Directors

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

John David Stroud

Director

Occupation: Part-time consultant

Qualifications, experience and expertise: John has a Graduate Certificate of Management and Certificate in Electronics as well as extensive operational and business experience. John is semi-retired after working in the telecommunications industry for 45 years with 30 of those as an operations manager. He is a long-term member of the Mount Evelyn community and has been actively involved with numerous community groups over the years. He played football at Mount Evelyn Football Netball Club and recently served as president for six years.

Special responsibilities: Chairman from 1 June 2019.

Interest in shares: 5,000

Laura Elizabeth Lilley

Director

Occupation: Chartered Accountant

Qualifications, experience and expertise: Qualified Chartered Accountant with over 20 years experience within large corporate organisations. Laura has been a resident of Mt Evelyn since 2005. Born and raised in Lilydale (on the border of Mt Evelyn) where her parents still reside and has a strong sense of connection with the local area. Over the years has been involved in many community groups, from Tennis, Basketball and Scouts when growing up and continues this involvement now through her family's activities.

Special responsibilities: Assistant Treasurer until December 2018, Treasurer from 1 December 2018 and Company Secretary effective 12 February 2019.

Interest in shares: Nil

Margaret Calder Sank

Director

Occupation: Accountant, Treasurer & Company Secretary

Qualifications, experience and expertise: CPA, Bachelor of Business. Past Director of a successful Accounting and Business Advisory Practice and over 30 years experience with small to medium sized entities. Significant and continuing leadership roles in various community organisations.

Special responsibilities: Treasurer until 1 December 2018, Company Secretary until 11 February 2019.

Interest in shares: 25,003

Jillian Lorraine Rule

Director

Occupation: Semi-retired

Qualifications, experience and expertise: Dip. Fashion Design Drawing & Drafting. Business owner, now semi-retired. A Steering Committee Member of Mt Evelyn **Community Bank** Branch, prior Chairperson and Vice-Chairperson of the Board. Previously a President of the Mt Evelyn Chamber of Commerce. Proactive in Steering Committee for the establishment of Montrose **Community Bank** Branch.

Special responsibilities: Board Secretary Administration.

Interest in shares: 83,628

Directors' report (continued)

Directors (continued)

Gareth Martin Little-Hales

Director

Occupation: Senior Environmental Health Officer

Qualifications, experience and expertise: Bachelor of Science (Honours), Environmental Health, Dip. Business. Over 25 years experience in local government. Emigrated from the UK in 2002 where he was a Fellow of the Institute of Home Safety. Has served on a number of community boards in UK and Australia. Past President Montrose Township Group and prior Chair of Montrose **Community Bank** Branch Steering Committee, and an active member of various community organisations.

Special responsibilities: Social Media Manager

Interest in shares: 1,500

Gai Williams

Director

Occupation: Part-time consultant

Qualifications, experience and expertise: Bachelor of Pharmacy, A.F.A.I.P.M. Pharmacist Owner and Operator for 24 years. Previously Chair of the Board of Guardian Pharmacies Australia.

Special responsibilities: Vice-Chairman

Interest in shares: 27,000

Iain Warren Fraser

Director

Occupation: Victoria Police

Qualifications, experience and expertise: Dip. Public Safety (Policing). Currently studying for BA (Public Sector Leadership & Management). Senior Sergeant in Victoria Police based in Melbourne CBD. Past member of the Montrose **Community Bank** Branch Steering Committee, and an active member of various community organisations.

Special responsibilities: Nil

Interest in shares: 3,500

Duuna Rochelle Landman

Director

Occupation: Business Owner

Qualifications, experience and expertise: Diploma of Accounting, Duuna has been a business owner for 20 years and moved into the Montrose area 17 years ago. Duuna was an active member of the Canterbury Gardens **Community Bank** Steering Committee and is a past treasurer of Ejays Softball Club and Chandler Park Jets Basketball. She has also been involved in the local Montrose kindergarten and primary school during the time her 3 children attended.

Special responsibilities: Nil

Interest in shares: Nil

Prue Cathley Northey

Director

Occupation: Event Manager

Qualifications, experience and expertise: Diploma of Business (Event) Management. Current Event Manager with Epicure based at the Melbourne Cricket Ground, past Chairperson of Yarra Rangers Relay for life for 7 years, Yarra Ranges Young Citizen of the Year in 2015, current Event and Social Media Team Leader and general committee member of the Mount Evelyn Football Netball Club.

Special responsibilities: Nil

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Terry John Marshall

Director (Resigned 31 May 2019)

Occupation: Semi-Retired Sales Agent

Qualifications, experience and expertise: Sales executive in the gift industry for the past 39 years. The past 10 years self-employed. Involved in a number of community groups over the years, the latest being with The Basin Wildcats Basketball Club. Past Chair of the Canterbury Gardens **Community Bank** Steering Committee.

Special responsibilities: Chairman from 30 June 2015 to 31 May 2019.

Interest in shares: 50,500

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 Laura Lilley. Laura was appointed to the position of Secretary on 12 February 2019. Margaret Sank held the position previously from 21 June 2011 to 11 February 2019.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank** services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited at Mt Evelyn and Montrose, Victoria.

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 2019 $	Year ended 30 June 2018 $
335,007	264,098

Dividends

	Year ended 30 June 2019	
	Cents	$
Dividends paid in the year	5.5	161,704

Directors' report (continued)

Significant changes in the state of affairs

The company passed a vote at their 2018 AGM to de-list from the National Stock Exchange (NSX) and apply to ASIC to operate a Low Volume Market (LVM) as the preferred trading framework for shares for the company. The company was officially delisted from the NSX on the 6 February 2019.

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

In May 2002, Mt Evelyn & Districts Financial Services Limited opened Mt Evelyn **Community Bank** branch. In November 2010, the company opened Montrose **Community Bank** branch to expand its operations.

Considering the location of Montrose **Community Bank** branch, situated less than 6km away from Mt Evelyn **Community Bank** branch, and consequently that customer numbers and banking business remained below anticipated levels for the Montrose **Community Bank** branch, the decision was made to consolidate the operations of both branches to Mt Evelyn.

On 26 September 2019, the Montrose Branch closed and all face-to-face banking can now be completed at Mt Evelyn **Community Bank** branch, located at 2/35-39 Wray Crescent, Mt Evelyn. The ATM will remain at Montrose and continue to service the local area.

This is a positive step to strengthening prosperous communities, building on the valued partnerships established in the company's seventeen years in business and further exploring unique opportunities deemed valuable to local people. Our commitment to the Montrose community has not wavered and we want to emphasis our support will continue for the local community groups as we have done since the opening of Mt Evelyn **Community Bank** Branch.

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in notes 20 and 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Audit		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
John David Stroud	10	10	1	1	-	-
Laura Elizabeth Lilley	10	10	3	3	-	-
Margaret Calder Sank	10	8	3	3	1	1
Jillian Lorraine Rule	10	10	3	3	1	1
Gareth Little-Hales	10	10	-	-	-	-
Gai Williams	10	7	-	-	1	1
Iain Warren Fraser	10	7	-	-	-	-
Duuna Rochelle Landman	10	7	-	-	-	-
Prue Cathley Northey	10	8	-	-	-	-
Terry John Marshall [1]	9	8	2	2	1	1

1. Resigned 31 May 2019

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the audit 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*.

Directors' report (continued)

Non audit services (continued)

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 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 12.

Signed in accordance with a resolution of the board of directors at Mt Evelyn, Victoria on 24 September 2019.

John David Stroud
Chair

Auditor's independence declaration

Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Mt Evelyn & Districts Financial Services Limited

As lead auditor for the audit of Mt Evelyn & Districts Financial Services Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 24 september 2019

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services
Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	2,273,531	2,131,525
Employee benefits expense		(1,170,993)	(1,168,059)
Charitable donations, sponsorship, advertising and promotion		(261,370)	(229,388)
Occupancy and associated costs		(65,127)	(72,041)
Systems costs		(65,879)	(61,916)
Depreciation and amortisation expense	5	(63,566)	(60,883)
Finance costs	5	(79)	(96)
General administration expenses		(184,328)	(174,866)
Profit before income tax expense		**462,189**	**364,276**
Income tax expense	6	(127,182)	(100,178)
Profit after income tax expense		**335,007**	**264,098**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**335,007**	**264,098**
Earnings per share		**¢**	**¢**
Basic earnings per share	23	11.39	8.98

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	1,484,975	1,289,837
Trade and other receivables	8	225,925	205,443
Total current assets		**1,710,900**	**1,495,280**
Non-current assets			
Property, plant and equipment	9	956,231	991,090
Intangible assets	10	49,372	76,358
Deferred tax asset	11	37,081	37,639
Total non-current assets		**1,042,684**	**1,105,087**
Total assets		**2,753,584**	**2,600,367**
LIABILITIES			
Current liabilities			
Current tax liabilities	11	44,944	21,857
Trade and other payables	12	72,192	105,908
Borrowings	13	1,853	1,749
Provisions	14	160,955	157,704
Total current liabilities		**279,944**	**287,218**
Non-current liabilities			
Provisions	14	2,540	15,352
Total non-current liabilities		**2,540**	**15,352**
Total liabilities		**282,484**	**302,570**
Net assets		**2,471,100**	**2,297,797**
EQUITY			
Issued capital	15	1,527,561	1,527,561
Retained earnings	16	943,539	770,236
Total equity		**2,471,100**	**2,297,797**

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2017		1,527,561	667,842	2,195,403
Total comprehensive income for the year		-	264,098	264,098
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(161,704)	(161,704)
Balance at 30 June 2018		**1,527,561**	**770,236**	**2,297,797**
Balance at 1 July 2018		1,527,561	770,236	2,297,797
Total comprehensive income for the year		-	335,007	335,007
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(161,704)	(161,704)
Balance at 30 June 2019		**1,527,561**	**943,539**	**2,471,100**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		2,474,288	2,331,685
Payments to suppliers and employees		(2,005,696)	(1,889,806)
Interest received		18,153	19,046
Interest paid		-	-
Income taxes paid		(103,537)	(155,072)
Net cash provided by operating activities	**17**	**383,208**	**305,853**
Cash flows from investing activities			
Payments for property, plant and equipment		(26,366)	(33,627)
Payments for intangible assets		-	(134,935)
Net cash used in investing activities		**(26,366)**	**(168,562)**
Cash flows from financing activities			
Dividends paid	21	(161,704)	(161,704)
Net cash used in financing activities		**(161,704)**	**(161,704)**
Net increase/(decrease) in cash held		**195,138**	**(24,413)**
Cash and cash equivalents at the beginning of the financial year		1,289,837	1,314,250
Cash and cash equivalents at the end of the financial year	**7(a)**	**1,484,975**	**1,289,837**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements 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 company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates which are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Application of new and amended accounting standards

There are two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 Leases and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its office in Mt Evelyn. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

No significant impact is expected for the company’s finance leases.

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $166,800.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank** branches at Mt Evelyn and Montrose, Victoria.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

- design, layout and fit out of the **Community Bank** branches
- 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.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

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

Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. 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 and Adelaide Bank Limited 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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group 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.

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 by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

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.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

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 donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited 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 and Adelaide Bank Limited earns revenue.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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.

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

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is payable (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on either a straight line or diminishing value basis depending on the assets so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. Land is not depreciated.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

The following estimated useful lives are used in the calculation of depreciation:

- buildings 40 years
- leasehold improvements 5 - 15 years
- plant and equipment 2.5 - 40 years
- motor vehicle 3 - 5 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

<u>Classification and subsequent measurement (continued)</u>

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

<u>Derecognition</u>

(i) Derecognition of financial liabilities

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

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit of loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses 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, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss 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 expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (ie 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.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

m) 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.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Issued capital

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.

o) Earnings per share

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

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not 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 expense.

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 Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. 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 entity. The entity does not use derivative instruments.

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo and Adelaide Bank Limited receivable as at 30 June 2019.

Expected credit loss assessment for other customers

The company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited 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 and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

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

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%.

Note 2. Financial risk management (continued)

(vi) 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 2019 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 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

	2019 $	2018 $

Note 4. Revenue from ordinary activities

	2019 $	2018 $
Operating activities:		
- gross margin	2,022,794	1,871,269
- services commissions	25,836	22,252
- fee income	144,231	154,512
- market development fund	47,500	47,500
Total revenue from operating activities	**2,240,361**	**2,095,533**
Non-operating activities:		
- interest received	15,852	16,242
- rental revenue	17,318	19,491
- profit on sale of non-current assets	-	132
- other revenue	-	127
Total revenue from non-operating activities	**33,170**	**35,992**
Total revenues from ordinary activities	**2,273,531**	**2,131,525**

Note 5. Expenses

	2019 $	2018 $
Depreciation of non-current assets:		
- buildings	11,886	11,886
- plant and equipment	8,495	9,279
- motor vehicle	11,458	7,990
- leasehold improvements	4,741	4,742
Amortisation of non-current assets:		
- franchise agreement	4,497	4,497
- franchise renewal fee	22,489	22,489
	63,566	**60,883**
Finance costs:		
Interest paid	**79**	**96**
Bad debts	**4,928**	**3,051**
Loss on sale of non-current asset	**1,762**	**-**

Notes to the financial statements (continued)

	2019 $	2018 $

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	126,625	102,749
- Movement in deferred tax	557	(2,571)
	127,182	**100,178**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	462,189	364,276
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	127,102	100,178
Add tax effect of:		
- non-deductible expenses	565	449
- timing difference expenses	(1,042)	2,162
- other deductible expenses	-	(40)
	126,625	**102,749**
Movement in deferred tax	557	(2,571)
	127,182	**100,178**

Note 7. Cash and cash equivalents

Cash at bank and on hand	883,740	706,755
Term deposits	601,235	583,082
	1,484,975	**1,289,837**

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	883,740	706,755
Term deposits	601,235	583,082
	1,484,975	**1,289,837**

Note 8. Trade and other receivables

Trade receivables	195,068	173,270
Prepayments	23,820	22,834
Other receivables and accruals	7,037	9,339
	225,925	**205,443**

Notes to the financial statements (continued)

	2019 $	2018 $

Note 9. Property, plant and equipment

Land and buildings		
Freehold land		
At cost	**378,030**	**378,030**
Buildings		
At cost	475,422	475,422
Less accumulated depreciation	(135,657)	(123,771)
	339,765	**351,651**
Leasehold improvements		
At cost	189,663	189,663
Less accumulated depreciation	(50,200)	(45,459)
	139,463	**144,204**
Plant and equipment		
At cost	277,561	285,240
Less accumulated depreciation	(241,586)	(242,491)
	35,975	**42,749**
Motor vehicles		
At cost	137,033	137,033
Less accumulated depreciation	(74,035)	(62,577)
	62,998	**74,456**
Total written down amount	**956,231**	**991,090**
Movements in carrying amounts:		
Land		
Carrying amount at beginning	**378,030**	**378,030**
Buildings		
Carrying amount at beginning	351,651	363,537
Less: depreciation expense	(11,886)	(11,886)
Carrying amount at end	**339,765**	**351,651**
Leasehold improvements		
Carrying amount at beginning	144,204	148,946
Less: depreciation expense	(4,741)	(4,742)
Carrying amount at end	**139,463**	**144,204**

	2019 $	2018 $

Note 9. Property, plant and equipment (continued)

Plant and equipment		
Carrying amount at beginning	42,749	41,151
Additions	3,483	12,364
Disposals	(1,762)	(1,487)
Less: depreciation expense	(8,495)	(9,279)
Carrying amount at end	**35,975**	**42,749**
Motor vehicles		
Carrying amount at beginning	74,456	59,563
Additions	-	22,883
Less: depreciation expense	(11,458)	(7,990)
Carrying amount at end	**62,998**	**74,456**
Total written down amount	**956,231**	**991,090**

Note 10. Intangible assets

Franchise fee		
At cost	90,257	90,257
Less: accumulated amortisation	(82,027)	(77,530)
	8,230	**12,727**
Renewal processing fee		
At cost	112,445	112,445
Less: accumulated amortisation	(71,303)	(48,814)
	41,142	**63,631**
Total written down amount	**49,372**	**76,358**

Note 11. Tax

Current:		
Income tax payable	**44,944**	**21,857**
Non-current:		
Deferred tax assets		
- accruals	825	1,073
- employee provisions	44,961	47,590
	45,786	**48,663**

Notes to the financial statements (continued)

	2019 $	2018 $
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	1,935	2,568
- property, plant and equipment	6,770	8,456
	8,705	**11,024**
Net deferred tax asset	**37,081**	**37,639**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**558**	**(2,571)**

Note 12. Trade and other payables

	2019 $	2018 $
Current:		
Trade creditors	13,190	34,881
Other creditors and accruals	59,002	71,027
	72,192	**105,908**

Note 13. Borrowings

	2019 $	2018 $
Current:		
Bank loans	**1,853**	**1,749**

Bank loans are repayable monthly. Interest is recognised at an average rate of 4.16%. The loan is secured by a fixed and floating charge over the company's assets. Available funds for redraw are $35,911.

Note 14. Provisions

	2019 $	2018 $
Current:		
Provision for annual leave	49,511	61,149
Provision for long service leave	111,444	96,555
	160,955	**157,704**
Non-current:		
Provision for long service leave	**2,540**	**15,352**

Note 15. Issued capital

	2019 $	2018 $
2,940,081 ordinary shares fully paid (2018: 2,940,081)	**1,527,561**	**1,527,561**

Notes to the financial statements (continued)

Note 15. Issued capital (continued)

In 2009, there was a bonus issue of shares 2:1 (1,405,020).

In recognition for shareholders who contributed to pre-incorporation funds to enable the feasibility study to be completed, 7,500 fully paid shares were issued with no consideration paid by the shareholders at the rate of one additional share for each $1 contributed.

Rights attached to shares

(a) 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.

(b) 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 and Adelaide Bank Limited 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).

(c) 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 494. As at the date of this report, the company had 526 shareholders.

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

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

Notes to the financial statements (continued)

Note 15. Issued capital (continued)

Prohibited shareholding interest (continued)

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.

	2019 $	2018 $

Note 16. Retained earnings

	2019 $	2018 $
Balance at the beginning of the financial year	770,236	667,842
Net profit from ordinary activities after income tax	335,007	264,098
Dividends paid or provided for	(161,704)	(161,704)
Balance at the end of the financial year	**943,539**	**770,236**

Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

	2019 $	2018 $
Profit from ordinary activities after income tax	335,007	264,098
Non cash items:		
- depreciation	36,580	33,897
- amortisation	26,986	26,986
- (profit)/loss on disposal of asset	1,762	(132)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(20,482)	(6,706)
- (increase)/decrease in other assets	558	(2,571)
- increase/(decrease) in payables	(10,729)	27,598
- increase/(decrease) in provisions	(9,561)	15,006
- increase/(decrease) in current tax liabilities	23,087	(52,323)
Net cash flows provided by operating activities	**383,208**	**305,853**

Notes to the financial statements (continued)

	2019 $	2018 $

Note 18. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,700	5,500
- share registry services	6,824	7,999
- non audit services	3,983	3,051
	16,507	**16,550**

Note 19. Leases

Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	23,829	20,970
- between 12 months and 5 years	23,829	60,774
	47,658	**81,744**

The operating lease for Suite 2, 3 Station St, Mount Evelyn is a non-cancellable lease with a five-year term ending 6 June 2021 and an additional five year option available, with rent payable monthly in advance.

Note 20. Director and related party disclosures

The names of directors who have held office during the financial year are:

John David Stroud
Laura Elizabeth Lilley
Margaret Calder Sank
Jillian Lorraine Rule
Gareth Little-Hales
Gai Williams
Iain Warren Fraser
Duuna Rochelle Landman
Prue Cathley Northey
Terry John Marshall (Resigned 31 May 2019)

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

	2019 $	2018 $
Jillian Rule owns the premises situation at Suite 2, 3 Station Street, Mt Evelyn. The premises are rented on normal commercial terms as administration offices and Board suite.	19,406	18,720

Notes to the financial statements (continued)

Note 20. Director and related party disclosures (continued)

Directors' Shareholdings	2019	2018
John David Stroud	5,000	5,000
Laura Elizabeth Lilley	-	-
Margaret Calder Sank	25,003	25,003
Jillian Lorraine Rule	83,628	83,628
Gareth Little-Hales	1,500	1,500
Gai Williams	27,000	27,000
Iain Warren Fraser	3,500	3,500
Duuna Rochelle Landman	-	-
Prue Cathley Northey	-	-
Terry John Marshall (Resigned 31 May 2019)	50,500	-

Terry John Marshall Purchased 50,500 shares during the period.

There was no other movement in directors' shareholdings during the year.

	2019 $	2018 $

Note 21. Dividends provided for or paid

	2019 $	2018 $
a. Dividends paid during the year		
Current year dividend		
Fully franked dividend - 5.5 cents (2018: 5.5 cents) per share	**161,704**	**161,704**
The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	398,105	355,903
- franking credits that will arise from payment of income tax as at the end of the financial year	44,944	21,857
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**443,049**	**377,760**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**443,049**	**377,760**

Notes to the financial statements (continued)

	2019 $	2018 $

Note 22. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

John David Stroud	1,461	-
Laura Elizabeth Lilley	14,761	6,267
Margaret Calder Sank	15,228	20,227
Jillian Lorraine Rule	6,267	6,267
Gareth Little-Hales	5,000	3,545
Gai Williams	6,267	6,267
Iain Warren Fraser	2,506	2,506
Duuna Rochelle Landman	2,506	1,671
Prue Cathley Northey	1,044	-
Terry John Marshall (Resigned 31 May 2019)	22,733	22,733
	77,773	**69,483**

Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	335,007	264,098

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,940,081	2,940,081

Note 24. Events occurring after the reporting date

In May 2002, Mt Evelyn & Districts Financial Services Limited opened Mt Evelyn **Community Bank** branch. In November 2010, the company opened Montrose **Community Bank** branch to expand its operations.

Considering the location of Montrose **Community Bank** branch, situated less than 6km away from Mt Evelyn **Community Bank** branch, and consequently that customer numbers and banking business remained below anticipated levels for the Montrose **Community Bank** branch, the decision was made to consolidate the operations of both branches to Mt Evelyn.

On 26 September 2019, the Montrose Branch closed and all face-to-face banking can now be completed at Mt Evelyn **Community Bank** branch, located at 2/35-39 Wray Crescent, Mt Evelyn. The ATM will remain at Montrose and continue to service the local area.

This is a positive step to strengthening prosperous communities, building on the valued partnerships established in the company's seventeen years in business and further exploring unique opportunities deemed valuable to local people. Our commitment to the Montrose community has not wavered and we want to emphasis our support will continue for the local community groups as we have done since the opening of Mt Evelyn **Community Bank** Branch.

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

Notes to the financial statements (continued)

Note 25. Contingent liabilities and contingent assets

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

Note 26. Community Enterprise Foundation™

During the period the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2019 is as follows:

	2019 $	**2018 $**
Opening balance	101,130	43,324
Contributions	70,000	60,000
Grants paid	-	-
Interest	1,959	806
Management fees	(3,500)	(3,000)
Balance available for distribution	**169,589**	**101,130**

Note 27. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank** services in Mt Evelyn and Montrose, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 28. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office
Suite 2, 3 Station Street
Mt Evelyn
Victoria 3796

Principal Place of Business
Suite 2, 3 Station Street
Mt Evelyn
Victoria 3796

Note 29. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 %**	**2018 %**
Financial assets												
Cash and cash equivalents	882,878	705,284	601,235	583,082	-	-	-	-	862	1,471	1.15	1.30
Receivables	-	-	-	-	-	-	-	-	195,068	173,270	N/A	N/A
Financial liabilities												
Interest bearing liabilities	1,853	1,749	-	-	-	-	-	-	-	-	4.16	4.89
Payables	-	-	-	-	-	-	-	-	13,190	34,881	N/A	N/A

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

Notes to the financial statements (continued)

Note 29. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1%	14,823	12,866
Decrease in interest rate by 1%	(14,823)	(12,866)
Change in equity		
Increase in interest rate by 1%	14,823	12,866
Decrease in interest rate by 1%	(14,823)	(12,866)

Directors' declaration

In accordance with a resolution of the directors of Mt Evelyn & Districts Financial Services 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 2019 and of its performance for the financial year ended on that date; and

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

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

John David Stroud
Chair

Signed on the 24th of September 2019.

Independent audit report

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Independent auditor's report to the members of Mt Evelyn & Districts Financial Services Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Mt Evelyn & Districts Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2019 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards.

What we have audited
Mt Evelyn & Districts Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

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

Independent audit report (continued)

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 24 September 2019

Joshua Griffin
Lead Auditor

Mt Evelyn **Community Bank** Branch
Shop 2, 35-39 Wray Crescent, Mt Evelyn VIC 3796
Phone: (03) 9737 1833 Fax: (03) 9737 1844
www.bendigobank.com.au/mtevelyn

Montrose **Community Bank** Branch
Shop 7, 926-930 Mt Dandenong Tourist Road, Montrose VIC 3765
Phone: (03) 9728 3177 Fax: (03) 9728 3952
www.bendigobank.com.au/montrose

Franchisee: Mt Evelyn & Districts Financial Services Limited
Shop 2, 35-39 Wray Crescent, Mt Evelyn VIC 3796
ABN: 93 096 782 240

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