Mt Evelyn & Districts
Financial Services Limited

Annual Report 2020

Your support helped us support you

$3 million

Back to our community

Community Bank
Mt Evelyn & Districts

ABN 93 096 782 240

Yarra Ranges Toy Library

Melissa Guy – Bendigo Bank
Bev Doig – Bendigo Bank
Bec Brannigan – Yarra Ranges Toy Library

Mt Evelyn RSL

Melissa Guy – Bendigo Bank
Roger Boness – Mt Evelyn RSL President
Iain Fraser – Community Bank Director

Mt Evelyn Community House

Nicky Condello – Mt Evelyn Community House
Anna Griffiths – Mt Evelyn Community House
Iain Fraser – Community Bank Director
Melissa Guy – Bendigo Bank
John Stroud – Community Bank Chairman

Community support

Anne Peters – Bendigo Bank
Bev Doig – Bendigo Bank
Nicky Condello – Mt Evelyn Community house
Bec Brannigan – Yarra Ranges Toy Library
Melissa Guy – Bendigo Bank
Roger Boness – Mt Evelyn RSL President
John Stroud – Community Bank Chairman

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Chairman’s report

For year ending 30 June 2020

Welcome to my second report as Chairman of Mt Evelyn & Districts Financial Services Limited (MEDFSL). This is our 18th 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: and
- 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. This year we have also seen the COVID-19 Pandemic across the community with the resulting restrictions and various impacts on financial markets.

As previously advised to shareholders we also saw the consolidation of our Montrose branch operations to the Mount Evelyn branch resulting in the Montrose branch closing during September 2019. We have been able to do this without affecting our staff levels.

Community Bank Mt Evelyn & Districts has exemplified fair and honest trading practices under the guidance of Bendigo and Adelaide Bank Limited and there has been a continued tightening of lending conditions and supporting processes making it a challenging environment to operate in.

Mt. Evelyn & Districts Community

$3m

Back to our Community

Your support helped us support you.

In spite of these challenges we have been able to achieve an annual net profit after tax of $423,412 compared to $335,007 last year (see enclosed Financial Statements). We have also achieved the significant milestone of returning $3.2 million to the community in grants and sponsorship since our branch opened in 2002. This has allowed our many community organisations in Mt Evelyn, Montrose and the surrounding districts to grow and remain strong providing valuable service to our community in many different areas. We are proud of this contribution.

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 Bendigo Bank products and services. David, we all thank you for your continued support.

David was well supported by Leanne Vaytauer, who provided the day to day management at Community Bank Mt Evelyn & Districts 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 branch 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.

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 retirement of Jill Rule one our original Directors and key driver in the establishment of our company in May 2001. Jill has provided immense support as Company Chair, Board Secretary, Foundation Director and mentor to many of us on the Board. On behalf of our team I would like to pass on our special thanks to Jill for her dedication and contribution to our company's performance and the resulting benefits to our community.

I would also like to acknowledge the work of my other Directors, Gai Williams Deputy Chair, Laura Lilley Company Secretary/Treasurer, Gareth Little-Hales, Iain Fraser, Duuna Landman and Prue Northey for their continued support. We also welcome new Director Lisa Glassborow who joined our Board in May this year.

Bendigo and Adelaide Bank Limited

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

Thanks to our Regional Manager Darryl Ellis for his support to David and our team during the year and we welcome Shelly McLean who has recently taken up the role.

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 contributed $381,898 in donations, grants and sponsorships. These groups include; CFA, football, netball, basketball, cricket, pony riding, bowls, soccer and golf clubs, disability and volunteer groups, scouts, girl guides, kindergartens, primary and secondary schools, men's sheds, bushfire relief, local chamber of commerce and other worthwhile community organisations.

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 a result of the great work by all members of our staff and Board.

We will continue to promote Community Bank Mt Evelyn & Districts 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.

This year we are sending the company Annual Report and Annual General Meeting correspondence via email to shareholders with a valid email address and also posting a hard copy to all shareholders.

Remember it's in all of our interests to be a customer in our Community Bank 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 2020/21.

I am looking forward to meeting with you at our 2020 Annual General Meeting. Please note this year the meeting will be an online meeting as a result of the COVID-19 restrictions on public gatherings. Details of the meeting will be emailed and posted to you.

When: Wednesday 25 November at 7.00pm

Where: Online meeting – refer to email or correspondence to shareholders with meeting information and link to the meeting.

John Stroud
Chairman

Senior Manager's report

For year ending 30 June 2020

Community Bank Mt Evelyn & Districts has now been open for over eighteen 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 $350 million. The community of Mount Evelyn should be proud of the effort that went into creating Community Bank Mt Evelyn & Districts 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, Iain Fraser, Gareth-Little Hales, Laura Lilley, Duuna Landman and Prue Northey form a Board of Directors without peer.

Lisa Glassborow joined the Board in May 2020 and we welcome Lisa who brings a wealth of community experience and contribution to our team.

I would also like to acknowledge the fine effort of Jill Rule, who resigned as a Director (also a former Board Chair) at the end of November 2019. Jill made an outstanding contribution to Mt Evelyn & Districts Financial Services Limited and we all thank her accordingly.

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

Bec, who transferred from Bendigo and Taylah, both joined our Community Bank team during the year and are each making a significant contribution to our business growth.

Both Kaye and Helen retired during the year and we thank them for their outstanding efforts over their career with us.

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 our business by spreading the word about the very personal banking service provided by Community Bank Mt Evelyn & Districts.

David Watt
Senior Manager

Directors' report

For the financial year ended 30 June 2020

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

Directors

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

John David Stroud

Non-executive 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

Interest in shares: 5,000 ordinary shares

Laura Elizabeth Lilley

Non-executive director

Occupation: Chartered Accountant with over 20 years experience

Qualifications, experience and expertise: Laura currently works as a Business Analyst with a Large Not for profit organisation. 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: Treasurer and Company Secretary

Interest in shares: nil share interest held

Margaret Calder Sank

Non-executive director

Occupation: Director - Creative Design Studio

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 ordinary shares

Directors (continued)

Gareth Little-Hales

Non-executive 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 ordinary shares

Gai Williams

Non-executive 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 ordinary shares

Iain Warren Fraser

Non-executive 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 ordinary shares

Duuna Rochelle Landman

Non-executive 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 share interest held

Directors (continued)

Prue Cathley Northey

Non-executive director

Occupation: Program Coordinator at Roads Australia

Qualifications, experience and expertise: Current Occupation: Program Coordinator at Roads Australia. Previous Occupation as of August 2019: Event Coordinator, Epicure at the MCG. Tertiary Qualifications: Diploma of Business (Event) Management. 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: Board Secretary as of June 2020

Interest in shares: nil share interest held

Lisa Maree Glassborow

Non-executive director (appointed 26 May 2020)

Occupation: Strategic Marketing Consultant

Qualifications, experience and expertise: Lisa has over 20 year's experience both in the corporate and not for profit (or 'for purpose') sectors working in strategy, marketing communications, fundraising, events and relationship management and now runs her own small business. Lisa has lived in the local area all of her life (other than 2 years in sunny Darwin) and is grateful for her involvement with a number of local community groups over the years. She attended Birmingham Primary School, as do her children today where she is Vice President of the School Council and heads up their Community Building Team. Is the past President of Fernhill Pre-school, was the Assistant Principal of Yarra Valley Calisthenics College for 11 years and has worked with the committees of Coldstream and Sivan Football Clubs and her children play basketball for Mt Evelyn Meteors. Lisa believes strongly that good relationships make businesses and organisations great places to be part of and when we have lots of great places that people feel connected to, we have stronger, healthier communities. Lisa is also Company Secretary at Darlingford Wates Marina Pty Ltd.

Special responsibilities: Nil

Interest in shares: nil share interest held

Jillian Lorraine Rule

Non-executive director (resigned 30 November 2019)

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 ordinary shares

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

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

Company Secretary

The company secretary is Laura Lilley. Laura was appointed to the position of secretary on 12 February 2019.

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.

Principal activity

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

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

Operating results

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

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
	423,412	335,007

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
John David Stroud	5,000	-	5,000
Laura Elizabeth Lilley	-	-	-
Margaret Calder Sank	25,003	-	25,003
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	-	-	-
Lisa Maree Glassborow	-	-	-
Jillian Lorraine Rule	83,628	-	83,628

No debentures or rights have been granted or options over such instruments in previous financial years or during the current financial year.

Dividends

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

	Cents per share	Total amount
Final fully franked dividend	6.5	191,107
Total amount	6.5	191,107

New Accounting Standards implemented

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

Significant changes in the state of affairs

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 eighteen 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.

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 29 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 managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or managers of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Audit		Human Resources	
	E	A	E	A	E	A
John David Stroud	10	10	3	3	2	2
Laura Elizabeth Lilley	10	10	3	3	2	2
Margaret Calder Sank	10	10	3	3	2	1
Gareth Little-Hales	10	9	-	-	-	-
Gai Williams	10	9	-	-	2	1
Iain Warren Fraser	10	4	-	-	-	-
Duuna Rochelle Landman	10	8	-	-	-	-
Prue Cathley Northey	10	8	-	-	-	-
Lisa Maree Glassborow	1	1	-	-	-	-
Jillian Lorraine Rule	4	4	1	1	1	1

E - eligible to attend
A - number attended

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28.

Non audit services (continued)

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

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the directors at Mt Evelyn, Victoria.

John David Stroud,
Chair

Dated this 4th day of September 2020

Auditor's independence declaration

Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of 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 2020, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 4 September 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	2,279,444	2,192,861
Other revenue	9	111,307	64,818
Finance income	10	16,128	15,852
Employee benefit expenses	11d)	(1,123,561)	(1,170,993)
Charitable donations, sponsorship, advertising and promotion		(381,898)	(261,370)
Occupancy and associated costs		(54,154)	(65,127)
Systems costs		(50,934)	(65,879)
Depreciation and amortisation expense	11a)	(66,546)	(63,566)
Finance costs	11b)	(6,292)	(79)
General administration expenses		(159,945)	(184,328)
Profit before income tax expense		**563,549**	**462,189**
Income tax expense	12a)	(140,137)	(127,182)
Profit after income tax expense		**423,412**	**335,007**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**423,412**	**335,007**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	31a)	14.40	11.39

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	1,779,907	1,484,975
Trade and other receivables	14a)	196,548	225,925
Total current assets		**1,976,455**	**1,710,900**
Non-current assets			
Property, plant and equipment	15a)	917,277	956,231
Right-of-use assets	16a)	87,017	-
Intangible assets	17a)	22,384	49,372
Deferred tax asset	18b)	40,549	37,081
Total non-current assets		**1,067,227**	**1,042,684**
Total assets		**3,043,682**	**2,753,584**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	48,584	72,192
Current tax liabilities	18a)	34,565	44,944
Loans and borrowings	20a)	1,953	1,853
Lease liabilities	21b)	15,757	-
Employee benefits	23a)	138,288	160,955
Total current liabilities		**239,147**	**279,944**
Non-current liabilities			
Lease liabilities	21c)	103,495	-
Employee benefits	23b)	19,959	2,540
Provisions	22a)	2,261	-
Total non-current liabilities		**125,715**	**2,540**
Total liabilities		**364,862**	**282,484**
Net assets		**2,678,820**	**2,471,100**
EQUITY			
Issued capital	24a)	1,527,561	1,527,561
Retained earnings	25	1,151,259	943,539
Total equity		**2,678,820**	**2,471,100**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Retained earnings $	Total equity $
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:				
Dividends provided for or paid	30a)	-	(161,704)	(161,704)
Balance at 30 June 2019		**1,527,561**	**943,539**	**2,471,100**
Balance at 1 July 2019		1,527,561	943,539	2,471,100
Effect of AASB 16: Leases	3d)	-	(24,587)	(24,587)
Restated balance at 1 July 2019		1,527,561	918,952	2,446,513
Total comprehensive income for the year		-	423,412	423,412
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(191,105)	(191,105)
Balance at 30 June 2020		**1,527,561**	**1,151,259**	**2,678,820**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		2,631,358	2,474,288
Payments to suppliers and employees		(1,973,342)	(2,005,696)
Interest received		16,128	18,153
Interest paid		(101)	-
Lease payments (interest component)	11b)	(6,086)	-
Lease payments not included in the measurement of lease liabilities	11e)	(22,492)	-
Income taxes paid		(144,658)	(103,537)
Net cash provided by operating activities	**26**	**500,807**	**383,208**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,202)	(26,366)
Proceeds from sale of property, plant and equipment		2,664	-
Net cash used in investing activities		**(538)**	**(26,366)**
Cash flows from financing activities			
Lease payments (principal component)	21a)	(14,230)	-
Dividends paid	30	(191,107)	(161,704)
Net cash used in financing activities		**(205,337)**	**(161,704)**
Net cash increase in cash held		**294,932**	**195,138**
Cash and cash equivalents at the beginning of the financial year		1,484,975	1,289,837
Cash and cash equivalents at the end of the financial year	**13a)**	**1,779,907**	**1,484,975**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2020

Note 1. Reporting entity

This is the financial report for Mt Evelyn & Districts Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	**Principal Place of Business**
Suite 2, 3 Station Street	37 Wray Crescent
Mt Evelyn, Victoria 3796	Mt Evelyn, Victoria 3796

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 29.

Note 2. Basis of preparation and statement of compliance

<u>Basis of preparation and statement of compliance</u>

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 4 September 2020.

Note 3. Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

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

b) As a lessee

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

<u>Leases classified as operating leases under AASB 117</u>

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

d) Impact on financial statements

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

	Note	1 July 2019 $
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	16b)	101,724
Deferred tax asset	18b)	9,326
Liability		
Lease liabilities	21a)	(133,482)
Provision for make-good	22b)	(2,155)
Equity		
Retained earnings		**(24,587)**

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

d) Impact on financial statements (continued)

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

	1 July 2019 $
Lease liabilities reconciliation on transition	
Operating lease disclosure as at June 2019	47,658
Add: additional options now expected to be exercised	119,142
Less: AASB 117 lease commitments reconciliation	(8,565)
Less: present value discounting	(24,753)
Lease liability as at 1 July 2019	**133,482**

Note 4. Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

Note 4. Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Margin (continued)

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

Revenue stream	Revenue recognition policy
Rental income	Rental income from investment properties, including property owned and right-of-use assets leased, is accounted for on a straight-line basis over the lease term. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Note 4. Summary of significant accounting policies (continued)

b) Other revenue (continued)

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

Note 4. Summary of significant accounting policies (continued)

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

Deferred tax is not recognised for:

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

Note 4. Summary of significant accounting policies (continued)

e) Taxes (continued)

Deferred tax (continued)

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

Note 4. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

Depreciation (continued)

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

Asset class	Method	Useful life
Building	Straight-line	40 years
Leasehold improvements	Straight-line	4 years
Plant and equipment	Straight-line and diminishing value	2 to 20 years
Motor vehicles	Straight-line and diminishing value	3 to 4 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

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

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

i) Financial instruments

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

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

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

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Derecognition (continued)

Financial assets (continued)

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

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

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

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

This approach is applicable to:

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

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (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.

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

Note 4. Summary of significant accounting policies (continued)

j) Impairment (continued)

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

l) Provisions

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

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

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

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

m) Leases

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

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Policy applicable before 1 July 2019

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

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

Note 4. Summary of significant accounting policies (continued)

m) Leases (continued)

Policy applicable before 1 July 2019 (continued)

- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

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

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

As a lessor

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

n) Standards issued but not yet effective

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

Note 5. Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

Note 5. Significant accounting judgements, estimates, and assumptions

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6. Financial risk management

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

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

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

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

a) Credit risk

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

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

b) Liquidity risk

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

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

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

Note 6. Financial risk management (continued)

b) Liquidity risk (continued)

30 June 2020 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	1,953	1,953	-	-
Lease liabilities	119,252	21,128	93,305	23,485
Trade payables	12,662	12,662	-	-
	133,867	**35,743**	**93,305**	**23,485**

30 June 2019 Non-derivative financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank loans	1,853	1,853	-	-
Trade payables	13,190	13,190	-	-
	15,043	**15,043**	**-**	**-**

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The company held cash and cash equivalents of $1,779,907 at 30 June 2020 (2019: $1,484,975). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7. Capital management

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

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

Note 7. Capital management (continued)

The distribution limit is the greater of:

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

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

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

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

Note 8. Revenue from contracts with customers

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

	2020 $	2019 $
Revenue from contracts with customers		
Revenue:		
- Revenue from contracts with customers	2,279,444	2,192,861
	2,279,444	**2,192,861**
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	1,852,647	2,022,794
- Fee income	136,828	144,231
- Commission income	289,969	25,836
	2,279,444	**2,192,861**

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

Note 9. Other revenue

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

	2020 $	2019 $
Other revenue		
Revenue:		
- Rental income	17,318	17,318
- Market development fund income	19,583	47,500
- Cash flow boost	62,500	-
- Other income	11,906	-
	111,307	**64,818**

Note 10. Finance income

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

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

	2020 $	2019 $
Finance income		
At amortised cost:		
- Term deposits	16,128	15,852
	16,128	**15,852**

Note 11. Expenses

	Note	2020 $	2019 $
a) Depreciation and amortisation expense			
Depreciation of non-current assets:			
- Buildings		11,886	11,886
- Leasehold improvements		4,742	4,741
- Plant and equipment		7,851	8,495
- Motor vehicles		10,540	11,458
		35,019	**36,580**
Depreciation of right-of-use assets			
- Leased land and buildings		14,707	-
		14,707	**-**
Amortisation of intangible assets:			
- Franchise fee		2,238	4,497
- Franchise renewal process fee		14,582	22,489
		16,820	**26,986**
Total depreciation and amortisation expense		**66,546**	**63,566**

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

	Note	2020 $	2019 $
b) Finance costs			
Finance costs:			
- Lease interest expense	21a)	6,086	-
- Unwinding of make-good provision		106	-
- Other		100	79
		6,292	**79**

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

Note 11. Expenses (continued)

c) Impairment loss on trade receivables and contract assets

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

	2020 $	2019 $
d) Employee benefit expenses		
Wages and salaries	773,573	898,689
Non-cash benefits	2,296	1,799
Contributions to defined contribution plans	130,494	136,802
Expenses related to long service leave	3,087	2,076
Other expenses	214,111	131,627
	1,123,561	**1,170,993**
e) Recognition exemption		
The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.		
Expenses relating to low-value leases	22,492	-
	22,492	**-**

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

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

Note 12. Income tax expense

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

	2020 $	2019 $
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Current tax	134,279	126,625
- Movement in deferred tax	(5,807)	557
- Adjustment to deferred tax on AASB 16 retrospective application	9,326	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	2,339	-
	140,137	**127,182**

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in loss of $2,340 related to the remeasurement of deferred tax assets and liabilities of the company.

Note 12. Income tax expense (continued)

	2020 $	2019 $
b) Prima facie income tax reconciliation		
Operating profit before taxation	563,549	462,189
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	154,976	127,102
Tax effect of:		
- Non-deductible expenses	-	565
- Temporary differences	(3,510)	(1,042)
- Other assessable income	(17,187)	-
- Movement in deferred tax	(5,807)	557
- Leases initial recognition	9,326	-
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	2,339	-
	140,137	**127,182**

Note 13. Cash and cash equivalents

a) Cash and cash equivalents

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

	2020 $	2019 $
- Cash at bank and on hand	358,312	883,740
- Term deposits	1,421,595	601,235
	1,779,907	**1,484,975**

Note 14. Trade and other receivables

	2020 $	2019 $
a) Current assets		
Trade receivables	184,036	195,068
Prepayments	9,712	23,820
Other receivables and accruals	2,800	7,037
	196,548	**225,925**

Note 15. Property, plant and equipment

	2020 $	2019 $
a) Carrying amounts		
Land		
At cost	378,030	378,030
	378,030	**378,030**

Note 15. Property, plant and equipment (continued)

	2020 $	2019 $
a) Carrying amounts (continued)		
Buildings		
At cost	475,422	475,422
Less: accumulated depreciation	(147,543)	(135,657)
	327,879	**339,765**
Leasehold improvements		
At cost	189,663	189,663
Less: accumulated depreciation	(54,942)	(50,200)
	134,721	**139,463**
Plant and equipment		
At cost	226,646	277,561
Less: accumulated depreciation	(202,457)	(241,586)
	24,189	**35,975**
Motor vehicles		
At cost	137,033	137,033
Less: accumulated depreciation	(84,575)	(74,035)
	52,458	**62,998**
Total written down amount	**917,277**	**956,231**

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

	2020 $	2019 $
b) Reconciliation of carrying amounts		
Land		
Carrying amount at beginning	378,030	378,030
Carrying amount at end	**378,030**	**378,030**
Buildings		
Carrying amount at beginning	339,765	351,651
Depreciation	(11,886)	(11,886)
Carrying amount at end	**327,879**	**339,765**
Leasehold improvements		
Carrying amount at beginning	139,463	144,204
Depreciation	(4,742)	(4,741)
Carrying amount at end	**134,721**	**139,463**
Plant and equipment		
Carrying amount at beginning	35,975	42,749
Additions	3,172	3,483
Disposals	(7,107)	(1,762)
Depreciation	(7,851)	(8,495)
Carrying amount at end	**24,189**	**35,975**

Note 15. Property, plant and equipment (continued)

	2020 $	2019 $
b) Reconciliation of carrying amounts (continued)		
Motor vehicles		
Carrying amount at beginning	62,998	74,456
Depreciation	(10,540)	(11,458)
Carrying amount at end	**52,458**	**62,998**
Total written down amount	**917,277**	**956,231**

c) Changes in estimates

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

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

Note 16. Right-of-use assets

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

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

	Note	2020 $	2019 $
a) Carrying amounts			
Leased land and buildings			
At cost		220,607	-
Less: accumulated depreciation and impairment		(133,590)	-
Total written down amount		**87,017**	**-**
b) Reconciliation of carrying amounts			
Leased land and buildings			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	220,607	-
Accumulated depreciation on adoption	3d)	(118,883)	-
Depreciation		(14,707)	-
Total written down amount		**87,017**	**-**

Note 17. Intangible assets

	2020 $	2019 $
a) Carrying amounts		
Franchise fee		
At cost	68,960	90,257
Less: accumulated amortisation	(65,229)	(82,027)
	3,731	**8,230**

Note 17. Intangible assets (continued)

	2020 $	2019 $
a) Carrying amounts (continued)		
Franchise renewal process fee		
At cost	55,961	112,445
Less: accumulated amortisation	(37,308)	(71,303)
	18,653	**41,142**
Other intangible assets		
At cost	126,136	126,136
Less: accumulated amortisation	(126,136)	(126,136)
	-	**-**
Total written down amount	**22,384**	**49,372**

	2020 $	2019 $
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	8,230	12,727
Disposals	(2,261)	-
Amortisation	(2,238)	(4,497)
Carrying amount at end	**3,731**	**8,230**
Franchise renewal process fee		
Carrying amount at beginning	41,142	63,631
Disposals	(7,907)	-
Amortisation	(14,582)	(22,489)
Carrying amount at end	**18,653**	**41,142**
Total written down amount	**22,384**	**49,372**

c) Changes in estimates

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

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

Note 18. Tax assets and liabilities

	2020 $	2019 $
a) Current tax		
Income tax payable	**34,565**	**44,944**

Note 18. Tax assets and liabilities (continued)

b) Deferred tax

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in equity $	30 June 2020 $
Deferred tax assets				
· expense accruals	825	204	-	1,029
· employee provisions	44,961	(3,817)	-	41,144
· make-good provision	-	(5)	593	588
· lease liability	-	(5,702)	36,708	31,006
Total deferred tax assets	**45,786**	**(9,319)**	**37,300**	**73,767**
Deferred tax liabilities				
· income accruals	1,935	(1,206)	-	729
· property, plant and equipment	6,770	3,095	-	9,865
· right-of-use assets	-	(5,350)	27,974	22,624
Total deferred tax liabilities	**8,705**	**(3,461)**	**27,974**	**33,218**
Net deferred tax assets (liabilities)	**37,081**	**(5,858)**	**9,326**	**40,549**

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

	30 June 2018 $	Recognised in profit or loss $	Recognised in equity $	30 June 2019 $
Deferred tax assets				
· expense accruals	1,073	(248)	-	825
· employee provisions	47,590	(2,629)	-	44,961
Total deferred tax assets	**48,663**	**(2,877)**	**-**	**45,786**
Deferred tax liabilities				
· income accruals	2,568	(633)	-	1,935
· property, plant and equipment	8,456	(1,686)	-	6,770
Total deferred tax liabilities	**11,024**	**(2,319)**	**-**	**8,705**
Net deferred tax assets (liabilities)	**37,639**	**(558)**	**-**	**37,081**

c) Uncertainty over income tax treatments

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

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

Note 19. Trade creditors and other payables

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

	2020 $	2019 $
a) Current liabilities		
Trade creditors	12,662	13,190
Other creditors and accruals	35,922	59,002
	48,584	**72,192**

Note 20. Loans and borrowings

	2020 $	2019 $
a) Current liabilities		
Current portion of secured bank loans	1,953	1,853
	1,953	**1,853**

b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	4.98%	Floating	1,953	1,953	1,853	1,853

Note 21. Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%.

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

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

Lease portfolio

The company's lease portfolio includes:

- Office Suite

  The lease agreement is a non-cancellable lease with an initial term of five years which commenced 7 June 2011. An extension option term of five years was exercised 7 June 2016 . The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term.

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

Note 21. Lease liabilities (continued)

a) Lease liability measurement

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

	Note	2020 $	2019 $
Lease liabilities on transition			
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	133,482	-
Lease payments - interest		6,086	-
Lease payments		(20,316)	-
		119,252	**-**
b) Current lease liabilities			
Property lease liabilities		21,128	-
Unexpired interest		(5,371)	-
		15,757	**-**
c) Non-current lease liabilities			
Property lease liabilities		116,790	-
Unexpired interest		(13,295)	-
		103,495	**-**
d) Maturity analysis			
- Not later than 12 months		21,128	-
- Between 12 months and 5 years		93,305	-
- Greater than 5 years		23,485	-
Total undiscounted lease payments		**137,918**	**-**
Unexpired interest		(18,666)	-
Present value of lease liabilities		**119,252**	**-**

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of $423.

Note 21. Lease liabilities (continued)

e) Impact on the current reporting period (continued)

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
· Occupancy and associated costs	20,316	(20,316)	-
· Depreciation and amortisation expense	-	14,707	14,707
· Finance costs	-	6,192	6,192
Increase in expenses - before tax	**20,316**	**583**	**20,899**
· Income tax expense / (credit) - current	(5,587)	5,587	-
· Income tax expense / (credit) - deferred	-	(5,747)	(5,747)
Increase in expenses - after tax	**14,729**	**423**	**15,152**

Note 22. Provisions

	2020 $	2019 $
a) Non-current liabilities		
Make-good on leased premises	2,261	-
	2,261	**-**

b) Make-good provision

In accordance with the office lease agreement, the company must restore the leased premises to it's original condition before the expiry of the lease term.

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

	Note	2020 $	2019 $
Provision			
Balance at the beginning		-	-
Face-value of make-good costs recognised	3d)	3,000	-
Present value discounting	3d)	(845)	-
Present value unwinding		106	-
		2,261	**-**

c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses.

The lease is due to expire on 7 June 2026 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22. Provisions (continued)

c) Changes in estimates (continued)

The financial effect of the reassessment, assuming no changes in the above judgements and estimates, on actual and expected finance costs and provisions was as follows:

	2020	2021	2022	2023	2024+
Profit or loss					
Expense:					
- Finance costs	106	111	116	122	390
Liability:					
- Make-good provision	2,261	2,371	2,487	2,609	3,000

Note 23. Employee benefits

	2020 $	2019 $
a) Current liabilities		
Provision for annual leave	41,176	49,511
Provision for long service leave	97,112	111,444
	138,288	**160,955**
b) Non-current liabilities		
Provision for long service leave	19,959	2,540
	19,959	**2,540**

c) Key judgement and assumptions

Employee attrition rates

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

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

Note 24. Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	1,527,561	1,527,561	1,527,561	1,527,561
Bonus shares - fully paid (2:1)	1,412,520	-	1,412,520	-
	2,940,081	**1,527,561**	**2,940,081**	**1,527,561**

Note 24. Issued capital (continued)

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 494. As at the date of this report, the company had 514 shareholders (2019: 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.

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

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

Note 25. Retained earnings

	Note	2020 $	2019 $
Balance at beginning of reporting period		943,539	770,236
Adjustment for transition to AASB 16	3d)	(24,587)	-
Net profit after tax from ordinary activities		423,412	335,007
Dividends provided for or paid	30a)	(191,105)	(161,704)
Balance at end of reporting period		**1,151,259**	**943,539**

Note 26. Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	423,412	335,007
Adjustments for:		
- Depreciation	49,726	36,580
- Amortisation	16,820	26,986
- (Profit)/loss on disposal of non-current assets	4,469	1,762
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	29,378	(20,482)
- (Increase)/decrease in other assets	16,025	558
- Increase/(decrease) in trade and other payables	(23,501)	(10,729)
- Increase/(decrease) in employee benefits	(5,248)	(9,561)
- Increase/(decrease) in provisions	105	-
- Increase/(decrease) in tax liabilities	(10,379)	23,087
Net cash flows provided by operating activities	**500,807**	**383,208**

Note 27. Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14	186,836	202,105
Cash and cash equivalents	13	358,312	883,740
Term deposits	13	1,421,595	601,235
		1,966,743	**1,687,080**
Financial liabilities			
Trade and other payables	19	12,662	13,190
Secured bank loans	20	1,953	1,853
Lease liabilities	21	119,252	-
		133,867	**15,043**

Note 28. Auditor's remuneration

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

	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	4,900	5,700
	4,900	**5,700**
Non audit services		
- Taxation advice and tax compliance services	1,300	1,295
- General advisory services	2,590	2,688
- Share registry services	6,410	6,824
	10,300	**10,807**
Total auditor's remuneration	**15,200**	**16,507**

Note 29. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

John David Stroud
Laura Elizabeth Lilley
Margaret Calder Sank
Gareth Little-Hales
Gai Williams
Iain Warren Fraser
Duuna Rochelle Landman
Prue Cathley Northey
Jillian Lorraine Rule
Lisa Maree Glassborow

b) Key management personnel compensation

	2020 $	2019 $
Key management personnel compensation comprised the following.		
Employee benefits	74,976	77,773
	74,976	**77,773**

Compensation of the company's key management personnel includes salaries and superannuation.

c) Related party transactions

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

	2020 $	2019 $
Transactions with related parties		
- 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.	8,437	19,406
Total transactions with related parties	**8,437**	**19,406**

Note 30. Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of Changes in Equity and the Statement of Cash Flows.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	6.50	191,107	5.50	161,704
Total dividends paid during the financial year	**6.50**	**191,107**	**5.50**	**161,704**

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

	2020 $	2019 $
b) Franking account balance		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	398,105	355,903
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded) 108,644		126,941
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	17,717	(5,106)
- Franking debits from the payment of franked distributions	(72,489)	(61,336)
Franking account balance at the end of the financial year	**470,274**	**398,105**
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	34,565	44,944
Franking credits available for future reporting periods	**504,839**	**443,049**

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

Note 31. Earnings per share

a) Basic and diluted earnings per share

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

	2020 $	2019 $
Profit attributable to ordinary shareholders	**423,412**	**335,007**

	Number	Number
Weighted-average number of ordinary shares	**2,940,081**	**2,940,081**

	Cents	Cents
Basic and diluted earnings per share	**14.40**	**11.39**

Note 32. Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 21).

	2020 $	2019 $
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	23,829
- between 12 months and 5 years	-	23,829
Minimum lease payments payable	**-**	**47,658**

b) Other commitments

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

Note 33. Contingencies

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

Note 34. Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Mt 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 2020 and of its performance for the financial year ended on that date; and

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

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

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

John David Stroud,
Chair

Dated this 4th day of September 2020

Independent audit report

Partners in success

Chartered Accountants

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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 2020 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

Mt Evelyn & Districts Financial Services Limited’s (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 4 September 2020

Joshua Griffin
Lead Auditor

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

In the spirit of reconciliation Mt Evelyn & Districts Financial Services Limited acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.

Bendigo Bank